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presents

NFA RULES REPORT

A major new National Futures Association (NFA) rule goes into effect on August 1, 2009. This rule affects all U.S. regulated Forex Dealer Members

Many traders concern about the New NFA rules — will they kill MT4 trading in the USA? Will they bann stop loss and take profit? Will they let you close only first position first even if the last is in profit now and due to closure? Today I decided to find out the answers!

There were a lot of rumors that new NFA rules coming Aug, 1 will destroy MT4 trading in the USA You've probably already heard about the no-hedging rule from June however these new rules should have much bigger impact, especially on those who trade with MT4

Here is the source about the no-hedging rule

<http://www.nfa.futures.org/news/newsNotice.asp?ArticleID=2273>

NFA has received notice that the Commodity Futures Trading Commission has approved new NFA Compliance Rule 2-43 regarding forex orders. The prohibition on carrying offsetting transactions will be effective for any positions established after May 15, 2009. The requirements regarding price adjustments will become effective as to all customer orders executed after June 12, 2009.

While everyone was focused on the hedging part the small part about the so called FIFO (first in, first out) rule was overlooked.

Forex Dealer Members may not carry offsetting positions in a customer account but must offset them on a first-in, first-out basis. At the customer's request, an FDM may offset same-size transactions even if there are older transactions of a different size but must offset the transaction against the oldest transaction of that size.

There huge discussions started about this problem on the FPA, ForexFactory and other large forums:



<http://www.forexpeacearmy.com/forex-forum/forex-articles/5216-does-nfa-plan-destroy-mt4-usa.html>



<http://www.forexfactory.com/showthread.php?p=2879517&highlight=NFA#post2879517>

While some of the brokers came up with easy solutions for their native platforms or recommendations to move to UK branches - there is still a lot of misunderstanding about the future of MT4 trading in NFA regulated brokers.

My Investigation

Instead of creating more rumors on this issue i decided to find out the information first hand. First I decided to contact Metaquotes (developers of the MT4) however got no reply in a week.

So I decided to contact all major MT4 brokers looking for the answer and their solutions. Here are the results of my investigation.

Below are the response from many of the top brokers regarding my question on the new NFA rules and the influence on MT4 trading:



FXCM LLC would like to notify all FXCM clients holding MetaTrader 4 (MT4) accounts with FXCM U.S. of the changes that will occur after July 31, 2009. The National Futures Association (NFA), the primary regulatory authority for forex in the United States, has adopted new compliance rules that will have dramatic consequences for your MT4 account. The most significant new requirement requires all open positions to be closed out on a first-in-first-out basis.

To date, we have received no indication that the MT4 platform will be able to be modified to comply with first-in-first-out execution without significant loss in functionality. The solutions that FXCM have examined would cripple the operation of many expert advisors and will result in a much less robust platform.

As a result, FXCM plans to support the MT4 platform through its UK entity Forex Capital Markets Limited (FXCM UK) which is regulated by the UK's Financial Services Authority (FSA). The MT4 platform will no longer be offered through FXCM U.S. and will be discontinued on July 31, 2009.

As of July 31, 2009, all FXCM U.S. MT4 open positions will be closed, if not moved to FXCM UK. Clients will have the choice of having their account transferred to FXCM UK with no change to their existing trading platform functionality.

Bottom line: MT4 trading is killed here. Time to move to UK branch.



The only time this is going to effect the client is when they have the same lot size on the same currency pair. When they do have two identical orders they will only be able to place a stop loss/take profit on the order that was placed first. The second order will not be able to be closed or have a stop loss/take profit until the first order is closed.

Now, if the client closes 0.01 of the order that was placed first they may close the second order or add a stop loss/take profit because the lot sizes are no longer the same.

Bottom line: MT4 trading can still be used with some limitations



I would be happy to explain to you how Forex.com is responding to the new regulations and the resulting effect on MetaTrader.

MetaTrader does not function in a way that is compliant with the new regulation so we will no longer offer MetaTrader accounts in the US.

Our proprietary platform, ForexTrader, is compliant with the new regulations and will continue to be offered as it has been.

We now offer MetaTrader accounts through Forex.com UK.

Bottom line: MT4 trading is killed here. Time to move to UK branch.



I inform you that we do not have license to provide our services in the USA.

That means that we are not going to implement NFA FIFO regulations.

Feel free to contact us for further information.

Bottom line: NFA rules do not apply here. You can trade MT4 with no limits.



We are not members of the NFA therefore, their rules do not apply to Gallantfx. Our customers still can hedge, scalp, and use EA's.. The FIFO rule does not apply.

Bottom line: NFA rules do not apply here. You can trade MT4 with no limits.

We will continue to offer Meta Trader 4 to our traders. We believe that the new NFA rules should not be a massive issue for most of our traders and have been blown out of proportion a bit. If you would like to discuss the new rules and the potential effects on your trading style I would be happy to schedule a call with you.

Bottom line: No clear effect of NFA rules so far. Looks like MT4 trading is still allowed.



We are still working out a plan on how this will effect trading on MT4, specifically the stop loss/take profit feature, however you will still be able to place separate limit and stop orders. In regard to all the Hype of FIFO rule we would like to assure you once again that we will do our best to make sure you can continue trading without having to worry about how things may change for you.

Bottom line: No clear effect of NFA rules so far. Looks like MT4 trading will be allowed with some possible limitations.



As you are all aware the NFA has made a new rule that prohibits registered Forex Dealer Members from carrying offsetting positions past end of day ("no -hedging"). The rule will also require all positions to be offset in the order they were opened beginning August 1, otherwise known as 'First In First Out' (FIFO). There has been wide speculation among trade groups and more specifically Non Regulated Forex Brokers offshore what these changes may bring, to clients and Expert Advisors. Below is an email generated by the NFA to each of its Members, assuring that indeed it is not the interest of the NFA to eliminate vital risk management tools like Stop Loss and Take Profit orders. Furthermore, they will discipline any Member that is misleading investors with false information. It is of PFGBEST's and the NFA opinion that clients be able to continue to use these order types as a means of risk management.

The 'No-Hedging' rule has been in effect since May 15, and as many of you can attest the implementation of this rule by PFGBEST has had little affect on client strategies. The FIFO rule implementation on the other hand will likely cause most NFA Regulated FDM's to change the way their MetaTrader 4 platform operates because the MT4 Backoffice doesn't have the flexibility to offset positions in a FIFO manner as required by the NFA and retain all order functionality. There have been parties who have propagated fear among investors about 'not being able to use Stop Loss and Take Profit orders'. BEST Direct MT4 and PFGBEST.com made a decision 1 ½ years ago when we began integrating our Straight-Through-Processing environment to our proprietary Backoffice. This will allow us to comply with regulations and continue to offer BEST Direct MT4 in the capacity we do today. Clients will be able to continue to use their Expert Advisors and trading strategies with out having to make any adjustments. Stop Loss and Take Profit orders will be fully functional, including Trailing Stops.



Our company is registered, regulated and operating under Swiss Laws and Regulations. Very soon we will obtain a Banking Licence. In our company we allow Hedging. You can hold as much as you wish Sell and Buy positions and close any of them any time without any fixed order.

Bottom line: NFA rules do not apply here. You can trade MT4 with no limits.



NFA rules will have no impact on our platform.

Bottom line: NFA rules do not apply here. You can trade MT4 with no limits.



By now you are probably well aware that NFA has made a new rule that prohibits US Forex Dealer Members from carrying customer accounts with opposing positions in the same account past the end of the trading day ("no -hedging"). The rule also requires all positions to be closed in historical order, otherwise known as 'first in first out' (FIFO). There has been wide speculation among user groups what these changes may bring, how they are going to affect the Metatrader platform, how automated trading scripts are going to be affected (Expert Advisors) and what retail trading is going to look like in the future.

The 'No-Hedging' rule has been in effect for over a month now and as many of you can attest most of the statements of "doom and gloom" have been highly exaggerated. The FIFO rule implementation has been extended once already and there is continuous talks amongst all companies, platform vendors (software companies), and NFA as to what will be permitted and how things should be working out. In the midst of these changes some dealers have decided to use the rule changes as a selling point for their offshore service centers. They try to amplify the uncertainty and to play on the customers' fears. It is unclear if they are well equipped to maintain a properly operating MT4 platform in these jurisdictions. Most of them have very little history of operating one. It is certain though that it would be costly and inconvenient to close everything and move an account to an untested firm.

In the wake of all this speculation we at FXDD would like to assure you once again that we will do our best to make sure you can continue trading without having to worry about how things may change for you. We are working with the platform vendors, carefully examining all possible

options, and working diligently with NFA on the progress of our membership. Our advice is not to make hasty assumptions based on the loose talk from people who spread rumors. If we are to make any further changes to our platforms we will make sure you are informed well in advance and you are given all possible options to consider. We will also try and keep you updated on a regular basis to let you know what our plans are.

Bottom line: They are not a member of NFA yet so no need to worry here. Trading should continue with no limitations.

And here is what NFA itself thinks about this situation. (quoted from pfg newsletter)



To: NFA Member FDMs

Re: Communication with the Public Relating to NFA Compliance Rule 2-43

NFA has become aware of false or misleading blog entries and e-mails to customers stating or implying that NFA has banned stop orders and limit orders. As you know, Compliance Rule 2-43(b) does not prohibit either type of order but simply requires that executed stops and offsetting limit orders be applied to the oldest open position or, at the customer's direction, to the oldest open same-size position.

Please ensure that neither your employees nor any firms or individuals that introduce forex business to or manage forex accounts carried by your firm are spreading misleading information about the effect of Compliance Rule 2-43. As you are aware, under NFA Compliance Rule 2-36(d), an FDM is subject to discipline for the activities of persons who solicit, introduce, or manage customer accounts. Therefore, NFA will not hesitate to file an enforcement action against any FDM with an introducer or account manager that initiates, spreads, or condones statements that convey false information.