Feedback

From: Patrick Drinkwater [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 26 Sep 2019 00:31:09 +1000

Hello,
I do not agree with the proposed 1:5 leverage on trading shares, the current 1:20 limitation is more than enough. Making the ability to set a stop-loss known, or minimum stop-loss levels of say 10% should be proposed instead.
Kind regards,
Patrick

Feedback

From: Paul Curtis [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 25 Sep 2019 17:56:57 +1000
Attachments: Unnamed Attachment (68 bytes)

Hi,
I would like to provide some feedback around the proposed changes to minimum margin rates and margin close-out.
I trade for a living and the proposed changes would have a large negative impact on my income producing ability.
I trade with CFD's because they allow me to develop systems where I can place a large variety of orders so that only a small percentage will actually get filled and all remaining orders cancelled on any particular day.
The new margin requirements and close-out rule would mean I would have to drastically reduce my position sizing in order to continue to trade these systems and I fear it may even reduce them to not being worthwhile to trade any longer.
Thank you for your time.
Cheers,
Paul Curtis.
Sent from Mail for Windows 10

Comments for Consultation Paper CP322

From: Pek Tho [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sun, 22 Sep 2019 15:13:02 +1000

Hi,

Please refer to attached file for my comments on CP322.

Regards,
LL

PS. I am happy to respond to any queries you may have,

Sent from my iPad

Retail Client - Strongly Oppose Leverage Reductions to CFDs

From: Peter Andersen [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 12 Sep 2019 16:44:46 +1000

ASIC Market Supervision
Firstly, may I note that as a "retail trader" I strongly oppose the restrictions on leverage by the ASIC market supervision proposals for CFDs.
The other proposals including negative balance protection are sound and supported.
For the purposes of your understanding of me as a "retail trader", please find below notes:

1. I am a professional project manager with 15 years postgraduate experience
2. Holder of Bachelor of Engineering and Bachelor of Commerce (Finance) degrees from the University of Queensland
3. Graduate Certificate of Property from University of Newcastle
4. Open Class Builder Licence in Queensland
5. Keen and active interest in investment with over 15 years' experience in multiple asset classes
6. I use CFDs as a trading product; as they were primarily designed to be used

I find the idea that the Regulator deem fit to intervene and completely destroy this valid trading product as both severe over-reach and cynical given the pretence of "consumer protection" against "gambling-type" products.
I would ask why the Government does not start with ***actual*** gambling products, such as Poker Machines, if consumer protection was so high a priority; of course one realises the real motivation is gaining a cut via tax revenue.
So as not to further expend time and effort given the futility may I suggest some alternatives:

1. Legislate for training qualification that can be delivered by the Broker prior to gaining access to the product with higher leverage
2. Provide an intermediate account type classification between retail & wholesale that allows the leverage levels required for using CFDs as a trading product
3. Define access to this intermediate account type by proven experience, not financial position, so as not to exclude all but the very wealthy as the current wholesale investor definition does.

I would be happy to be contacted regarding this consultation feedback.
Sincerely
Peter Andersen
[redacted]

Consultation Paper 322

From: Peter Bryden [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Tue, 24 Sep 2019 11:46:10 +1000

Attention: OTC Intermediary Compliance
Market Supervision
Australian Securities and Investments Commission

I would appreciate you accepting my submission on Consultation Paper 322: Product intervention: OTC binary options & CFDs.

In regards to binary options I have no submission.

In regards to CFD's I have been trading them for several years and would input the following.

I have traded Currency pairs generally at 100:1 & Equity indices at 200:1.

The proposals under 322 would see these leverage ratios reduced to 20:1 and 15:1.

The proposed new ratios would make it extremely difficult to trade against Wholesale traders that will still have access to ratios above 200.1.

As a retail trader that has gained several years experience, I feel the new ratios do not provide a stepping stone to allow that experience to be applied.

Could you please consider allowing experienced traders of say in excess of 5 years experience to have access to at least 50:1 in line with current USA ratios.

Because I do not qualify for a wholesale account, I fear the proposed ratios will shut me out of the market.

It has taken many years to have come up with a trading strategy that I can be profitable in the markets.

I fear my years of time & money invested will amount to little if the new ratios are adopted as proposed.

Please consider a higher leverage ratio for Currency pairs & Equity indices, that I may stay trading.

Many thanks,

Regards, Peter Bryden

[redacted]

Feedback

From: Peter Kouts [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 18:36:34 +1000

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dear sir madam
These changes are ABSURD
No one will be able to trade the forex market and i am sure you have received many negative responses.
It is not reasonable to offer 500:1 leverage on forex pairs and then change it to 20:1
The changes are taking away the freedom of nearly every trader i know
I trust that you dont make them
cheers
pete kouts
[redacted]

Feedback

From: "O'FARRELL, Peter (pofar1)" [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 12 Sep 2019 10:06:32 +1000

Your new rulings effectively shut down potentially thousands of retail traders who earn extra income streams through trading forex. It is challenging enough negotiating through the minefield of trading forex, now this is the nail in the coffin. One of the main reasons people are attracted to trading forex is the margin of 400:1 etc...so take this away...goodbye forex traders...thousands gave it away in the UK.....congratulations on making life harder for everyone trying to get ahead by trying to make an extra income stream..

Peter O'Farrell
[redacted]

Proposal to Limit Binary Options and CFD Trading

From: Peter Parsons [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 06 Sep 2019 17:31:34 +1000

Dear ASIC,
I am opposed to placing additional limits on the use of CFDs for individual traders. CFDs provide me with the following:
1. An effective portfolio hedging instrument.
2. The ability to conveniently establish short positions.
3. The ability to conveniently access foreign currency, commodities, and overseas stock and index instruments
4. Effective leverage when required.
If any limits are to be placed on CFDs, then those limits should be imposed on all market participants, not just individual traders.
At the same time, I believe that binary options are unsuitable for everyone (except binary option offerers), and these can be limited.
Regards,

Peter Parsons
[redacted]

Proposed Leverage Rate Changes

From: Peter Senior [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Tue, 01 Oct 2019 01:18:38 +1000

Dear Sir/Madam,

I write concerning the proposed ASIC leverages changes. This has already been implemented in Europe. What is has succeeded in doing is to drive many EU traders into the arms (as it were) of unscrupulous and unregulated brokers in dubious offshore legal jurisdictions.

While I believe that the use of excessive leverage is one factor in the failure and monetary loss of some traders it is by no mans the only factor. Indeed, many trading with the proposed new leverage in the EU have continued to lose money. I suspect this will also happen in Australia.

Why? Large hedge funds (billion plus), banks, and other speculators int the CFD markets have lost money for decades. The losses have nothing whatsoever to do with leverage. To cite one of dozens of examples: George Soros is a legendary investor and currency trader who is perhaps best known as the man who broke the bank of England. Yet, in a trade which had nothing to do with leverage, he lost nearly US$1 billion in options trading on the assumption that Trump's election would cause the stock market to crash. This is The Wall Street Journal article which confirms my assertion. There are numerous other examples of trades which involved no leverage whatsoever and yet resulted in large losses for professional investors.

The EU, and it now seems ASIC, seem to believe that losses in VFD trading can be significantly reduced if leverage is lowered. I submit thatthis will not be the case.

Trading requires a sound grasps of psychological (as confirmed by the research of six Nobel Laureates in Economics) technical analysis, risk management, fundamental analysis (knowledge of economic fundamentals), sentiment and other factors which drive the value of an asset up or down. Lowering leverage will not change this nor will it stop the losses engendered by the lack of knowledge retail (and professional) traders have in these areas. What is needed in my view is for ASIC to ensue=re that brokers foster the learning of these skills.

The high losses in CFDs are easily explained in the absence of high leverage. Anyone can turn on their computer and begin doing what professional bank and hedge fund traders have been trained to do to manage millions and billions in funds. It is just a mouse click away from people who want to augment their income without learning the ropes as is required in any profession whether it be lawyer, doctor or engineer (trading is no less challenging).

It is also worth noting that 97% of new businesses in Australia fail. This is a much higher percentage than retail CFD traders. Why? Is the cause leverage (misuse of borrowed funds) or poor business acumen in the form of poor planning, poor knowledge of accounting, marketing , etc. just as retail traders lack critical knowledge I have already referred to? In the EU, according to Forbes, 8 out of 10 European businesses ‘crash and burn’ within 18 months and the remaining 20 percent are unlikely to survive past year five. Yet in the EU an dnow in Australia regulatory agencies are focusing purely on leverage as if this is going to make a difference when the fault for failure clearly lies in other areas.Just ask George Soros!

I am sure my email will be ignored just as the EU ignored many similar points which were made. However, I must give my perspective. ASIC's implementation of lower leverage requirements will only succeed, as the EU's policy has, in driving retail traders to seek out far less well regulated jurisdictions thus resulting in more harm than good.

Kind regards,
Peter W. Senior

Feedback

From: Peter Wallbank [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 27 Sep 2019 22:26:24 +1000

To whom it may concern,

These measures will simply force people to move to overseas exchanges which in all probability will be poorly regulated and much riskier investments than the status quo. Thanks ASIC great job!

ASIC's proposed changes to CFD and binary options trading

From: Phil Gear <[redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 30 Aug 2019 09:09:28 +1000

Hi.

F1Q2...

FW: ESMA35-43-904

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 22:29:18 +1000

Hi ,
I trade CFD's as a retail customer for more than 5 years now.
Leverage limits are ok for people **with no or small experience** . It's a good thing. ==> (Also the negative balance protection - in case of a crash … U never know…)
But please consider that people with skill & experience are punished by this overall rule.
I want to be free to choose my leverage. I manage my risk accordingly .
As rule a broker could be advised for new clients to open an account with 1:30 leverage for every costumer and then
Scale up by the year
Year 2 = 1:50
Year 3 = 1:100
Year 4 = 1:200
Year 5 = 1:500
This is safe protection rule to filter out the "gamblers" & not punishing people who consider their retail trading serious!
Best,
Philippe Caenen
Ps: Binary options for retail are a gamble game (never traded them FYI) they should be restricted, no problem with that ☺

Feedback

From: Pierre [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 10:24:38 +1000

Goodday

I don’t agree with the proposed changed and would like to keep the margin requirements as is for retail customers.

Please advise or whether an exception can be made to my account.

Thank you

Pierre

Sent from my iPhone

Leverage requirement changes

From: Praful Umaretiya [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 23 Sep 2019 15:13:15 +1000

Hello there,

I have received an email from my broker about ASIC proposing leverage margin requirement changes and limiting to 20:1 leverage max.

I think that this will affect the Australian economy, jobs, reduction in significant number of trading transactions, money flow and it is overall bad for economy and traders as well. Current leverage requirement is all good and people who are using the leverage knows what they are doing and brokers are informing their clients about leverage risks.

So I am not in support of ASIC's proposal and I hope most of the treaders who uses leverages for trading CFDs are not agree as well. This changes will harm more than doing any good. So, I request not to go ahead with the changes and leave the leverage as it is.

Thank you,

With Best Rgds,
Praful Umaretiya

Changes to forex margins

From: raef mackay [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 23 Sep 2019 17:18:07 +1000

Hi

I would like to complain about the changes.
We deserve the right to have Australian brokers to trade at the same margin rates as most other developed countries in the world.
We as mature aged adults have every right to make our own decisions and don't need your assistance.

I have foregn accounts before but am happy with my money here in Aus. If you go ahead with these changes I will setup off shore again.

Thanks Raef.

Also if you require a job look into

1) Glen Core Finance actions during the GFC where they manipulated the price of copper and called in loans on many Aus gold and copper deposits. They clearly had motivation for their actions and now with hind sight / account declarations it is out in the open what they have done.
2) ANZ paying out of the ordinary dividends whilst being investigated last year for the Royal Commission.
3) Allan Joyce $2mill payment from Qantas accounts for his own personal cause.

CP 322 Product intervention: OTC binary options and CFDs

From: Raffaele Filardo [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 21:28:05 +1000

Hi,

I am writing to you as a retail trader providing comments on the following proposal:
CP 322 Product intervention: OTC binary options and CFDs

I agree that the proposal is well intentioned and aims to increase protections for retail traders. This is always appreciated on behalf of retail traders. Parts of this proposal call for the setting of leverage ratio limits of 20:1 for currency pairs. I believe that the aim here is to prevent retail traders from losing money. I agree that the current 400:1 leverage ratio is quite high however, regardless of the leverage ratio, if a trader engages in risky behaviour by:

1. Not defining the risk beforehand
2. Setting appropriate stop losses
3. Not engaging in position-sizing

Then lowering the leverage ratio won't stop an uneducated retail trader from "blowing up" their account. Leverage is a two-edge sword and reducing it will only delay, but not stop, the inevitable. Perhaps a compromise would be:

1. A maximum leverage ratio of 100:1
2. Automatic stop loss (as detailed in CP 322)
3. A requirement for brokers to educate retail traders about the use of stop losses

As is true in many other areas of life, better education will always trump tougher rules in terms of providing better outcomes for the people the tougher rules are designed to protect.

Regards,
Raffaele

RE: ASIC proposed changes to online Trading- Have your say

From: R C [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sun, 22 Sep 2019 17:51:42 +1000

To: OTC Intermediary compliance
OTC Intermediary Compliance
Market Supervision
Australian Securities and Investment Commission
Email: Market.Supervision.OTC@asic.gov.au <Market.Supervision.OTC@asic.gov.au>
Level 7, 120 Collins Street, Melbourne, VIC 3000

This is a tyrannical and dictatorial move which is being attempted by ASIC ,I will outline my statement as follows:

ASIC commission should not interfere between the client and the private corporation(in my case FXCM)
It is not the role of ASIC or the Government to decide to limit client's profit margins and or losses . Everyone loses with this proposition .

People all over Australia gamble in casinos ,TAB's ,pokies, online gambling leading may people and their families to personal and national ruin,there is no corporation limiting this huge blight on the Australian population
So again ,what is the real reason behind this proposed move ? Europe has already implemented this sinister agenda so it seems that there is a concerted effort to interfere with people's personal business decisions somewhat akin to Communism.

This decision if taken and implemented by ASIC, is not the benefit of the people , it is a direct interference on the basic principles of freedom, that is ; as long as companies such as FXCM do not break any established laws and advise the clients etc of the risk of losses there should be no interference from Government or private bodies limiting a Trader's profits ,people are adults and should make their own investment decisions .

Is there limits on how much an individual can spend on straight gambling in a casino ? NO!!So therefore there should be no artificial limits imposed by ASIC or the government , the government is there to serve the people , not the other way around.

Finally and to repeat, ASIC is there to oversee companies such as FXCM ,regulate and implement laws to do with trader's rights and to oversee rouge companies that do not follow rules.It is not ASIC'S role to make rules on what people decide to invest between themselves and a private company as long as the companies comply with established laws and codes,there should be no issue.

BBY limited went bankrupt 5 years ago and the clients still have not received their money back(including myself) , that is the real role of ASIC , protect the traders from things such as that ,not be the arbitrate or decider on how much people can profit as this is essentially what it is .

People don't need babysitting by the Government , they need and have a fundamental right to be served by Government.

Regards
RAI

Sent from [Outlook]

Feedback - ASIC Consultation Paper 322 - Product intervention: OTC binary options and CFDs

From: Satch H [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: [redacted]
Date: Sun, 29 Sep 2019 21:19:28 +1000

Dear Sir/Madam

I write in response to ASIC Consultation Paper 322 - Product intervention: OTC binary options and CFDs. I provide the following feedback as an individual consumer with approximately 15 years experience trading CFD and foreign exchange products. Please note, this correspondence is copied to the responsible minister for ASIC for their attention.

1. I welcome the review by ASIC.

I SUPPORT:

1. Margin closeout at 50% of margin;
2. Negative Balance protection:
3. Real-time disclosure of total position size;
4. Real-time disclosure of overnight funding costs;
5. The banning of binary option products.
6. Increased risk warnings….BUT with multiple examples for consumers for each product traded or available.
7. More transparent pricing and execution.

2. I DO NOT SUPPORT ANY CHANGES TO MARGIN REQUIREMENTS OR widespread, and potentially discriminatory, NEW LEVERAGE RESTRICTIONS proposed in respect of CFD products without regard for the education or experience of consumers.

The proposed changes are not an appropriate, fair or reasonable approach to providing safeguards for consumers. Such an approach unnecessarily restricts the freedoms, liberties and access for consumers to what are sometimes difficult-to-access financial instruments. Nor will such changes ensure the longevity of consumers in financial markets. The disadvantages for consumers overwhelmingly outweigh the benefits.

3. While such changes to margin and leverage restrictions might appear to be a convenient and expedient 'broad brush', single approach for a regulator to a perceived issue, I submit that this issue is actually a vastly more complex, multi-dimensional issue which requires a more finely tuned and fully considered regulatory - and, in some cases, non-regulatory - response.

4. Further, it would appear that the proposed margin requirements severe leverage restrictions may be too onerous on brokers and CFD providers, while unnecessarily restricting the liberties of consumers in a liberal democracy. Such proposals reduce market efficiency and are thoroughly inconsistent with notions of freedom of choice, autonomy and self-determination under such a democracy.

Excessive regulation in financial services is well known for driving up costs in other countries, ultimately increasing costs for consumers when they are eventually passed on to consumers'. With these considerations taken into account, unnecessarily arduous margin requirements and leverage restrictions may be perceived by many who rely upon maximum use of margin and optimal use of leveraged products - typically those with less capital available - to be unnecessarily intrusive regulatory action, if not 'motherhood' action, in the form of government policy. It may therefore neither enhance the reputation or effectiveness of ASIC and its highly skilled officers as professional, modern financial regulators, nor provide an acceptable or effective policy or legal outcome which is in the broader and equitable interests of all consumers. I note that similar approaches by regulators in countries such as the USA has received widespread criticism within the trading community and the outcomes for consumers are ambiguous.

5. There are also multiple financial, social, education and and economic advantages for a more educative approach which ought to be reasonably self evident to a well-informed regulatory authority - and which should not need to be elucidated here - but these are not examined in Consultation Paper 322.

By way of example, some traders affected by proposed changes may be asset-rich and cash-poor and be the unintended targets of such changes.

Other traders may rely on trading income to supplement low incomes - for example, older Australians who may have spent their lives working in financial markets - but may under the proposed changes be unable to supplement their incomes with trading income and therefore become a burden on social security sources.

Such matters ought to be examined and comprehensively considered by any regulator during such a consultation process.

6. I submit that the emphasis by ASIC should instead be on the introduction of mandatory education requirements for consumers in respect of Risk Management when using leveraged financial products.

. I submit that the emphasis should also be on reducing trading costs imposed by providers/brokers up on traders of smaller trading accounts - for example, or those less than $30,000 in total available acco unt equity - with a view to supporting the longevity of smaller traders when using financial products.

7. 'Smaller' traders (with comparatively less capital than 'larger' traders) should not be disadvantaged from entering financial markets simply due to low capital availability, which would certainly be the ultimate effect of such leverage restrictions, when CFD markets may actually provide rare opportunities for such traders to substantially alter their financial position for the BETTER in light of low capital availability. This appears not to have been considered at all in the consultation process thus far. The positive socio-economic benefits of such considerations should require no explanation.

8. Leverage restrictions are also not a measure that promotes acceptance of individual responsibility in either novice or experienced traders. On this note, excessive regulation is historically widely recognised as NOT being effective in developing positive traits of personal responsibility in individuals.

9. It is also not merely smaller traders who might potentially be deemed "irresponsible" with capital or risk management. Equally irresponsible 'larger' traders with more capital who trade markets not subject to the proposed restrictions, such as futures and options markets would be wholly unaffected by the proposed restrictions. This sends a mixed message to the broader financial community and society generally.

Restricting leverage for consumers is inconsistent with notions of socio-economic equity and no clear logic for imposing such restrictions on CFD consumers while continuing to provide unrestricted access to futures and options or other more highly leveraged products to irresponsible traders elsewhere. When it is also considered that "markets" outside of financial services but with arguably more substantial financial impact on consumes, such as gambling or poker machines, would under the proposed arrangements remain totally unregulated.

The distinguishing feature of harsh leverage restrictions for CFD consumers would appear principally to be to affect those traders might possess less capital than larger traders. Smaller traders would therefore be denied access to many markets simply because of the size and cost of existing CFD instruments in those markets.

11. in my view, one of the biggest barriers to effective risk management for traders is them not being able to manage position size with sufficient granularity to reduce risk. If brokers/providers were required by a regulator to provide to all consumers not just MINI-sized contracts, but also MICRO-sized contracts at approximately 1/100th of the size of the full-size financial contract - as in global foreign exchange markets and as provided by many international FX providers - then new or inexperienced traders would be able to better manage position size to reduce risk, particularly in times of high market volatility. This would enhance learning in financial markets while ensuring access for consumers and promoting the longevity of traders in financial markets.

In my experience, brokers/providers are far too slow to respond to consumer demand for smaller sized financial instruments, whether expressed or implied. I suspect that this may be because it reduces the total spread or brokerage payable to brokers/providers. However, if there are other issues of note for CFD providers or brokers, then further targeted submissions from CFD providers should be sought .

The most substantial contributing factor in me ever losing more money than I wished to do so on entering any occasion in the financial markets has NOT been undisciplined trading. Rather, it has been because I have not been able to trade in the chosen market with sufficiently small position size because of the often very large contract size required by CFD providers and brokers. It is for this reason that I often prefer to trader foreign exchange markets which, contrary to popular opinion, are actually less risky because traders are able to trade as little as $1 if they wish, and therefore take very small position sizes in the market. I cannot emphasise enough the important role that access for consumers to such micro-contracts has in sustaining the trading careers of smaller traders. In my view, smaller contract sizes in respect of commodities, bonds, shares and all other financial instruments are simple to implement for a CFD broker or provider and there appears to be no obvious barrier to their adoption by those entities in the interests of consumer longevity in the financial markets. These measures, combined with mandatory consumer education, would in my view ultimately have far wider and positive outcomes for consumers than the leverage restrictions proposed.

12. The second biggest barrier, in my view, to effective risk management for smaller traders is the fact that brokerage costs for smaller positions are in percentage terms much larger for smaller traders than for larger traders. This amplifies inequities against smaller traders as it substantially increases the trading costs of those traders in real terms, ultimately meaning that those smaller traders are more likely to have their trading accounts consumed by brokerage costs despite any efforts by the trader to minimise risk by taking smaller positions, whereas those with larger accounts are statistically more likely to survive when brokerage costs are considered. Any thorough examination by the regulator of data provided by CFD providers or brokers will substantiate this fact and identify that all brokers impose at least a minimum brokerage fee. Such minimum costs therefore adversely impact the longevity of smaller traders in financial markets much more so than for traders with larger trading accounts. This should be addressed by the regulator if smaller traders are not to be unfairly disadvantaged by any of the proposals outlined.

Most brokers today are not full-service brokers but online brokers. They are therefore not required to provide any other service or product other than a trading platform. Substantial brokerage costs cannot therefore be justified. It is for similar reasons that ATM costs in banking have been waived or abolished by most major banks and most privately-owned ATMs have minimised such costs for all clients.

Applying disproportionately large brokerage costs to traders reduces the amount of margin to them available for trading positions. Some traders, in fact, may be tempted to borrow unnecessarily to offset brokerage costs.

13. Restricting unnecessarily the margin and leverage available to Australian consumers may also have the unintended effect of forcing Australian traders to open accounts offshore with less legitimate providers in unregulated markets. It would be naive for ASIC to observe that brokerage services now operate in a global and highly competitive market. Australian consumers should not be punished for maintaining accounts with Australian CFD providers or brokers.

14. The above measures would also benefit from supplementation in the form of general trading education provided to consumers by brokers/providers on condition that they are provides to clients on a regular, no-cost, and NON-BIASED, basis by professional educators. This would be both in the interests of consumers, brokers/providers, and the regulators equally and reflect well upon the regulator and brokers/providers equally in terms of 'community' obligations to their sector.

15. Further, these measures should be supplemented by increased disclosure by brokers/providers in respect of:
a) their treatment and managed of stop loss levels provided to them by consumers, and;
b) their approach to managing or offsetting client risk, specifically disclosing whether or not they taking the opposite side of trades by consumers, or alternatively fully disclose to consumers as to how that organisation manages it's risk exposure in respect of client positions.

Such disclosure, may discourage or prevent perceived or actual "running" or triggering of stops by that broker or provider by using client information in relation to stop levels implemented on their trading platform to the advantage of the broker/provider and to the disadvantage of the client.

These measures are in the interests of all parties more broadly and, in particular, would promote actual and perceived industry transparency.

16. I therefore RECOMMEND that:

a) the ASIC-proposed restrictions on margin and leverage under consideration be dismissed and removed entirely from consideration;
b) all brokers/CFD providers be required to provide consumers with access to MICRO-contracts at approximately 1/100th of the full contract size, as well as access to MINI contracts at approximately 1/10th of the full contract size, in respect of ALL trading instruments - and not just some - that they mig ht offer as part of their service;
c) Brokers/CFD providers must REDUCE minimum brokerage costs for smaller account holders by EITHER not applying to consumers a minimum brokerage cost and INSTEAD applying brokerage at a percentage (%) of trade size, OR WAIVING minimum brokerage for smaller account holders or those with an account size less than $30,000 of total available equity. Alternatively a more suitable multiple-tiered brokerage system be implemented consistent with the objectives of reducing overall risk for smaller traders.

d Brokers/CFD providers must introduce and manage a compulsory online risk management course of instruction and assessment for ALL consumers on opening or maintaining an account;
e) brokers/CFD provides must introduce and provide a professional-standard trading education program for all clients, provided by professional facilitators, on condition that it is provided on a regular, no-cost, and NON-BIASED, basis. Such curricula and programming to be approved by the regulator;

f) brokers/CFD providers must disclose to consumers whether or not they are taking the opposite side of trades by consumers or not, or alternatively fully disclose to consumers how that organisation manages it's risk exposure in respect of client positions;
g) that brokers/CFD providers must fully disclose how they record, manage and act in relation to stop levels implemented by their consumers in order to prevent perceived or actual "running" or triggering of stops by that broker or provider while using client information in relation to stop levels implemented on their trading platform to the advantage of the broker/provider and to the disadvantage of the client; and
h) that the proposals supported above under point 1 be introduced into regulation..

I respectfully submit that THESE measures are where ASIC regulation and monitoring will have better outcomes for clients, for ASIC as a financial regulator in a liberal democracy, and for the financial markets as a whole, rather than implementing widespread, and apparently discriminatory, minimum margin requirements and leverage restrictions for all clients merely because those traders might choose to trade CFD products rather than futures, options or other products elsewhere.

I ask that these comments be given the most careful consideration and that the above recommendations ultimately be introduced into regulation.

Yours sincerely

R Brittain

Cc: The Honourable Josh Frydenberg MP, Treasurer of Australia and Minister responsible for ASIC.

Fwd: Leverage updates

From: Reece Lacey [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 16:47:16 +1000
Attachments: Unnamed Attachment (68 bytes)

---------- Forwarded message ---------
From: **Reece Lacey** [redacted]
Date: Wed, 18 Sep. 2019, 1:23 pm
Subject: Leverage updates
To: <Market.Supervision.OTC@asic.com.au>

If the leverage ratios are decreased i will not be able to make a sustainable living off trading and it would jeopardise my business. I would strongly recommend the proposals for increased margin calls and increased displayed risk warnings since many retail traders do not manage risk appropriately.
Thanks,
Reece Lacey

ASIC CFD proposal - trader's submission

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sat, 28 Sep 2019 18:19:20 +1000
Attachments: Unnamed Attachment (68 bytes)

Sirs,

28/09/19

I am both an investor of 20 years and a trader of CFDs for 9 years, I am also a Company director with daytime duties.

During evening trading times, while I watch markets movement, I communicate with many traders via forums

In the past I have dealt with FOS (now ASIC) on matters of misconduct of a CFD facilitator, the result was no action by FOS

If it is ASIC intention to abolish CFD and other derivatives then the paper serves no purpose and I am wasting my time in submitting my view. However, if the paper is meant to justify ASIC intention to raise margins, it fails in many ways. Much of of content of the paper, and in particular the examples given therein (comparing apples with pears), include misconceptions, exaggerations, generalizations that imply circumstances of the majority when the reality is that the generalization only applies to a few. Some of the generalizations and assumptions are just wrong and most of the statistics themselves are grossly misleading, if the statistics were to be broken-down to $500 to $2,000 accounts, $2000 to $10,000 accounts and finally to accounts of over $10,000, the statistics would show very different results between the 3 groups. additionally, my forum communications indicate that traders with account size of $50k or more hardly ever loose money as they risk manage using hedges rather than stops, a 25 fold increase in margins would make the capital requirement to hedge prohibitive (over $500k).

The summery of my submission is as follows:-

1. I fully support the initiative to make CFD trading fairer and to give the trader more protection

2. I do not support the proposal to diminish leverage (increase margins) to achieve the above

I believe the problem with Derivatives is more in line with inadequate regulation & oversight of the derivative facilitator/provider, it is not a problem with the majority of the traders. ASIC should concentrate on the provider's side of the equation rather that trying to find a solution by restricting the trading side.

As mentioned above, I had dealings with FOS, I reported breaches of a client agreement resulting in losses, FOS barely understood the issues and took no action, neither specific action addressing the matter nor general action to ensure that unfair clauses within client agreements be removed. Ambiguous clauses remained in future client agreements and so did unfair clauses. In essence FOS considered the client agreement as a civil contract, the unfair clauses were merely taken as disclosures and the breaches by the provider were classed as having different interpretation depending on which side they were seen from. In all FOS, in my opinion, failed to protect the retail trader although it agreed that some action benefited to provider unfairly. If ASIC now indents to protect the trader, it needs to concentrate on removing unfair practices and adopt a different attitude to that of FOS. It needs to concentrate efforts on the providers, not the traders.

My Submission:-

Through my own experiences and from communications with other traders, I am aware that some CFD providers are guilty of doing all the things described in your paper, however, these are mostly overseas entities that get clients through cold calls or referrals, they are also mostly small operators, I have not encountered hard selling, incentives to trade, lack

of transparency or other issues you mention among the larger AU licensed operators, the large AU providers are transparent in all they do and on their fees, however, the client agreements are grossly bias towards the issuer and offer inadequate protection to the trader. For example, I know of agreements that indemnify the provider in the event of technical problems thus giving the trader no recourse to recover losses due to not having access to a platform fit for purpose. My own provider has such a clause but gives a phone number to call, however, having called that number once when technical issues made the platform unresponsive during NY time (After hours in AU), it was unmanned, it redirected me to one of their overseas offices that was within hours but that office did not have access to my account....(this was part of my complaint to FOS, it received no attention)

AU providers mostly have adequate transparency through their "small print" client agreement but also have unfair clauses and, as I have experienced, incorrectly implement clauses doing so with impunity, with this in mind, I feel that trading losses brought about by unfair practices known, or that should be known, to ASIC cannot be lumped into your statistics as being caused by trader's ignorance or low margins. The responsibility of such losses, in my view, mostly rest with ASIC for allowing unfair clauses and for not taking action when deviation from the client agreement occurs i.e. The client agreements do give full disclosure and adequate transparency but some of the clauses clearly stack the odds in favor of the operator and sometimes implementation of the clause does not go as written. If traders loose money because of this, it is a failure of ASIC, not something that warrants a review of how traders trade or a review of margin levels.

Example of unfair clause: (that was brought to FOS attention but with no action taken)
One such clause says that position close-out will occurs when margin falls below 50% of that required, it then also says that reset level will be at 70% of margin required. The second part of this clause ensures that more positions than necessary will be closed-out because once close-out starts, the minimum required account value jumps from 50% to 70% of margin.

Example of incorrect implementation of a clause: (that was brought to FOS attention but with no action taken)
The client agreement details the position close-out procedure, it says that the trader can select which position group is to close first and goes on to say that close-out will continue only until margin reset level is reached. The provider will not follow this written procedure but will, in all cases I know off, close-out the whole account, including positions that are generating profits. Trader's losses become much grater than necessary, yet again, FOS did nothing when such case was presented to them. The close-out generated three fold the losses that would have applied had the proper procedure been followed.

There are many other instances were client agreements are not fair to the trader and were the agreement is not followed by the provider. Losses incurred due such events are not part of the general losses statistic but rather are created by failures withing the regulative process and failure of the regulators to assist recovery of the loss.

I will now show how losses incurred by either of the above will magnify once margin requirements are increased as proposed:-

Tom Fool is an inexperienced trader with a $10k account
Tom Fool buys 5 contracts of the DOW30 (position value $200k, the margin is $400)
market dips just 600pts then recovers with minutes.
Tom Fool, being inexperienced, just watched while the volatility put him in loss then in profit to his 100pt target
When market recovers Tom makes $750 profit

Tom Fool (in the Future) places the same trade, again with the same $10k account but now leverage is 15:1
Tom Fool buys 4 contracts of the DOW30 (position value $150k, margin $10,000)
market dips just 600pts then recovers with minutes.
Tom being inexperience just watched his account get liquidated
His $10k becomes $5,500, he lost $4,500, a loss that did not happen above when a lower margin applied.

Also note that an account liquidation of multiple poisons, (on simple calculation using the 50% margin depletion rule) the result is a bigger loss when margin is higher.
e.g. Say margin required to hold multiple positions was $1k on current margin, it would be $33k on 15:1
Liquidation on the $1k margin on the 50% rule = $500 loss in addition to position movement
Liquidation on the $33k margin on the 50% rule = $16.5k loss in addition to position

movement.

A possible scenario for experienced traders could be as follows:-

Tom Present, a semi-experienced trader, opens an account with $10k, experience tells him to deploy only 10% of capital at first.
Tom buys 10 contracts of the DOW30 (Position value $400k, current margin is $1k)
market temporary goes against him so he buys 2,000 units of VIX futures as a hedge.
Total capital deployed to have an account at neural is $7K, still has a $3k buffer
market has a 10% flash crash then recovers, Tom, being fully hedged, suffers no further unrealized loss and Still has $3k to manages the hedge
When market recovers Tom banks $1.5k profit (the 100 pts originally wanted).

Tom Future, now trading on the new 15:1 leverage
Wants to repeat above trade, but margin required now is $33k, so he over extends himself and puts $40k into the account (4 times previous amount)
enters 10 DOW Contracts requiring $33k margin, (now has a $7k buffer- insufficient for a hedge)
market temporary goes against him, he wants to hedge but has insufficient margin to buy the hedge, so he has to STOP his position
market has a 10% flash crash then recovers, Tom, not been able to protect the trade with a hedge, suffers a loss even though the recovery was quick

The examples above show that both an experienced and an experienced trader can make profit on low margin but looses money on a higher margin

All 3 scenarios above show that:
Inexperienced traders will suffer bigger losses when margins are higher
While experienced traders will be hindered in exercising proper risk management, it also creates a condition that a hedge in the same instrument (but different direction) may not be able to be unwound because unwinding would need additional, substantial margin, this will create losses which would not occur at the current, lower margins

Lastly, the proposed 20 days notice period is highly, highly inadequate, laughable actually, such a short lead time will force many losses, the very thing ASIC is trying to avoid. All investors/traders using CFD as the instrument for long horizon trading or as an investment or as an offset, will be forced to close-off positions, unable to carry the burden of depositing $300k or more additional margin to hold the 100 or so existing positions that have not yet achieved the objective or are used as hedges. The very least ASIC should do to assist this class of CFD users is to implement the new requirements on new positions and not on existing positions

A further consideration is that ASIC should not create a situation that an investor or trader is required to hand over a huge sum to be kept by the provider for lengthy periods.

From my communication with traders over forums, I estimate that 25% to 40% of CFD users use them for legitimate long horizon trading or as an investment tools (not all CFD instruments have holding costs), something ASIC themselves have acknowledged. These type of traders/investors need 100 or more open contracts at any one time, margins on the magnitude proposed will destroy the hedging aspect of CFD instruments.

I believe I have shown, from a trader's prospective, that higher margins will not result in lower losses, the result will instead be fewer people trading but with higher losses and higher frequency of losses because experienced traders will also start to loose due inability to implement loss-free risk management. The solution to protect traders is in better oversight of the provider, comprehensive scrutiny of client agreements, removal of unfair clauses and the punishing of unfair practices, restricting the ability to risk manage is not a solution.

May I suggest that ASIC do what the casinos do... collect an entry deposit from new players and restrict the size of their account. The deposit is returned and the limit on the account removed after a period of time or when the provider confirms that the new trader is on average with other traders.

I also reiterate that creating circumstances were ASIC allows a provider to collect many million $$ in margin deposits is ludicrous, it gives an incentive for small providers to disappear with the trader's deposits.

I hope to have given ASIC an insight from a trader's point of view, I also hope I have not wasted my time

Thank you for reading my submission

R
[redacted]

--
Please note that my alternate email is: [redacted]

[redacted]

Feedback

From: Rhys Corry [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 01:09:10 +1000

Dear ASIC,

I am aware of the proposed changes ASIC is potentially undertaking with regard to OTC derivatives such as CFDs and in particular the leverage and ability to access this as a retail investor.

I write to you as the proposed changes will affect me substantially.
I am a 24 year old, with a full time job in finance and have a Bachelor in Accounting and Bachelor of Finance and am classed still as retail investor. I make this point as even with this education and exposure I still do not qualify as a wholesale investor and while that is not the purpose of this email to argue about my classification as an investor I do write this instead to make clear that I do use CFDs and understand them, even as a retail investor.

A recent example being I was able to take a short position against one of the companys I actually own as a shareholder in the reporting season to hedge myself on the downside. Without the leverage and allowance for retail investors to use this product I would have been at a loss. Instead, I was able to neutralize any negative movement and volatility, while still being able to hold onto my shareholding in the company.

I understand the risks involved and it is made very clear from the beginning that there is a potential to lose money, as there is with any investment. ASIC mentioned a few stats about the amount of money lost and the percentage of people that have lost money. While that may be true, I do not want to be punished by other peoples failures when the strategy I use works for me very well. I emphasise that I would not be able to do this without the leverage available to me or to do this as a retail investor.

I am happy to discuss this further as I dont want to lose the ability to be able to control my money and fortunes as well as protecting myself during times of volatility.

You are welcome to reply to this email or contact me on [redacted]

Kindest regards,

Rhys Corry

Feedback

From: Ricardo [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Sun, 22 Sep 2019 16:35:13 +1000

Dear ASIC,

Betting or investing in the financial markets has always been considered a risk. Restricting the leverage for currency trading and/or forbidding binary options in Australia is leaving this area of financial investing up to wealthy individuals or wholesale clients (depending on regulatory requirements). Those of us retail traders that don't fall into the above two categories who are using these financial instruments responsibly, are educated and continue on the path of financial education in this field are put at a great disadvantage at the cost of protecting those who mistreat and misuse these financial instruments and are ignorant to even the most common binary and currency trading education provided by brokers and independent or third party sources.

Introducing these restrictions would be a loss for the normal Australian people to have a fair go to compliment or advance their financial status.

Regards,
Ricardo Bloch

Feedback

From: Richard Hurford [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 25 Sep 2019 16:08:57 +1000

Margin restrictions. I wish government sponsored orgs. like ASIC would stay away from financial markets. [redacted]
Richard H

leverage on forex

From: Rick Emerson Ong [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Tue, 24 Sep 2019 04:58:29 +1000

Hi,

As a foreigner doing business with ICMarkets, I can say that there is nothing wrong with the current setup with them offering 1:500 leverage on forex transactions.

We can handle our own leverage and there is no need to change the status quo. Thank you.

RIck Ong
Philippines

Current proposals for asic and changes

From: robert giff [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 09:14:46 +1000

Good morning,

I have recently been informed of proposed changes to how one could trade on the fx market and while i understand the angle ASIC is driving from i believe the current frameworks are working already in favor of both uneducated and educated traders.

There needs to be a line where the free market needs to have the ability to take on it OWN risk without the whole environment being put the the chopping block.

Given the chances of leverage and the margin calls being force to 50% is a large and inconsiderate movement, during times of big news and impacting statements i believe this will not benefit traders, margin holders or the australian market as a whole.

I believe a better solution would be to force all placed entry with a mandatory stop loss instead of an account margin call closure at 50%

This will decimate open trades of individuals that span years.

Please reconsider the proposed chances put forward today

Thanks again for your time

Robert.

Changes to margin requirements

From: robert slater [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 26 Sep 2019 17:12:05 +1000

Hello Asic

Please leave it as it is we all get told of the inherent risks of margin and are aware of our risk to reward. If you changer to 20:1 there will be no point using CFD's I will trade options again and Bitcoin. My portfolio consists of 30% margin with FXCM and they are transparent leave it as it is please.

Robert Slater

Sent from Outlook

Feedback

From: Rod Sawyer [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Fri, 13 Sep 2019 11:21:58 +1000

To whom it may concern,
It has come to my attention that ASIC are looking at some very restrictive leverage restrictions on the FX markets through Australian brokers.
These restrictions will seriously affect my ability to trade through the Expert Adviser software I am using. The software will not work properly with the leverage that ASIC is proposing.
I and many others would not be able to meet the following criteria. Have net assets (including property, savings, super and any other assets you own) of at least AUD $2.5 million OR
You have gross income for each of the last two financial years of at least AUD $250,000.
I have been successfully trading for the past 5 months without any financial loss and wish to continue. If ASIC goes ahead with these proposals it will mean that I and many others would have no choice to find an overseas broker and having to work in USD or other currencies which in my mind is unacceptable. Who knows what sort of regulations brokers outside Australia are under? I would much prefer a broker I can trust in this country.
We hear every day of many who are jobless because of age and have not enough savings to help through retirement. Now it seems once again any possible opportunity for those that want to take it is being squashed in favour of the wealthier.
In summary nothing would be gained and just make it harder for people in Australia to be able to add something to their incomes. Sending us offshore to be able to continue.
Yours Faithfully
Rod Sawyer
[redacted]

ASIC Consultation Paper 322

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Tue, 01 Oct 2019 03:23:19 +1000

Below are my responses to the two sets of questions from your Consultation paper.

E1Q1-E1Q4

E1Q1 Do you agree with our proposal to make a market-wide product intervention order which prohibits the issue and distribution of binary options to retail clients? If not, why not? If you disagree that binary options have resulted in, and are likely in future to result in, significant detriment to retail clients, please provide evidence and data in support of your view.

Yes, I agree.

E1Q2 Do you agree with our proposal that the order would remain in force for a period of 18 months? If not, why not?

Yes, I agree.

E1Q3 Do you agree that our proposed delayed commencement of the order is appropriate, balancing the time it will take to implement the order and the nature, likelihood and extent of the significant consumer detriment? If not, what is an appropriate period?

No, I disagree with the proposed 10 days. That time would not allow clients with longer-term options to perhaps run out/trade out of potentially financial losing positions. The 10 days could apply to new clients and new orders, which would still have the effect of immediately reducing the potential consumer detriment from continued trading of these instruments, but I consider a commencement after 3 months as a more appropriate period for existing open orders.

E1Q4 Do you agree with our identification of the effects that making the proposed product intervention order will have on competition in the financial system? If not, why not?

I do not have an opinion on this question.

F1Q1-F1Q6

F1Q1 Do you agree with our proposal to make a market-wide product intervention order which imposes Conditions 1–8 (set out in Table 5) on the issue and distribution of CFDs to retail clients? If not, why not? If you disagree that CFDs have resulted in, and are likely in future to result in, significant detriment to retail clients, please provide evidence and data in support of your view.

I do not agree with your proposal for two reasons:

1. *I consider the proposed market intervention will unreasonably curtail a legitimate investment avenue available to those experienced investors in marginFX who understand the risks of this environment very well. It should not be too complex to allow clients with say, two years' profitable trading history, to continue under current trading terms and at the same time reduce the activity of those you seek to protect from self-harm.*

2. *I believe your intervention will have the unintended consequence of simply sending to other jurisdictions those vulnerable traders in this field you seek to protect. Those other jurisdictions may well offer much less protection than investors in Australia have. Your*

intervention will certainly greatly reduce both the complaints to Australian authorities and financial detriment to clients of brokers with AFSLs. However, I believe a better solution to the problem you are seeking to address would be to allow the current CFD providers to continue to offer the products available now, but with stricter regulations on the acceptance of new clients.

F1Q2 Condition 2 would require the terms of a CFD to provide that a CFD issuer must close out one or more of a retail client's open CFD positions, if the retail client's funds in their CFD trading account fall to less than 50% of their total initial margin required for all of their open CFD positions on that account. Do you agree with this condition or would it be better for clients (and operationally easier) if the CFD issuer is required to close all of the retail client's open CFD positions?

I agree with this proposal, as it is common practice with MarginFX brokers now. It would be better if the issuer did not close all open positions, as this would allow the client to continue trading with the possibility that the account could be returned to a low or zero margin situation.

F1Q3 Condition 5 would require a CFD issuer to provide a prominent risk warning on account opening forms, trading platforms maintained by the CFD issuer, websites and the front page of PDSs. Do you agree with this condition? Do you think a risk warning should also be required on all advertising and marketing material?

I agree with this condition and it is largely implemented now. I utilise 5 different MarginFX brokers and their web sites, account opening forms and marketing materials display these warnings prominently now.

F1Q4 Do you agree with our proposal that the order would remain in force for a period of 18 months? If not, why not?

I agree with this.

F1Q5 Do you agree that our proposed delayed commencement of the order is appropriate, balancing the time it will take to implement the order and the nature, likelihood and extent of the significant consumer detriment? If not, what is an appropriate period?

I agree with your proposed time for commencement of the order EXCEPT for condition1, where I suggest the period should be at least 6 months. I trade MarginFX often with long-term strategies and will at times have positions open for 3 months, 6 months and sometimes longer. There have been times when the change to greatly reduced leverage (which you propose) would result in significant financial loss (perhaps of several hundred dollars) as there may not be sufficient capital available to meet the sudden increase in margin required. I urge you to consider a longer period to allow open positions to be 'unwound'/run-out without the financial loss – particularly for those clients who can demonstrate this imminent loss when the order takes effect. The significant consumer detriment reduction which you seek could still be achieved in the short-term for the great majority of traders.

F1Q6 Do you agree with our identification of the effects that making the proposed product intervention order will have on competition in the financial system? If not, why not?

I can not offer an opinion on this question.

Thank you for your consideration of this submission,

Sincerely, Roger Harris

Feedback

From: Ross Malseed [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 25 Sep 2019 14:59:19 +1000

Just making it harder for the little guy and restrictive. If you need this level of protection don't engage in this activity. It's unfair to people trying to move from retail to wholesale, it's very discriminatory.

Sent from my iPhone

My response

From: Ruby Amouyal [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 07:40:19 +1000

I truly believe that reducing the leverage will not stop anyone from trading or loosing less it will only increase the amount they deposit each time therefore risking more. I understand that for most people trading is an addiction we have to approach it just like any addiction and we don't close casinos because of it and we don't stop tobacco companies from producing cigarettes. We increase the price of cigarettes and people turned to role their own didn't stop them smoking. What I think to be very affective is education and stopping brokers from trading. closing down any unfair establishments and instruments will be allot more helpful.

Strongly Againsed the Proposed changes

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 08:46:48 +1000

Hi my name is Russell Connelly
I'm not in favor of the changes ASIC has planned to introduce, I'm only a small time trader with a small Account through FXCM, if you decide to bring in the changes that I have read in the email sent out today it will knock me strait out of the market, why are you intending on changing margin lending ,.all yo[redacted] doing for me [redacted] an
t [redacted]

RUSSELL

I do not support the change in leverage caps to traders

From: Ryan Henaway [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sun, 22 Sep 2019 01:54:57 +1000

I do not support the change in leverage caps to traders

Proposed changes to forex trading

From: Ryan Tait [redacted]

To: Market supervision - OTC <market.supervision.otc@asic.gov.au>

Date: Thu, 19 Sep 2019 22:09:28 +1000

To whom it may concern,

I was shocked to read the proposal to change the leverage and margin call rules around forex trading. The rules that are being proposed create a divide between the poor and the rich and keep the poor people from being able to climb to the rich side.

Right now I can make an investment with $100 and I earn enough that it's worth my while, or I control my loses and only lose what I'm comfortable with. Your proposed changes would mean I would need at least $5000 in my account to make the same trade, and it wouldn't take much of a fluctuation for me to get margin called.

This proposal makes it almost impossible for the regular income earners to invest in forex, trading is for everyone, not just the rich.

Regards,

Ryan Tait.

Feedback

From: Samuel Christensen [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com, [redacted]
Date: Thu, 12 Sep 2019 20:13:33 +1000

Good evening,

I am a retail trader who has come to rely on income generated by high leveraged products offered by the likes of Pepperstone.

I have invested heavily in professional development to understand the risks and rewards associated with such products and find that my current broker are open and transparent about the risks, with their various platforms offering appropriate tools for risk management.

The high leverage offers a way for retail investors such as myself to access high yield opportunities without the need for large capital outlay.

We live in very uncertain times with the casualisation and automation of jobs and and now the very real prospect of a recession which will no doubt increase the unemployment rate even further. Trading gives people an opportunity to earn an income without relying on economic conditions.

ASIC intervening and taking further opportunities away from people who understand and can work around the risks of CFD trading in my opinion will simply send traders offshore into unregulated markets.

I would much prefer to keep the current arrangements we have here in Australia, rather than Australia once again covering an industry in red tape and sending opportunities offshore.

If trading is so akin to gambling as has been said in ASIC media releases then perhaps you should take further action on Casinos and Pokies who do far worse to people of lower socioeconomic demographics and put even further strain on government services.

Regards,

Sam Christensen

Feedback

From: Sam Lawrie [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 09:01:42 +1000

To whom it concerns,
The proposed changes to margin requirements and leverage on CFDs in Australia is a horrible policy crafted with the best of intentions.
I understand the reasoning behind the action- CFD losses can be large and can really impact the financial health of Australians.
However, we live in a free country, where people are free to invest their money how they choose. If they wish to invest their money using CFDs instead of the usual route of shares with Commsec or property, then they are (and should remain) free to do so- they've made a conscious decision freely, for better or worse.
When it comes to leverage, we all know it's a double edged sword- every trader has seen both the ups and downs that leverage amplifies. Yes it makes for more risky trading when doing so with high leverage, but that is the entire point of trading with leverage in the first place- to take more risk than you can without it.
My point is that traders understand leverage- probably better than regulators. We live and die by leverage, and there's a reason that we trade with it- we like it.
I see the fundamental issue being the "do something" fallacy- you feel like people losing money is motivation (or justification) enough for regulating the industry- that if only traders were forced to trade with less leverage by the ever-benevolent nanny state, they would lose less and possibly win more. This isn't very logical, as the question could be posed- is it the leverage that makes traders lose money, or is it a function of their skill and knowledge?
How can some traders make millions of dollars a year, while others lose, all with the same leverage? It doesn't make sense if leverage is the problem, does it?
This will reduce capital efficiency for traders, and therefore reduce profitability for successful traders- something I think you haven't paid enough attention to.
If you really want to fix the system, improve incentive structures at CFD platforms and ensure traders know what they're getting themselves into. That's really all that can be done that will have any real positive impact.
Cheers,
Sam Lawrie

Feedback

From: sam peric [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 21:58:09 +1000

It seems your proposal to limit leverage to 20:1 on forex trading will be unnecesarily restrictive on retail traders. Why are you proposing this? The brokers know their business model will work with higher leverage.

Feedback

From: Sam Rizza [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 29 Aug 2019 21:18:48 +1000

Hi,
I object to these changes, especially margin increase to share CFDs.
The beauty of CFDs is that one can build a positions with the markets money, ie pyramid as price increases in value. If losing money is the concern then make retail investors use GSLOs, the margin will be equal to the stoploss amount.
Regards
Mr Salvatore Rizza
Sent from Mail for Windows 10

Feedback

From: Sam Taylor [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 18:17:05 +1000

To whom it may concern.
I have seen the new proposals on forex leverage to go down to 20:1 or 15:1.
I think these are very restricting and absurd. 100:1 would be much closer to the mark. All you will do is push the average trader to go overseas for a broker. This will lead to more money leaving the country and a lot more people being scammed.
People who lose money on forex will do so in Australia or overseas your restrictions will not matter. I think you are shooting yourself in the foot.

Kind regards. The average working Aussie/part time forex trader.

Sam

FW: Changes Proposed by ASIC – Have Your Say!

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 20:22:48 +1000
Attachments: Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes)

As a trader for the last 20 years I cannot believe the proposals being put forward.
As usual ASIC is interfering in a process that has worked effectively without them.
Your proposals take away the ability for small investors to be able to trade effectively / safely.
All the necessary 'safety' is already in place.
Your 50% proposal will cause unnecessary financial losses in heavy market fluctuations.
Stop interfering in a process that works and doesn't need over-regulation and complication.

Seth Higson **|**

Please consider the environment before printing this email

From: FXCM <info@fxcm.com>
Sent: Wednesdav. 18 September 2019 6:01 AM
To: [redacted].
Subject: Changes Proposed by ASIC – Have Your Say!

Our regulator, the Australian Securities & Investments Commission (ASIC), has recently published proposals which will have a direct impact on the way you trade with us. ASIC are now seeking the views of consumers, product issuers and other stakeholders impacted by these changes.

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FXCM

Dear Client,

Our regulator, the Australian Securities & Investments Commission (ASIC), has recently published proposals which will have a **direct impact** on the way you trade with us. ASIC are now seeking the views of consumers, product issuers and other stakeholders impacted by these changes. You can submit your feedback by October 1st 2019. The steps for doing so are outlined at the end of the email.

We have created a summary below to assist you in understanding how these proposals will affect you, if implemented.

CFD Leverage Ratio Limits

You will no longer be able to trade with higher leverage, as you may have in the past. According to the proposals, leverage ratios will be limited to the following:

- 20:1 over currency pairs or gold;
- 15:1 over stock market indices;

- 10:1 over commodities;
- 2:1 over crypto assets;
- 5:1 over all other underlying assets.

For instance:

Presently, currency pairs are offered at up to 400:1 leverage. This means you can open a position of $40,000 AUD, with $100 AUD.

If the proposed changes come into force, currency pairs will be offered on up to 20:1 leverage. This means in order to open the same position of $40,000 AUD, you will now need $2000 AUD.

In short, leverage restrictions may reduce your losses of trades when the underlying market moves against you; they may also reduce your ability to profit when the market moves in your favour.

Standard Approach to Automatic Close Out

ASIC is also proposing that if the funds you have in your account fall to less than 50% of the total initial margin for all of your open trades, some or all of your positions will automatically be closed.

For instance:

If your total initial margin to open your current positions was $100 AUD and your equity falls to $50 AUD, some or all of your positions will automatically be closed.

Other Proposed Changes

- Prohibitions on incentives (trading rebates and gifts);
- Displaying risk warnings;
- Negative balance protections;
- Disclosure obligations.

You can read all of the proposals here: **[Product Intervention: CFDs]**

The ASIC Consultation ends on October 1st 2019. ASIC have undertaken to consider all feedback before making a final decision. Changes to leverage can come into effect 20 business days after a final decision is made. Other changes can be implemented within 3 months.

Will I be Impacted?

Will I be impacted?

We are concerned that some of the suggested changes are restrictive and may not result in the outcome ASIC is seeking. We will provide a detailed analysis to ASIC. In doing this, we aim to uphold the interests of investor protection whilst at the same time, maintaining an accommodating approach to your trading experience.

Have Your Say

ASIC is seeking feedback from consumers like you. We would urge you to take this opportunity and send your views to:

OTC Intermediary Compliance
Market Supervision
Australian Securities and Investment Commission
Email: Market.Supervision.OTC@asic.com.au
Level 7, 120 Collins Street, Melbourne, VIC 3000

Remember that forex and CFD trading can result in losses that could exceed your deposited funds and therefore may not be suitable for everyone, so please ensure that you fully understand the risks involved.

FXCM Australia Pty. Limited
Level 13, 333, George Street
Sydney, NSW 2000

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The information provided by FXCM AU is intended for residents of Australia and is not

Fwd: ASIC changes to CFD’s

From: Shaun Blackburn [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 20:24:14 +1000

To whom it may concern,

I am just emailing you regarding my feedback on the proposed changes to leverage with CFD’s.

I believe by reducing leverage offered, it will open up customers to further broker risk.

They way I currently set my capital up is via capital partitioning, by having a portion of my capital in my brokerage account and the other portion in a bank. From there i use the leverage offered to take trades for the full capital size without having it all in my broker

The first benefit of this is protecting all of my capital against potential issues which may arise with the brokerage if accounts get frozen, so that way I can easily move the rest of my money elsewhere without being majorly impacted.

The second benefit is to protect all my capital against scenarios such as when the Swiss Depegg occurred and a lot of customers lost all their capital due to the large move.

The third benefit is also allowing the other portion of cash not in my brokerage account to continue growing via another form, or with a different broker allowing share trading etc.

Again this is just my feedback but if you have any questions, please let me know.

Kind regards,
Shaun
--
Kind regards,

Shaun

Feedback

From: Shrishail Utagi [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 24 Oct 2019 00:47:18 +1100

Dear Sir,

I am in direct relation with FOREX & Commodity Trading, currently part time but my goal is to become full time professional trader.

I strongly DISAGREE with the point 1 as mentioned in the ASIC's consultation paper on Trading.

But I also agree with the followings:

1. Transparent pricing with execution : Strongly Agree
2. Risk warnings : Strongly Agree
3. Prohibition on inducements : Strongly Agree
4. Binaries : Strongly Agree
5. Real-time disclosure of overnight funding costs : Strongly Agree
6. Real-time disclosure of total position size : Strongly Agree
7. Negative balance protection : Agree. But it should be left to the Trader to declare to the Broker. He/she may be comfortable with 50% margin close-out rule or 25% margin close-out rule, so it should be at trader's discretion.

I strongly DISAGREE with proposed " Minimum margin rules". It will destroy the Trading industry in Australia, not going to be good Australian economy and no trader can afford the huge amount which ASIC is proposing as below:

1 contract AUD/USD A$5,000 in place of existing $500 (10 times)
1 contract Australia 200 cash (A$25) A$10,805 in place of existing $810 (more than 13 times)
1 contract oil - US crude ($10) A$8,267 in place of existing $1,240 (6.666 times)
1 contract bitcoin ($1) A$7,125 in place of existing $1,425 (5 times)
500 shares of BHP Group Limited A$3,560 in place of existing $890 (4 times)

ALTERNATIVE PROPOSAL :

Restrict the trader from losing more than X% (X can be between 1 to 5% of trader's account size) by forcing him/ her to put stop loss at X% distance from the Entry price. If the trader is not putting a stop loss while taking a trade, the broker MUST NOT execute the trade. Once placed, the Stop Position can not be altered to lose more money.

E.g. if a trader is Short selling the German 30 Cash Index (DAX 30) at 12,264 price level and his stop position is at 12,301 price level and the trader is having $10,000 in his broker account of which he is only investing 1% of it i.e. $100, then his position size would be 1.67 and HE CAN NEVER LOSE MORE THAN $100 in this trade. so on and so forth.

ASIC Should force the broker to NOT allow execution of the trade unless stop at X% is put and not changed as explained above.

THIS IS THE BEST SOLUTION. Trader can learn to Trade, Brokers can run their business and the industry is able to run.

I hereby sincerely request ASIC to implement the above alternative proposal.

With regards,

Shrishail Utagi

Leverage Change Policy for CFDs

From: Simon [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Tue, 24 Sep 2019 08:10:11 +1000

Dear Sir / Madam,

This is just a simple piece of feedback to aid in the development of effective regulation which safeguards brokers and their clients from excessive risk of loss.

The ASX has done little to implement smaller face value (e-mini) futures contracts, which no doubt would have been a *significant and safer* alternative to the retail-driven CFD industry. So let's keep that in mind first and foremost. When the ASX dropped the ball, market forces did what they are supposed to do under our blessed capitalist approach.

Excessive margin allowances are risky, unnecessary and no sensible investor or trader should use them. However, *short term traders* are some of the most risk-averse individuals / institutions in the markets and are *fully capable* of managing risk, whilst still requiring a fairly large margin allowance.

The futures industry has *long* operated in a safe and effective manner, despite high amounts of leverage which are *possible, but not always utilised.*

So with the futures industry the single and strongest exemplar of proper risk controls for margined products, please simply defer to that model, rather than *completely arbitrarily and without any statistical justification* pull 'acceptable margin' values out of a hat. That is, consult with the ASX/SFE if needed, but margin requirements are based on *risk of loss which is in turn based on volatility of the underlying.* Further, where the broker has (and they must have) sufficient capacity to monitor and margin-call *prior* to excessive loss in a client account, risk of loss will be reduced to the lowest possible degree.

All of these processes are decades old, why would anyone seek to re-invent the wheel?

Let market forces work. Yes high leverage is unnecessary, but "50% for cryptos" is an arbitrary number that punishes many, and will be out of date as soon as it is implemented. ALL margins should be set on the volatility of the instrument and the risks of creating credit events. Brokers should be made to ensure they *determine margin correctly, using futures-style methodologies, and also that they have the capacity to monitor and make immediate margin calls.* So long as these are in place, *in the exact same way they are with the ASX/SFE, then the industry will be safer, and more competitive.*
Margin is the messenger, treat the illness, not the symptom. Dodd-Frank reforms have had the goal of making OTC products more like exchange-traded products, and this is exactly and all that is required. Brokers dealing in OTC products should have to operate in a way that simulates exchange traded markets.

Set margins *properly, based on methodology* not based on arbitrary numbers. Otherwise, they risk becoming out of date as quickly as they are applied. Methodology, not 'fixed amounts' is the answer. The futures industry is the evidence and provides said methodology.

Let's all work smarter, for a better Australian economy, with the right level of regulation.

Kind Regards,

Simon

EZEKIEL
INVESTMENTS

[redacted]

OTC Intermediary Compliance
Market Supervision
Australian Securities and Investment Commission
Level 7, 120 Collins Street
Melbourne
VIC 3000

RE: Proposed changes to leverage

Dear Sir/Madam,

I have traded in foreign exchange for 10 years and have a very thorough understanding of the risks and margin requirements. This has been gained through experience.

I would like to suggest that a blanket change to leverage requirements is not the most suitable approach for everyone.

There should be consideration for experience and time in the market.

Whilst the suggested changes might be suitable for new entrants, they are unnecessary for experienced, long term traders.

I ask you to please consider the varying levels of skill, experience and time in the market before making blanket changes to leverage and margin required.

Kind regards

Simon Butler

ASIC's product intervention proposal

From: Simon Robinson [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Tue, 24 Sep 2019 14:20:58 +1000

Dear ASIC

After reading the proposed changes I understand the goal is to protect but it does nothing but hinder opportunity.

Warnings are already plastered all over brokers, we are all well aware of the risks.

As adults, we decide to take a controlled risk in order to profit.
All you are doing is stopping the normal man on the street from building a financially independent life and leaving the way clear banks and hedge funds to continue to benefit from the market while we the poor retail trader fund the banks through our deposits.

I am sure you are aware of this but simply do not care that you are taking the opportunity away from those who have spent years developing a skillset.

I am not sure my or any of our suggestions will have an impact...but I hope common sense prevails and someone within your organization develops the courage to treat traders as the adults they are.

A disappointed retail trader.

Simon Robinson

Feedback on proposed ASIC market supervision changes

From: Sophie Vee [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sun, 22 Sep 2019 20:03:24 +1000

Dear Whom it may concern,

I am writing in regards to the recent communication of proposed ASIC changes.

Tighter regulations on options trading and negative balance prevention is beneficial for the public, however, such strict decreases in leverage in FOREX trading will force retail traders to deposit larger amounts of money to brokerage accounts which I am personally not comfortable with.

Decreases in leverage will only serve the very wealthy who have the means and are comfortable with depositing large amounts of money and significantly decreased opportunity for intra-day traders. Considering that most of equity is held by men in this country, it will only decrease the chances of women to get into already predominantly male trading profession and related financial opportunities. I find these suggested regulatory changes sexist and discriminatory.

The increased number of complaints come from people with a lack in education on money and risk management. It is a gambling problem and not a trading problem- which should be addressed via regulations on pokies instead.

Kind regards,
Sophie

proposed changes

From: Steve Cobb [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>, cp322@fpmarkets.com.au
Date: Wed, 18 Sep 2019 10:41:47 +1000

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the proposed changes are way to radical. i am supportive of ensuring people are advised of what they are getting themselves involved in BUT over regulating is not the answer IF you truly want to save vunerable people PLACE A LIMIT ON HOW MUCH PEOPLE CAN PUT INTO A POKER MACHINE IN A 7 DAY PERIOD OR PLACE FAR MORE REGULATION ON BETTING ON SPORTING EVENTS OR maybe these bring in sufficient government revenue to make them 'untouchable' there are far more dangerous risks to society that need to be addressed before the proposed market changes.

OTC Intermediary Compliance

From: David Tran [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 11:19:02 +1000

Hi
I have been advice by my broker of the proposed changes to CFD trading and wish to provide ASIC with my feedback
I am currently actively trading Forex with FXCM
I understand these proposed changes are consider to minimise risk for traders like myself but I have concerns with the following proposed changes:
20:1 leverage for Forex
As a retail trader, this leverage requires significant capital to be deposit with the broker and will instantly deny my participation in trading Forex.
One of my biggest concern with Forex broker is there management of customer funds. I was caught out by the collapsed of a CFD broker Sonray some years ago where the directors took money from the client's trust account to trade themselves and inflict significant lost hence the collapsed of the company and the lost of millions of dollars of client funds. Despite all the regulations imposed on them by ASIC, they still manage to do what they did. From my understand, most, if not all brokers out there are setup in similar fashion to Sonray and no regulations from ASIC can prevent the broker from accessing clients fund.
After all, customer funds is in a bank account which they have rights to transfer in and out. After this incident, I come to the conclusion the only protection for me is to deposit only enough for trading with my broker. With a leverage of 20:1, this will significantly increase my required capital deposit with my broker. In my view the risk is way higher than reducing the leverage.
Also after the Swiss Franc Black Swan event many reputable brokers have put in placed risk strategies to minimize risks to themselves and their clients. For example, FXCM practically went under and was rescued due to providing high leverage trading. Since then they have reduce leverage levels and have automatic trade closure should equity fall below a certain point.
A leverage of 400:1 is significantly risky and I believe only the desperate brokers will offer this now days. I am trading on a leverage of about 100:1 to 200:1 depending on pairs. I am currently happy with this and the FXCM's automatic close out trade policy
I understand a leverage of 400:1 is significantly high but 20:1 will likely deny myself or possibly a lot of others out of trading forex in Australia. We will have no choice but to seek a broker outside of Australia thereby increase out risks
I believe ASIC can help us reduce risk by imposing broker to advertise and have clients acknowledge the risks involved with trading using easy to understand examples. For example: have the broker use simple examples to show clients how big leverage can cause big lost. Also one thing that helps is have the broker clearly identify if the client can lose more money than what is available in there account and how they are covered.
In my view decreasing the leverage to 20:1 will only force traders out or use an overseas broker who does not need to abide by ASIC regulations.
Standard Approve to automatic close out of trades
For the same reason above, it will significantly require traders to deposit way more money than required. My broker already has automatic trade closure should equity fall to 0 but definitely not 50%. I understand should my equity falls to 0 then all trades (not just selective) will closed and I am left with whatever margin that was held. I am happy with this arrangement.

submission re changes to margin rates

From: Steve Parker [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Tue, 24 Sep 2019 09:42:31 +1000

Dear Sir,

I am opposed to limiting margin levels. I fail to see that it would
result in any useful outcome. Trading is not like gambling. Gambling is a bigger problem and a different one. It is patronising to disallow people who need to trade by margin. They need to take responsibility for their actions. We don't ban people from gambling do we? Gambling is an obsessive desire to throw away your money. Trading is a skill in in which money can be made with good judgement and adherence to sensible rules.

Yours,

Steven Parker

Feedback on CP 322 proposed intervention on binary options and CFDs

From: Stuart Dawson [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 22:13:05 +1000
Attachments: ASIC CFD intervention feedback.pdf (140.8 kB)

TO: OTC Intermediary Compliance Market Supervision
Australian Securities and Investments Commission

To Whom It May Concern,

Feedback RE proposed product intervention for Binary Options and CFDs

My name is Stuart Dawson and I am a retail trader who has almost 10 years experience in trading OTC CFD products. I currently trade currency markets (foreign exchange) full-time via CFDs although I have previously traded both share and commodity OTC CFD products extensively. I currently have my account set to allow 500:1 leverage and would be significantly and detrimentally effected if my account was forced to be restricted to a maximum leverage of 20:1. I am writing this feedback submission to share the perspective of a "professional" retail investor/ trader and would be happy to provide any further feedback or answer any questions you may have regarding my feedback.

Binary Options

Firstly to address binary options - I am in complete agreement that binary options "provide no meaningful investment or economic utility". I support a ban on binary options and support your recommendations on the product intervention proposed.

CFDs

I agree with your statement that "unlike binary options, CFDs can serve legitimate trading, investment and hedging purposes." This is true and it is also important to understand that CFDs are a broad term that covers many different types of investments, each with unique properties.

For example as a currency investor (trader) I rely heavily on access to leverage. As the currency markets often move at a much slower pace, leverage is required by almost all market participants to enable legitimate investing, trading or hedging of currency pairs. This requirement is unique to currency and commodity markets but is less important in equity markets.

While I agree with the principles outlined broadly in the proposal of limiting financial loss for unsophisticated clients, I believe that your proposal does not take into account sufficiently the "semi-professional" or "professional" retail trader. My definition of a "semi-professional" or "professional" retail trader (of which I consider myself) is one who has a "retail" amount of capital but who possesses many years of experience and knowledge - in particular with regards to risk management and leverage.

My understanding is that ASIC currently defines a "professional" CFD client as one who has net assets over $2.5M or who can prove a gross income of greater than $250,000 for two consecutive years. I had some trouble ascertaining that this definition comes directly from ASIC, so feel free to correct me if I am wrong. However this is the current definition by which all major brokers define a "professional" client and I have been told by them that this definition is set by corporate laws.

If this is the case I believe this narrow definition, based solely on assets, is far to limiting. Assets alone do not guarantee a deeper knowledge or understanding of the financial markets and provide no indication of experience with risk management. Knowledge and experience is a far better gauge of how sophisticated a client is and how capable they are of assuming risk. By defining "professional" clients by assets and income alone it makes the "ladder climbing" for less wealthy individuals much harder. It creates an unfair playing field - enabling the wealthy to more easily obtain more wealth, while limiting the opportunities of the sophisticated, but less wealthy clients.

In the UK earlier this year the FCA implemented similar restrictions on CFD products to those that

ASIC are proposing. However they provided a waiver of protections and allowed an increase in leverage for clients deemed "professional" via either a assets test OR an experience based test. I believe this is the fairest way forward that provides a balance of protection for unsophisticated and inexperienced retail clients while also allowing those with experience to participate in a more equal and level playing field. ASIC should allow for the implementation of the same "professional" test the FCA has by allowing experienced clients to waive negative balance protection and other consumer rights in exchange for access to greater leverage.

Leverage has in my opinion always been somewhat of a red herring for risk. With a minimum of knowledge of CFD products a trader quickly realises that their focus needs to be on risk per trade, usually expressed by a combination of position (lot) size and stop-loss order price. Almost all traders are taught (through all sources I know of, including brokers, online education etc) to place a stop loss in the market that limits their potential loss to a fraction (usually 1-2%) of their total available capital. Most education highlights that this limit should be at an account level rather than on a per position basis. Using this principle, assuming a typical stop loss of 2%, a trader should never come close to fully utilizing such a leverage ratio as 500:1. And while, of course, I am aware that a stop loss is subject to slippage, this would rarely be a significant amount, and would never cause a catastrophic loss to the account using the above commonly taught principles of risk management.

Reducing leverage available to sophisticated clients such as myself will not provided any additional protections or benefits and in fact, I believe will increase the risk of harm to my account greatly in the following ways:

1. **Reducing leverage means less diversification.**

With a maximum leverage of 20:1 I will be forced to limit the number of positions I take a any one time. This will have the effect of reducing the diversification of my portfolio and as a result will increase overall portfolio risk significantly.

2. Reducing leverage increases client counterparty risk.

It was noted in point 171(b) that the counterparty risk of the issuer is reduced as a result of lowered leverage, which is true. However the effect of the counterparty risk on the client is not assessed in the paper. In actual fact, limiting the leverage available on currency CFD products to a maximum of 20:1 will have the opposite effect of actually increasing my counterparty risk and therefore the amount of my capital at risk. Currently at 500:1 I am able fund my positions with very little capital, allowing me to only keep a minimum (apx. 1/4) of my total available capital in my brokers account. This significantly reduces my counterpart risk should my broker suddenly declare bankruptcy. Under the proposed leverage caps I would be required to keep 100% of my capital in my brokers account to be able to continue to trade effectively. This is increasing my maximum theoretical counterparty risk from 25% of my capital to 100% of my capital and instead of providing increased financial protection, my risk has increased significantly.

Enforcing such limits on CFDs without providing a more reasonable assessment for the definition of professional traders will force many clients (very likely myself) offshore to either less regulated environments or to countries where "professional" status is more reasonably obtainable. This is not the ideal situation as it has the potential to expose capital to countries and laws which might offer far less or even no protection at all. Personally this is the last thing I want to have to do, however access to reasonable leverage is so essential in currency trading that I might be forced to do so.

A note about Crypto markets:

As you have pointed out (52) there has been a tremendous growth in CFD clients and activity from 2017 to 2019. This is almost certainly due to the rise in popularity of crypto products. In my personal experience a large proportion of individuals who are participating in crypto markets are unsophisticated investors who have a propensity towards the buy side. This coupled with the recent "crash" in bitcoin (and crypto prices generally) has likely resulted in the increased negative impact that you are seeing in the CFD space.

As acknowledged (89) far less, 63% vs 72% of clients loose money in FX products. And I'm sure as sophistication increases that number likely reduces even further.

Because of the immense volatility of crypto markets along with the lack of underlying assets to back

them up it would be understandable to separate out CFD crypto products and apply a stricter intervention to those products alone. As mentioned earlier CFDs cover a wide range of underlying products and therefore I believe applying one intervention to all CFDs is not appropriate.

I generally agree with all proposed reporting and transparency requirements and believe that such changes will have a positive impact on the industry.

Specific Feedback to Section F

F1Q1 ***Do you agree with our proposal to make a market-wide product intervention order which imposes Conditions 1–8 (set out in Table 5) on the issue and distribution of CFDs to retail clients? If not, why not?***

As stated above I believe that CFD products should be assessed individually by asset category. Some sub categories of CFD such as crypto might require a larger intervention, while some subcategories might require less intervention. A market-wide approach is not appropriate.

F1Q2 Condition 2 would require the terms of a CFD to provide that a CFD issuer must close out one or more of a retail client's open CFD positions, if the retail client's funds in their CFD trading account fall to less than 50% of their total initial margin required for all of their open CFD positions on that account. Do you agree with this condition or would it be better for clients (and operationally easier) if the CFD issuer is required to close all of the retail client's open CFD positions?

I strongly disagree that is would be better for clients if the CFD issuer is required to close all of the retail clients open positions. CFD issuers should not close out all of the clients open positions during a margin call. To close all client positions during a margin call is far too aggressive a proposal - negating the possibility of a turn in an individual positions price movement. As much as possible the client should be allowed to make their own decisions with regards to what they invest in, when they invest in it and how long they wish to remain in the position.

F1Q3 Condition 5 would require a CFD issuer to provide a prominent risk warning on account opening forms, trading platforms maintained by the CFD issuer, websites and the front page of PDSs. Do you agree with this condition? Do you think a risk warning should also be required on all advertising and marketing material?

I fully agree with Condition 5 and I am in favor of greater risk warnings including on marking material.

F1Q4 Do you agree with our proposal that the order would remain in force for a period of 18 months? If not, why not?

I disagree with this proposal - the order should be able to be reassessed before 18 months.

F1Q5 Do you agree that our proposed delayed commencement of the order is appropriate, balancing the time it will take to implement the order and the nature, likelihood and extent of the significant consumer detriment? If not, what is an appropriate period?

The impact of reducing leverage significantly to existing account with long-term strategies where positions would need to be closed / hedged or otherwise re-assessed is considerable. Combined with the technological reporting requirements I believe that 20 days is not sufficiently long enough to implement changes of such magnitude. Any restricted leverage could be applicable to new accounts within a shorter period of time (eg 20 days) but a minimum of 3 months for existing account to comply with any leverage changes would be the minimum acceptable time.

F1Q6 Do you agree with our identification of the effects that making the proposed product intervention order will have on competition in the financial system? If not, why not?

I have no opinion.

Please feel free to contact me a [redacted] if you have any questions or would like me to expand any further on this issue.

Your Sincerely,

Stuart Dawson

Feedback

From: Sugi Gunamijaya [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 19:23:39 +1000

ASIC you're just trying to ruin the Retail trader trying to make an honest living in trading. Leverage is the only thing we could take advantage of and you honestly trying to take this away, seriously very disappointed in your logic. It's total loss to the retail traders locally and we have to take out business somewhere else overseas with your silly reform.

Not happy Jan...