

From: gavin

Sent: Friday, 27 January 2012 2:44 PM

To: Client Money

Subject: Handling and Use of Client Money in Relation to Over-The-Counter Derivatives Transactions

To The Hon Bill Shorten MP, Assistant Treasurer and Minister for Financial Services and Superannuation ,

My name is Gavin Edwards , of [Address and mobile redacted] ,and firstly I'd like ask that this address is not made public nor my email address either . Thanks .

I wrote a brief email to your office on 8/11/2011 ,copied below ,and only just now realised you have released a discussion paper on much of what I wrote to you about .

Firstly I think the U.K model which I.G markets has been pushing for is ok but think the best and safest method for retail clients is to have individual bank /trust accts so all deposited monies are segregated from the Dealer/Licencee/Broker and all other clients . The USA model might be ok as well but it didn't stop MFglobal stealing or missappropriating funds ?

Issues for comment : My responses below

- 1 . Yes to amend the laws so both items under heading [ISSUES FOR COMMENT ] 1 {i} and [ii] become law .
2. pay into seperate trust accounts .
3. all derivatives
4. ???
5. YES deffinitely
6. ?

7. Yes alter it but any shortfall is the result of the Dealers and traders incompetence so should NOT be covered by other traders . If the Dealer and trader have insufficient funds then they shouldn't be in business . As traders we take the risk of making a mistake and going broke daily .

Most dealers have a fail safe that if the traders acct goes below a certain thresh hold the trades are closed . If the dealer fails in this regard then they should foot the bill not other traders .

8.Impact if all implemented would be a clean up of the industry . yipeeee

9. not sure at this stage.

10.not sure

11.not sure

12. YES

13.YES

A copy of the email posted on 8/11/2011 . cheers Gavin Edwards

Dear Bill Shorten ,

I am a part time commodities trader and like many people in Australia am absolutely mortified at the regulations or lack of regulations on segregated accounts being offered by Contract for Difference [CFD] and Commodity futures brokers in Australia .

In the last few years we have witnessed the collapse of Sonray capital markets , Opus prime and now Mfglobal . Sometimes business's fail but it shouldn't mean that thousands of clients of those firms should face loss and hardship . As traders we face the constant risk of making a mistake and losing our capital as that is the nature of our business but our losses should be limited to our mistakes and not the incompetent bungling of a Broking house .

The simple solution to curing our risk of another broking house collapse is to remove the provision of segregated accounts under the Australian Securities and investment commision [A.S.I.C ] guidelines and simply allow all traders to have a seperate bank account to other traders and the broking house . This model has been adopted for trading shares at the A.S.X and I note several cfd providers like IG markets and Commsec cfd broking allow this function as well .

Unfortunately many others don't as I believe they like to obtain financial gain from our money [interest bearing accts ] and use our cash for hedging positions taking out by us [which is moronic as we bet against the house and then they use our money to hedge that bet ]

Some broking houses also like to use the segregated accounts for their own benefit which is also moronic as it is our money not theirs and A.S.I.C allows this by approving their Product disclosure statements [PDS] . Please read this statement from the Citindex product disclosure statement ;

[http://www.filesandimages.com/Brand/CityIndexAustralia/PDF/PDS\\_CA.pdf](http://www.filesandimages.com/Brand/CityIndexAustralia/PDF/PDS_CA.pdf)

and in brief from section 2.4 ; ? We may pay, withdraw, deduct or apply any amounts from your monies held in any segregated account by CIA.

and to use such moneys in our business from time to time, including for the payment of amounts to our counterparties.

Your monies may be co-mingled into one or more segregated accounts with the monies of other CIA Clients in accordance with the provisions of the Corporations Act. etc etc

Mr Shorten I believe there is approximately 20,000 thousand clients of MF with frozen accts in Australia at present and Sonray had 8000 approx . Our capital markets can ill afford another financial meltdown and I believe you have the power to change the morononic laws through A.S.I.C re segregated accounts .

Please change that and then review PDS statements put out by CFD and broking houses , maybe making a generic PDS the normal . I note some PDS and financial service guides {FSD} guides run out to 130 plus pages of bamboozling and moronic statements as shown above .

Thanks and cheers ge