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Q Do you think it's high time for the regulators to bring regulations around prop trading? Why?

A No, I think there are more important regulatory requirements for ASIC, ESMA, and other major regulators. However, it is a concern if brokers are using prop-like account structures to circumvent local bans on retail clients trading CFDs or specific requirements that have been applied to CFDs.

Q Is it appropriate to add prop trading to the existing regulatory framework for financial services firms (like OTC retail brokers), or a whole new set of regulations is needed?

A I think a whole new set of regulations for retail prop trading is unrealistic as it is a fairly small and insignificant industry in the context of the broader financial markets.

Q In your view, what will be the future of prop trading?

A Prop trading has been around a long time and has been offered by CFD brokers for at least 15 years, so I expect it will continue to be offered for some time in the future, perhaps with further restrictions.

What work or progress has been made so far from the regulatory side?

None that I'm aware of, though an extended application or interpretation of KYC and AML laws would be a more likely scenario.

What do you think about the abrupt trading rule changes implemented by prop trading firms? Do you think it's an area for the regulators to explore?

From what I can see, this was a response to trading algos designed to abuse trading platform IT weaknesses and price latency, also known as news trading or scalping.

According to you, what are some appropriate regulatory steps for prop trading? What are the specific areas where regulators can press prop trading?

Appropriateness testing would be a good start. Full disclosure of the structure of the accounts and whether they are trading on real funds or a synthetic account (Demo). There should also be transparency around the pricing being offered to clients upon which their performance is being measured. We have seen manipulation of pricing to hamper the performance of clients as they progress through prop trading systems.

How would a regulator address the rampant payout denials?

In the main regulatory regimes, there are broad consumer protections which apply to interacting with others, and particularly with retail clients. In Australia, the overarching principle is the prohibition on "misleading and deceptive" conduct. This is a broad term upon which a lot of conduct which doesn't meet the 'pub test' can be picked up. It would also depend on the terms and conditions between the client and the prop firm. If the prop firm is providing a financial service, then the funds should be covered by existing client money regulation. Clients may also have protections from their funding provider, credit card chargebacks, etc.