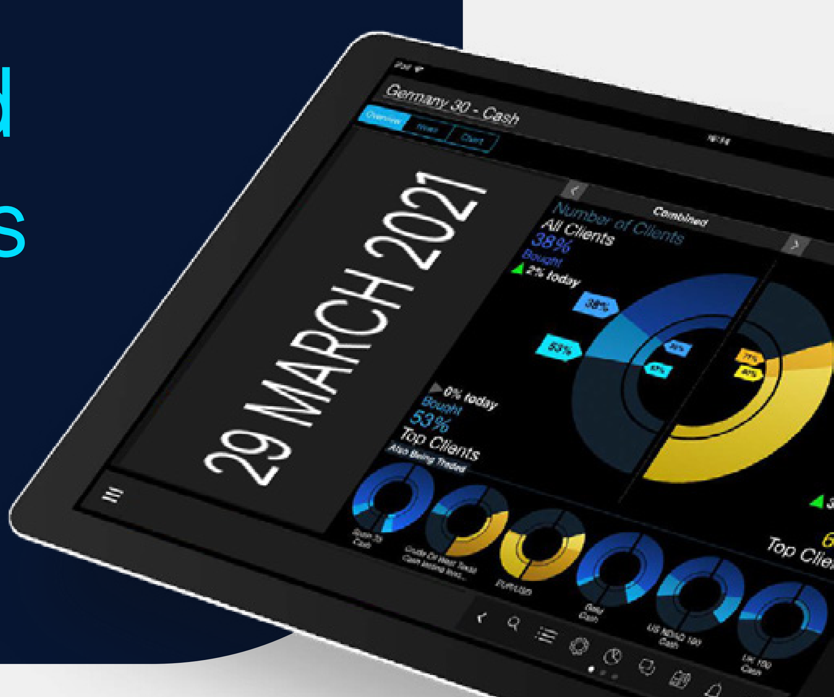
New rules around CFD trading - this is what it means for you



From March 29 2021, new Australia-wide rules will significantly reduce the leverage you can access when trading CFDs. *Here's what you need to know.*

What's changing?

As any CFD trader knows, leverage is like an amplifier for your trade. All other things being equal, a trade made with greater leverage has potential for larger profits and larger losses.

Under the new rules, maximum leverage ratios for retail traders will be lower than what many are used to. This means you'll have put more funds down for the same size of trade.

New maximum leverage ratio

From March 29 2021	Asset	Example
30:1	Major forex currency pairs	A currency pair that includes any two of the following: AUD, GBP, CAD, EUR, JPY, CHF and USD.
20:1	Minor forex currency pairs	Any currency pair not included above
	Major stock market indices	S&P 500, S&P/ASX200, NASDAQ 100, NASDAQ Composite, Nikkei Stock Average, Dow Jones Industrial Average, DAX, CAC 40, FTSE 100 and EURO STOXX 50
	Gold	
10:1	Minor stock market indices	Most of those not included above.
	Commodities other than gold	Everything else, from Cocoa Bulk Bean to Wheat.
5:1	Shares and other assets	All publicly traded companies, as well as treasury assets such as bonds and treasury notes.
2:1	Crypto-assets	Bitcoin, Ethereum and Litecoin.

What it means in practice

Let's say you have $5000 to trade and want to go long on gold. You buy $1000 in gold CFDs.

	How it used to be	As of March 29 2021
Maximum leverage ratio limit	200:1	20:1
The size of the position you can take for $1000	$200,000	$20,000

Now let's say the price of gold drops 1%:

1%

What your position is worth now	$198,000	$19,800
Change in position	-$2000	-$200
Trading balance	$3000	$4800

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Reducing leverage significantly reduces your potential losses, but also your potential profits.

Why is this happening?

The number of Australians trading CFDs has grown rapidly in recent years. The nature and complexity of CFDs means they are not for everyone. ASIC, Australia's corporate regulator, has moved to limit some of the risks traders can experience with CFDs.

Fair outcomes for clients have always been a focus for us and we welcome the opportunity to work with ASIC to ensure the industry acts in the best interests of Australian traders. Similar measures have previously been introduced in major overseas markets, including the UK and EU.

Learn more here

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