Australian Securities & Investments Commission

Risky business: Driving change in CFD issuers' distribution practices

Report 828 | January 2026

About this report

In 2024–2025, we undertook a sector-wide review of contracts for difference (CFD) issuers' distribution practices and compliance measures. Through this review, we drove substantial, sector-wide compliance uplift.

Issuers of derivatives to retail clients should use the key findings and outcomes in this report to monitor, adapt and further improve their compliance measures.

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About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents: consultation papers, regulatory guides, information sheets and reports.

Disclaimer

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this report are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

Executive summary

ASIC has secured the return of over $39 million to retail investors and driven substantial compliance uplift following a sector-wide review of contracts for difference (CFD) issuers.

Every year, thousands of Australians lose money trading CFDs – high-risk, complex and often costly over-the-counter (OTC) derivative products.

In financial year 2023–24 (FY 24) alone, 133,674 retail clients lost money trading CFDs with net losses exceeding $458 million (including $73 million in fees).

CFDs allow clients to speculate on the change in value of assets like shares, currencies and commodities. Leverage and associated financing fees can magnify investor losses. A small price change against a leveraged CFD position can have a big effect on trading returns or losses, even loss of the entire investment.

Our review

Between October 2024 and December 2025, we undertook a data-driven sector-wide review of 52 CFD issuers' distribution practices and compliance measures (our review).

Our review built on two earlier reviews undertaken between 2022 and 2024 of CFDs issuers' distribution practices and two reports setting out better practices for meeting their obligations and areas for improvement: see Report 770 *Design and distribution obligations: Retail OTC derivatives* (REP 770) and Report 795 *Design and distribution obligations: Compliance with the reasonable steps obligation* (REP 795).

During our review, we met each issuer to assess compliance with the design and distribution obligations and ask them to demonstrate how they were distributing their products to their target market. The design and distribution obligations, which commenced in October 2021, are intended to help consumers obtain appropriate financial products by requiring issuers and distributors to have a consumer-centric approach to the design and distribution of products. We also reviewed issuers' compliance with regulatory reporting requirements.

Key findings

We found widespread weaknesses in issuers' distribution practices and compliance measures. This included:

- **Poorly defined target markets:** Many issuers had not defined their target market appropriately, neglecting to include criteria for financial objectives, circumstances or experience.
- **Potentially misleading marketing:** We identified inaccurate, unbalanced or potentially misleading content on most CFD issuer websites that we reviewed.

- **Inadequate screening of clients unlikely to be in the target market:** Most client questionnaires were flawed and failed to effectively assess whether retail clients were likely in the target market for the issuers' products.
- **Lack of ongoing monitoring:** Most issuers over-relied on their client onboarding process and did little to no ongoing monitoring of client trading outcomes and behaviours.
- **Substandard OTC derivative transaction reporting:** Most CFD issuers had significant failures in derivative transaction reporting and minimal oversight of reporting delegates – we found **over 70 million erroneous reports** during our review.
- Some CFD issuers also **failed to identify breaches of the law** and/or report them to ASIC.

As part of our review, we also collected client trading data from issuers for FY 24. It showed that issuer and client numbers are declining, and the sector is highly concentrated. We provide a snapshot of key insights and trends from this data on page 17 of this report.

The CFD issuers that formed part of our review (and/or provided data for FY 24) are set out in Appendix 1.

Driving outcomes

Our direct intervention drove widespread changes to CFD issuers' distribution practices and compliance arrangements:

- **39 issuers** made changes to their target markets during our review, including changes to align with better practices outlined in REP 770, and we issued an interim stop order against FXCM for target market determination (TMD) deficiencies
- **46 issuers** improved their website content, with one issuer amending almost 1,000 webpages
- **44 issuers** improved their client onboarding questionnaires. This included aligning with better practices in REP 770 and REP 795. In many cases, issuers made substantial changes
- **42 issuers** implemented new processes for ongoing monitoring of client trading outcomes and behaviours or made significant improvements to existing processes
- **48 issuers** implemented changes to comply with their OTC derivative transaction reporting requirements, and
- reportable situations lodged by issuers **increased by 127%** compared to the previous year, reflecting greater compliance awareness and responsiveness.

These changes in practices have the following benefits for issuers and clients:

- Improving distribution practices should lead to **better client experiences** – CFDs are distributed to clients whose likely objectives, financial situations and needs are met by this product.
- More accurate transaction reporting will **reduce regulatory costs** as we can issue fewer data requests in undertaking our regulatory activities.
- Conducting prompt and effective remediation when misconduct or other failures occur ultimately **improves outcomes** for consumers who are owed money and **promotes trust** in issuers.

Ongoing focus areas

Our review found that while CFD issuers have made significant changes, in some cases there is more to be done. Compliance measures cannot be 'set and forget', and issuers of CFDs and other complex products to retail clients should use the key findings and outcomes in this report to monitor, adapt and further improve their compliance measures. Where appropriate, we will take further regulatory action to address misconduct and consumer harm.

Table 1 sets out some of our CFD sector focus areas for the 2025–26 financial year.

Table 1: CFD sector focus areas for the 2025–26 financial year

Focus area	Key findings	Next steps
Retail client protections	Every year, most retail clients lose money trading CFDs. Clients that trade options CFDs have poorer outcomes – in FY 24, **85% of retail clients made a net loss trading options CFDs**.	ASIC's CFD product intervention order will expire on 23 May 2027, unless it is remade. This year, we will engage with industry on our proposed way forward. The findings from our review will help inform our proposal.
Copy trading services	There is growing client interest in copy trading services. This is a service that allows clients to automatically copy trades executed by other traders. We have identified potential concerns relating to CFD issuers' supervision and oversight of lead trader conduct, fee transparency and lead trader conflicts of interest.	We will engage with issuers and other related providers about their copy trading services and our proposed regulatory response.
Wholesale clients	In FY 24, reclassifications of clients (from retail to wholesale client) were significantly concentrated among **five CFD issuers**. Wholesale clients also lost more money than retail clients – in FY 24, **70% of wholesale clients made net losses** totalling **$738 million** (including **$63 million** in fees).	We have commenced a targeted review of CFD issuers' processes for classifying retail and wholesale clients. Misclassification of a retail client as a wholesale client risks denying the client important rights and protections, in contravention of the law. We will also continue to conduct risk-based testing of whether retail clients are misclassified as wholesale clients when investing in high-risk or complex products.

Consumer remediation outcomes

Issuers must ensure that the financial services covered by their licence are provided efficiently, honestly and fairly: section 912A(1)(a) of the Corporations Act. This includes taking responsibility for the consequences of their misconduct or other failures, and remediating consumers who have suffered loss as a result: see Regulatory Guide 277 *Consumer remediation* (RG 277).

Over the last 12 months, ASIC has secured the return of over $39 million to retail clients. This is money going directly back to affected CFD investors.

Ceasing margin discounting practices

In 2024, we identified that some issuers had been offering 'margin discounts' to retail clients with opposing long and short contracts, in contravention of ASIC's product intervention order.

This included calculating margin based on the:

- net notional value of opposing long and short positions, and
- larger leg only of opposing long and short positions.

'Margin discounting' can result in significant harm to retail clients by:

- building excessively leveraged CFD positions
- incurring increased overnight funding costs
- being denied margin closeout protection where the client has incurred significant losses on open CFDs, and
- incurring sudden and significantly increased margin requirements when one of the opposing CFD positions is closed and the effect of the margin discount or netting is removed.

In July 2024, we warned CFD issuers to cease engaging in these 'margin discount' practices. We also assessed issuers' margining practices during our review.

In response to our intervention, 28 issuers refunded over $36 million to affected retail clients for swap costs, spreads and any other fees (plus interest) on impacted positions.

Poor client outcomes from exotic CFD product

During our review, we raised concerns with one issuer about an exotic CFD product similar to barrier options which resulted in poor client outcomes. This product was sold between November 2020 and November 2024 to retail and wholesale clients.

Data provided by the issuer showed that 72% of retail clients lost money and costs cut into profits and exacerbated losses. It wasn't clear to us who, if anyone, this product was appropriate for.

While the issuer ceased offering the product *before* we commenced our review, in response to our intervention, the issuer refunded over $1.3 million to 250 affected retail clients for losses, fees and costs (plus interest).

Other contraventions of ASIC's product intervention order

During the period of our review, two CFD issuers reported contraventions of the leverage limits in ASIC's product intervention order.

Following our intervention, those issuers refunded over $1.3 million to affected retail clients for losses, fees and costs (plus interest).

Target markets for CFDs

CFDs are complex, high-risk financial products that are not compatible with the objectives, financial situation and needs of most consumers. As we highlighted above, most retail clients lose money trading CFDs.

We have intervened before to prevent CFDs being distributed to poorly defined target markets: see Media Release (23-127MR) *Saxo Capital Markets amends TMDs following ASIC stop orders* (18 May 2023).

In REP 770, we also highlighted areas for improvement and better practices for making an appropriate TMD.

What we found

In our review, we found that many CFD issuers were missing the mark when it came to target markets.

› Many issuers failed to adequately describe key attributes of clients within their target market (for example, not defining the financial situation of clients within their target market).

› Many issuers had ambiguous descriptions in their TMDs. For example, some issuers stated that specific client attributes 'may or may not' lead to a client being in the target market, without any subsequent clarification of what this meant.

› Some issuers relied on templates that weren't suited for complex and high-risk products like CFDs. We found that 'traffic-light' style templates that describe a spectrum of objectives and attributes did a poor job of describing attributes typical of CFD clients.

› Many issuers had made few (if any) updates to their TMDs since the obligations commenced, even after we published REP 770 and called on the industry to improve their practices. A small number of issuers only made updates in the days before we met with them.

Driving changes to target markets

In response to our intervention, 39 issuers made improvements to how they define target markets in their TMDs.

Changes included:

› restructuring the TMD to clearly list the attributes of clients who are in (or outside) the target market

› adequately describing their target market and how the likely objectives, financial situation and needs of clients within their target market are met by their products

› including criteria relating to age, employment status, source of funds, income and savings, trading knowledge and experience, risk appetite, investment purpose and timeframe and any vulnerability characteristics, together with an explanation of how those attributes align with clients deemed suitable (or unsuitable) for their products, and

› removing or appropriately qualifying ambiguous elements of the target market's definition.

ASIC ISSUES INTERIM STOP ORDER AGAINST FXCM FOR TMD DEFICIENCIES

During our review, we raised concerns with Stratos Trading Pty Limited (trading as FXCM) that FXCM's TMD dated 17 October 2025 inappropriately included investors with a medium risk appetite in the target market for its CFD products. We were concerned that the risks associated with trading FXCM's CFDs made them unlikely to be suitable for those investors.

FXCM advised that it had reviewed its TMD and would remove clients with a medium risk appetite from its target market after updates were made to its client onboarding process in February 2026.

ASIC made an interim stop order preventing FXCM from issuing CFDs to retail clients where distribution of the products was unlikely to be consistent with the financial objectives, situation or needs of consumers in its target market. The order was lifted after FXCM updated its TMD to address ASIC's concerns.

See Media Release (25-295MR) *ASIC issues DDO stop order against FXCM for TMD deficiencies* (5 December 2025).

Marketing practices

Marketing and promotional materials play an important role in directing distribution towards customers in the target market. They should be informed by, and be consistent with, the TMD. We highlighted this in REP 770 and REP 795.

We have also provided extensive guidance to issuers on advertising and promotional content: see Regulatory Guide 234 *Advertising financial products and services (including credit): Good practice guidance* (RG 234).

What we found

We identified significant issues in 46 issuers' websites.

› Each issuer failed to clearly or consistently promote on their website that they offered CFDs (and not the underlying assets) by, for example, promoting 'shares' or 'commodities' instead of 'share CFDs' or 'commodity CFDs'. This can mislead consumers.

› Most issuers significantly overstated the benefits of CFDs as a product on their website and failed to adequately disclose the risks.

› Some issuers promoted the 'benefits' of 'professional' (wholesale) trading accounts without making it clear to consumers what protections are lost.

› Some issuers used ASIC regulation and compliance with obligations as a marketing tool either on their Australian website or on offshore related entity websites. We've raised concerns about this following a review of online trading providers: see Report 778 *Review of online trading providers* (REP 778).

› Some issuers did not tailor their website to their Australian business. For example, they had references to promotions or services which were not relevant, or were no longer offered, to their Australian clients.

Driving changes to marketing practices

In response to our intervention, 46 issuers made improvements to their websites.

Changes included:

› removing inaccurate, outdated and/or potentially misleading content

› redrafting content to clearly state that issuers offered CFDs, rather than the underlying instruments

› providing a more balanced overview of the features and risks of the product

› making changes to the websites of offshore affiliated entities to remove misleading statements which suggested that the products issued by the offshore entity were subject to Australian regulation, and

› blocking clients located in Australia from accessing the websites of offshore affiliates.

During our review, one issuer confirmed they had amended almost 1,000 pages on their website in response to our intervention.

Client onboarding

CFD issuers must take reasonable steps that will, or are reasonably likely to, result in distribution of a product that is consistent with the product's TMD: see section 994E(1) and (3) of the Corporations Act.

Issuers continue to rely on questionnaires or assessments at the point of sale to assess whether prospective clients are likely to be in the target market for the product.

In REP 770 and REP 795, we highlighted areas for improvement and examples of better practices for client questionnaires.

What we found

During our review, we tested the client onboarding processes of 48 issuers, including through demonstrations of their account opening questionnaires.

For most CFD issuers, these questionnaires were split into two parts. The first part included questions that tested whether a client met the criteria set out in their TMD. The second part was a multiple-choice quiz intended to test whether the client specifically met the TMD criteria to have knowledge of or experience in CFD trading.

However, we found that these questionnaires were not effectively or objectively testing whether prospective clients were likely to be in the target market for the issuer's products.

Disappointingly, we continued to find common deficiencies in client questionnaires. These included:

- **Failing to adequately address each of the criteria in their target market:** Despite setting out in their TMD the criteria for clients that were in (or outside) their target market, many issuers did not effectively or objectively test this in their onboarding questionnaire. In some cases, the questions were too simple and obvious. In other cases, they did not ask questions about certain criteria at all (like vulnerability characteristics or trading experience).
- **Self-certification style questions or client declarations:** Clients were asked to confirm that they were in the target market. This does not effectively test any of the criteria within the target market.
- **Leading and unbalanced questions:** Clients were presented with answers for a range of financial objectives that were suited to CFD trading, followed by one 'catch-all' answer that lumped in various other financial objectives.
- **Double- or triple-barrelled questions:** Issuers tested multiple target market criteria in a single question, often with a simple Yes/No answer.
- **No 'knock-out' questions that prevented consumers from signing up:** The CFD issuer onboarded clients who were unambiguously not in the target market, increasing the risk of human error in later manual review stages.
- **Prompts in the questionnaire:** Some onboarding questionnaires prompted clients on how to respond or prompted them to change their responses. A client can change their answers, but it doesn't change their circumstances.
- **Failing to use available data to knock out a client:** Issuers often failed to use income, source of funds and savings data they collected for anti-money laundering purposes to assess whether those financial circumstances were consistent with their TMD.

Driving changes to client onboarding processes

In response to our intervention, 44 issuers improved their client onboarding process. This aligns with the better practices we highlighted in REP 770 and REP 795.

Changes were substantial in most cases and included:

- improving the design of the onboarding questionnaire, making it consistent with the design principles in REP 795
- using a range of questions targeted at each of the TMD criteria to objectively assess whether prospective clients are likely to be in the target market for the product. Often, issuers use multiple questions to test a particular criterion such as risk appetite
- adding 'knock-out' responses to questions to immediately exclude clients from the onboarding process if those responses indicate a retail client is outside the target market. 'Knock-out' responses are usually applied to questions on TMD criteria relating to age, employment status, source of funds, income and savings, trading knowledge and experience, risk appetite, investment purpose, investment timeframe and any vulnerability characteristics
- where a client is 'knocked out' of the questionnaire, permanently blocking them from re-applying, or imposing a lengthy lock-out period with appropriate checks put in place to verify changes to the client's circumstances if they re-apply
- removing prompts, self-certification questions and client declarations
- asking challenging questions for the knowledge quiz which are drawn from a larger pool of possible questions. For example, this included adding trading examples which ask clients to calculate the required margin and/or the profit or loss, and
- restricting the number of times a prospective client may attempt a knowledge quiz (usually to no more than two attempts) with adequate lock-out periods in between each attempt.

TAKING SWIFT ACTION TO PROTECT CONSUMERS FROM POTENTIALLY UNSUITABLE PRODUCTS

We found significant deficiencies with one CFD issuer's client onboarding questionnaire. At our request, and within less than a week, the CFD issuer agreed to stop onboarding new clients or to allow existing clients to open new positions.

Another CFD issuer stopped onboarding new clients due to our concerns with the issuer's TMD and client onboarding questionnaire. This issuer only resumed onboarding clients after making substantial improvements to their TMD and onboarding processes (among other things).

A third CFD issuer identified deficiencies within its client onboarding questionnaire, after we contacted them, and stopped onboarding new clients. Similarly, this issuer only resumed onboarding clients after making substantial improvements to their arrangements.

Ongoing client monitoring

CFD issuers should not rely on client questionnaires as the sole or key method for distributing derivatives consistently with the TMD and to assess whether a consumer is within their target market. This approach is unlikely to be adequate in meeting the 'reasonable steps' obligation: see REP 770.

We have intervened before when issuers failed to take reasonable steps in CFD distribution: see Media Release (23-141MR) *ASIC issues first DDO stop order for failure to take reasonable steps in CFD distribution* (2 June 2023) and Media Release (24-109MR) *ASIC issues DDO stop orders against Trademax Australia* (23 May 2024).

CFDs are complex, high-risk products. The likelihood of distribution conduct being inconsistent with the TMD and the significant degree of harm that might result from inconsistent distribution requires issuers to consider a range of controls to eliminate or minimise the likelihood of and harm from inconsistent distribution occurring: see section 994E(5) of the Corporations Act.

CFD issuers must also regularly monitor and review their product's performance to ensure that the TMD remains appropriate for that product: sections 994B(8) and 994C of the Corporations Act.

What we found

We found most issuers did little to no ongoing monitoring of client trading outcomes and behaviours. If they did, it was largely for anti-money laundering and counter-terrorism financing purposes (for example, monitoring for large deposits).

The FY 24 data reflected this. Retail clients had poorer outcomes when trading options CFDs (compared to other products). Had issuers monitored client outcomes, they may have identified that their target market for this product was not appropriately defined and/or the product itself was not suitable.

Only a small number of issuers demonstrated ongoing client monitoring practices which aligned with the better practices in REP 770 and REP 795. For example, one issuer maintained a 'vulnerable client dashboard' which updated every two hours with data such as client losses in aggregate and as a proportion of their wealth as reported at onboarding.

Driving changes to ongoing client monitoring processes

In response to our intervention, 42 issuers made improvements to ongoing client monitoring processes.

Changes were substantial in most cases and included:

- implementing a range of alerts or triggers to monitor client activity, including alerts relating to:
  - the number of losing positions and/or loss amounts
  - deposit and withdrawal amounts, and
  - margin closeout protection and negative balance protection triggers
- using client data obtained in the client onboarding process to design those alerts and triggers (for example, comparing clients' stated income and savings with losses or deposit amounts)

- monitoring client communications to identify key words that may indicate that a client is vulnerable or in distress, and
- implementing a structured and documented process for ongoing client monitoring and review which sets out:
  - the types of alerts/triggers that are used to monitor clients
  - how often these alerts/triggers will be reviewed
  - who will be responsible for reviewing the alerts/triggers, and
  - what steps will be taken if a client is flagged for a review to assess whether that client remains in the target market.

Regulatory reporting

Accurate and reliable data underpins the integrity of, and confidence in, Australia's financial markets.

In our review, we assessed CFD issuers' compliance with the *ASIC Derivative Transaction (Reporting) Rules 2024* (the Rules), which came into effect in October 2024. The Rules greatly enhance the conformity and consistency of OTC derivative transaction data and improve its quality and usability for a range of regulatory purposes.

We have intervened in the past to rectify failures in derivative transaction reporting, both under the new Rules (see Media Release (25-068MR) *ASIC acts against Macquarie Bank for repeated compliance failures* (7 May 2025)) and under the former Rules (see Media Release (20-066MR) *AMP Life and AMP Capital pay penalties in relation to trade reporting rules* (17 March 2020)).

What we found

We identified some failures to comply with the newer elements of the Rules:

- Initially, only three issuers complied with the obligation to report so-called 'unwind' payments – payments made after terminating a derivative from the onset of the Rules. In the case of a CFD, an unwind payment is the difference that is paid at the end of the contract. Many issuers were unfamiliar with this element and needed additional time to report it.
- The Rules define a practice known as 'transaction to position conversion' that should be used when an entity reports end-of-day positions. Nonetheless, many issuers reported it using event types from the former rules.

When we raised these concerns, most issuers worked constructively with us and their reporting delegate to rectify these deficiencies and back-report missing data.

Unfortunately, there were some issuers who exhibited significant deficiencies beyond simple failures to implement changes under the Rules. We observed failures to:

- report transactions with hedging counterparties that were not eligible for single-sided reporting relief, obscuring our ability to assess an entity's market risk management practices
- report collateral information correctly and, in some cases, failure to report collateral information at all
- scrutinise information reported to the trade repository, including the reporting of erroneous trades with notional values well above hundreds of millions of dollars
- report accurate timestamps, prices, notional values and market valuations for derivative transactions. In some circumstances, these errors came after ASIC had explicitly instructed issuers to fix other issues with their reporting, and
- exercise appropriate oversight of third parties who submitted reports on their behalf, including where failures or unexpected behaviour in their systems led to erroneous information being reported to the transaction repository.

Only one CFD issuer consistently reported high-quality data with no identifiable errors or omissions. It was clear to us that this issuer:

- regularly collaborated with its peers and other regulators internationally to ensure it had a complete understanding of the required information under the Rules

- closely followed ASIC's guidance on the appropriate frequency and form of third-party oversight, and
- regularly conducted reconciliations between the data stored in the transaction repository and its own internal records.

Driving changes to regulatory reporting

As a result of our intervention, 48 issuers made changes to comply with their reporting requirements under the Rules.

Issuers and their delegates undertook significant work to respond to our feedback:

- 22 issuers terminated old or stale positions that were no longer open
- 30 issuers reported their first ever correction under the Rules
- 44 issuers started reporting payments associated with their transactions
- 43 issuers resolved issues with reporting the directions of each leg of foreign currency CFDs, and
- 11 issuers reported transactions and collateral posted with other counterparties.

CFD sector snapshot

As part of our review, we collected client and trading data from issuers for FY 24. The data revealed key insights and trends about the industry's composition and client journey.

CFD industry composition

The sector is smaller and less active than it was a few years ago

In FY 24, 50 AFS licensees issued CFDs to clients – **down from over 60** licensees in 2021. Six of those licences were cancelled by ASIC.

119,300 clients traded CFDs per quarter in FY 24 – a 76% drop from the average of 515,000 clients per quarter in the 12 months before ASIC's product intervention order took effect in March 2021.

This decline could be due to several factors, including the impact of ASIC's product intervention order, the subsequent reduction in foreign retail clients, and high client attrition rates.

	2021	2024	%
Number of AFS licensees issuing CFDs	60	50	↓ -16%
Number of active trading clients per quarter	515,000	119,300	↓ -76%

Note: Six licences were cancelled by ASIC.

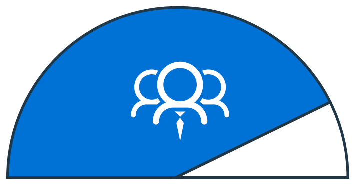
Who's trading CFDs?

The CFD sector is dominated by retail clients

94% of clients were retail clients

6% were wholesale clients

Most trading activity is coming from existing clients



83% of clients were existing clients

17% were new clients

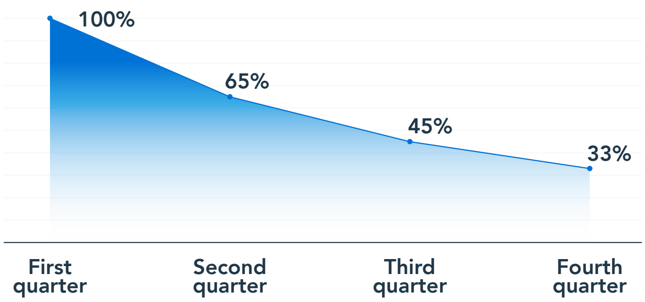
Client acquisition trends

Not all entities were able to identify where their clients originated from. Where entities had that data, it appeared those issuers were increasingly reliant on paid online advertising to attract new clients.

45% of new retail clients were acquired via **paid online advertising** (on websites, social media or search engines)

20% of new retail clients were acquired via **paid referrals** (including introducing brokers, affiliates or client referrals) compared to **27%** of existing retail clients

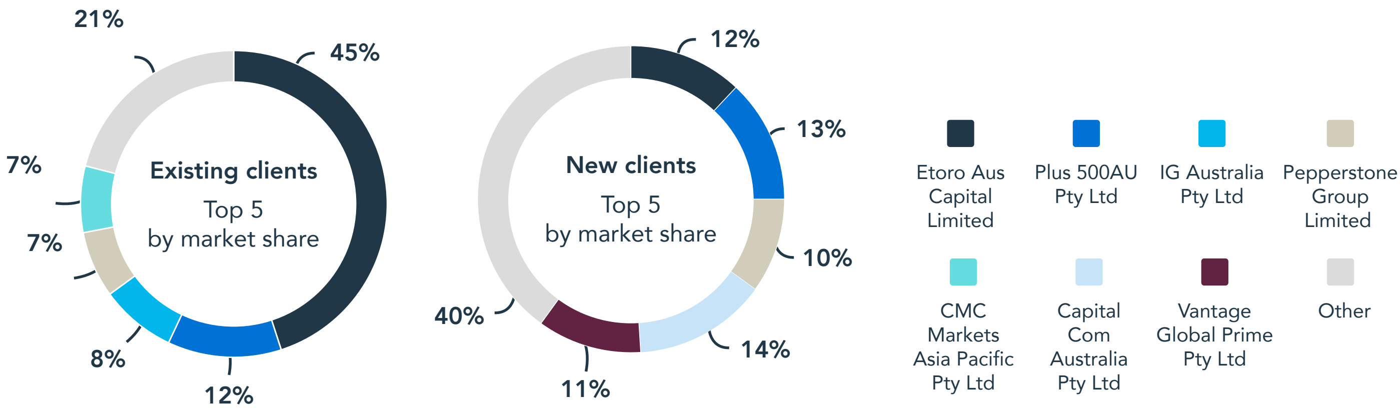
Most new clients stop trading CFDs within their first year



67% of new retail clients that placed their first CFD trade in the first quarter of FY 24 stopped trading by the end of that year.

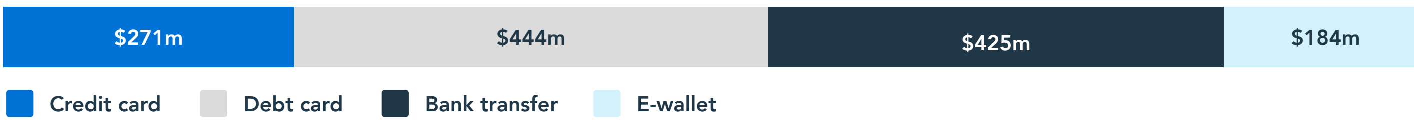
A highly concentrated industry

When looking at client numbers, the data indicates that the sector is highly concentrated. A small number of issuers control a larger market share of existing clients and new clients (compared to the rest of the sector).



Credit card funding is down

Clients are using debit cards and bank transfers over credit cards to pay for their trades. We've raised concerns about credit card payments before, most recently in REP 770.



Copy trading vs managed accounts

There is a growing interest in copy trading

26,243 retail clients concentrated among a few issuers.

Managed accounts services

This is where clients can elect another person to trade on their behalf. They're not widely used – only **121** retail clients used them.

Client outcomes: losses and profitability

Losses are widespread

68% of retail clients lost money, with net losses of **$458 million** (including **$73 million** in fees).

When acquired via paid online advertising – 74% of new retail clients lost money.

Losses are higher

When trading options CFDs – 85% of retail clients lost money.

Wholesale clients fared worse – 70% of wholesale clients lost money, with net losses of **$738 million** (including **$64 million** in fees).

Note: Options CFDs are effectively a 'double leveraged' product. It's not clear to us who this product is appropriate for. We will consider this when determining the way forward in relation to the upcoming expiry of ASIC's product intervention order in 2027.

Trading fees exacerbate losses

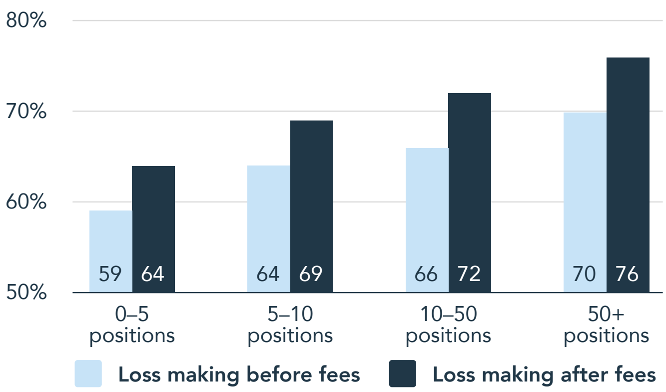
32% of retail clients made money, with net profits of **$172 million** (after paying **$26 million** in fees).

5% of retail clients would have made a net profit but ended up losing because of fees.

Among active traders (those who on average had more than 50 positions open each month), **19% of profitable clients lost money after fees**.

The more clients trade, the more they lose – especially after fees. This suggests that fee structures and product design may be working against client success.

% retail clients who realised a net loss before and after fees



Appendix 1: List of CFD issuers

- 26 Degrees Global Markets Pty Ltd
- ACY Securities Pty Ltd
- Aetos Capital Group Pty Ltd
- AT Global Markets Australia Pty Ltd
- Ava Capital Markets Australia Pty Ltd
- Axicorp Financial Services Pty Ltd
- Bacera Co Pty Ltd
- Blueberry Australia Pty Ltd
- Capital Com Australia Pty Ltd
- CMC Markets Asia Pacific Pty Ltd
- Decode Capital Pty Ltd
- Easymarkets Pty Ltd
- EC Markets Financial Limited
- Echuca Trading Pty Ltd
- ECN Trade Pty Ltd
- Eightcap Pty Ltd
- ETO Group Pty Ltd
- Etoro Aus Capital Limited
- Finalto (Australia) Pty Ltd
- First Prudential Markets Pty Ltd
- FMGP Trading Group Pty Ltd
- Focus Markets Pty Ltd
- Foris Capital AU Pty Ltd
- Fort Securities Australia Pty Ltd
- Fortune Prime Global Capital Pty Ltd
- GFA Capital Markets Ltd
- Gleneagle Securities Aust Pty Limited
- Go Markets Pty Ltd
- Hantec Markets (Australia) Pty Limited
- IG Australia Pty Ltd
- Ingot AU Pty Ltd
- Intelligent Financial Markets Pty Ltd
- Interactive Brokers Australia Pty Ltd
- International Capital Markets Pty Ltd
- Mex Australia Pty Ltd
- Mitrade Global Pty Ltd
- Oanda Australia Pty Ltd
- Pepperstone Group Limited
- Plus500AU Pty Ltd
- PU Prime Trading Pty Ltd
- Quad Code AU Limited
- Startrader Prime Global Pty Ltd
- StoneX Financial Pty Ltd
- Stratos Trading Pty Limited
- TF Global Markets (Aust) Pty Ltd
- Totality Wealth Limited (formerly Saxo Capital Markets (Australia) Limited)
- Trade Nation Australia Pty Ltd
- TradeMax Australia Limited
- Trading.com Markets Pty Ltd
- Trive Financial Services Australia Pty Ltd
- Vantage Global Prime Pty Ltd
- VRGK Tech Pty Ltd

Note 1: Foris Capital AU Pty Ltd provided FY 24 data but did not have a current derivatives product offering during our review.

Note 2: Blueberry Australia Pty Ltd and EC Markets Financial Limited did not provide data for FY 24.

Appendix 2: FY 24 detailed data

Table 2: Retail client outcomes

Retail client outcome	No. of clients	Percentage (%)	Realised profit or loss ($mil)	Fees paid ($mil)
Flat	4,529	2.32%	Nil	Nil
Net loss	133,674	68.42%	$384.72	$73.29
Total net loss			**$458.01**	
Net profit	57,183	29.27%	$198.82	$26.49
Total net profit			**$172.33**	

Table 3: Wholesale client outcomes

Wholesale client outcome	No. of clients	Percentage (%)	Realised profit or loss ($mil)	Fees paid ($mil)
Flat	104	0.87%	Nil	Nil
Net loss	8,402	70.25%	$674.29	$63.70
Total net loss			**$737.99**	
Net profit	3,454	28.88%	$251.62	$33.03
Total net profit			**$218.59**	

Table 4: Client data

Client type	Retail clients	Wholesale clients	Total
Existing	160,624	10,735	171,359
New	34,762	1,225	35,987
Total	**195,386**	**11,960**	**207,346**

Table 5: Quarterly average client trading data – April 2020 to January 2021

Quarter	Retail clients	Wholesale clients	All clients
April 2020	509,817	1,396	511,213
July 2020	520,867	1,843	522,710
October 2020	511,960	2,624	514,584
January 2021	505,402	7,938	513,340
Average	**512,012**	**3,450**	**515,462**

Table 6: Quarterly average client trading data – FY 2024

Quarter	Retail clients	Wholesale clients	All clients
July 2023	116,273	9,827	126,100
October 2023	110,916	9,604	120,520
January 2024	121,091	9,380	130,471
April 2024	91,153	9,284	100,437
Average	**109,858**	**9,524**	**119,382**

Table 7: New retail client attrition

FY 24 quarter	No. of active retail clients
July–Sept 2023	8,193
October–December 2023	5,329
January–March 2024	3,706
April–June 2024	2,694

Table 8: New retail clients – acquisition channels and client outcomes

Channel	No. of clients	% loss making
Organic		
› Search organic	6,767	70.65%
› Social organic	27	62.96%
Organic total	**6,794**	**70.62%**
Paid advertising		
› Search paid	7,600	74.49%
› Social paid	110	73.64%
› Web paid	929	71.26%
Paid advertising total	**8,639**	**74.13%**
Referral		
› Affiliate referral	2,980	67.11%
› Client referral	430	63.02%
› IB referral	437	49.89%
Referral total	**3,847**	**64.70%**
Other	15,482	70.36%
Other total	**15,482**	**70.36%**
Total new clients	**34,762**	**70.72%**

Table 9: Existing retail clients – acquisition channels and client outcomes

Channel	No. of clients	% loss making
Organic		
› Search organic	28,335	67.73%
› Social organic	140	60.71%
Organic total	**28,475**	**67.70%**
Paid advertising		
› Search paid	23,364	69.96%
› Social paid	1,737	68.45%
› Web paid	11,622	69.24%
Paid advertising total	**36,723**	**69.66%**
Referral		
› Affiliate referral	13,374	67.32%
› Client referral	6,976	69.55%
› IB referral	3,208	58.76%
Referral total	**23,558**	**66.82%**
Other	71,868	67.47%
Other total	**71,868**	**67.47%**
Total existing clients	**160,624**	**67.92%**

Table 10: Retail clients – deposits

Deposit type	Volume deposited ($mil)
Credit card	$270.82
Debit card	$443.86
Bank transfer	$424.92
E-wallet	$183.78

Table 11: Distribution methods – issuers, retail clients and client outcomes

Distribution method	Retail clients	% loss making
Algorithmic trading	8,873	62.22%
Copy trading	26,243	66.53%
Managed accounts	121	52.89%

Table 12: Underlying asset classes – retail clients and client outcomes

CFD (underlying asset class)	Retail clients	% loss making
Foreign exchange	72,338	63.21%
Commodities	65,873	63.24%
Equities	64,373	62.98%
Cryptocurrency	61,424	69.22%
Indices	51,534	60.48%
Basket	28,221	65.49%
Options	8,079	84.65%
Forwards	3,726	58.13%
Fixed income	399	52.88%
Other	21,556	60.21%

Key terms and related information

Key terms

AFS licensee	A person who holds an AFS licence under section 913B of the Corporations Act
ASIC's product intervention order	*ASIC Corporations (Product Intervention Order – Contracts for Difference) Instrument 2020/986*
CFDs (contracts for difference)	Leveraged OTC derivatives that allow clients to speculate on the change in value of an underlying asset
CFD issuer	AFS licensee who primarily offers (or plans to offer) CFDs to Australian retail clients
client	A client that traded or held CFDs at least once in FY 24. It includes retail clients and wholesale clients
copy trading service	A service that allows a client to automatically copy trades executed by other traders
Corporations Act	*Corporations Act 2001*, including regulations made for the purposes of that Act
design and distribution obligations	The obligations contained in Part 7.8A of the Corporations Act
existing client	A client that was a client of the relevant CFD issuer at the start of FY 24
existing retail client	A retail client that was a client of the relevant CFD issuer at the start of FY 24
managed account service	A service that allows a client to elect a person other than the client to trade CFDs on their behalf (such as a power of attorney)
new client	A client that was first acquired by the relevant CFD issuer during FY 24
new retail client	A retail client that was first acquired by the relevant CFD issuer during FY 24
OTC	'Over the counter', in relation to a derivative, means a derivative between two counterparties that is not able to be traded on an exchange
paid online advertising	Means paid advertising on a website, social media or search engine
REP 770 (for example)	An ASIC report (in this example numbered 770)
retail client	A client that is a retail client (as defined in sections 761G and 761GA of the Corporations Act)
RG 277 (for example)	An ASIC regulatory guide (in this example numbered 277)
target market	The class of consumers described in the TMD for the product under section 994B(5)(b) of the Corporations Act
TMD (target market determination)	Has the meaning given in section 994B of the Corporations Act
wholesale client	A client that is a wholesale client (as defined in section 761G of the Corporations Act)

Related information

Headnotes

CFDs, client monitoring, client onboarding, consumer remediation, design and distribution obligations, issuers, marketing practices, OTC derivative transaction reporting, product intervention order, reasonable steps obligation, target markets, target market determination, TMD

Legislation

Corporations Act 2001, section 912A(1)(a), 994B(8), 994C, 994E(1), (3) and (5)

Regulatory guides

RG 234 *Advertising financial products and services (including credit): Good practice guidance*

RG 277 *Consumer remediation*

Reports

REP 770 *Design and distribution obligations: Retail OTC derivatives*

REP 778 *Review of online trading providers*

REP 795 *Design and distribution obligations: Compliance with the reasonable steps obligation*

Media releases

20-066MR *AMP Life and AMP Capital pay penalties in relation to trade reporting rules*

23-127MR *Saxo Capital Markets amends TMDs following ASIC stop orders*

23-141MR *ASIC issues first DDO stop order for failure to take reasonable steps in CFD distribution*

24-109MR *ASIC issues DDO stop orders against Trademax Australia*

25-068MR *ASIC acts against Macquarie Bank for repeated compliance failures*

25-295MR *ASIC issues DDO stop order against FXCM for TMD deficiencies*