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GFT Announces Continued Use of Stop and Limit Orders, Full NFA Compliance

ADA, MICH, July 2, 2009 — While a recently adopted National Futures Association (NFA) rule is forcing some forex dealers to discontinue the use of stop and limit orders to protect positions, GFT, a US-based company, announced today that their platform is fully compliant with all NFA regulations and, as such, customers trading with GFT will not be affected.

NFA Rule 2-43 (b) requires a “first-in, first-out” (FIFO) method of trading, which simply means that orders must be closed in the order in which they were opened. In many dealers’ systems, stop and limit orders would violate this rule. The new rule also eliminates “hedging,” which is the practice of taking contrary positions in a market in the hope that one of the positions will prove profitable.

Because GFT has always had a FIFO trading system, founder and CEO Gary Tilkin said that GFT customers will see no changes to their accounts or trading strategies when the rule takes effect on August 1.

“Rule 2-43 (b) does not change anything for our customers,” he said. “We offer stops and limits today and we’ll be offering them in the future. We believe they are an important part of a sound risk management program.”

As for hedging, Tilkin believes that many traders don’t understand that the practice works against them far more often than it works for them.

“GFT has never allowed hedging on its system because we believe it’s little more than a way for dealers to charge twice for the spread on what is, essentially, a non-position,” he said. “To have two counter positions in a financial product is really no position at all, and there really is no financial benefit for the customer to engage in this type of trading.”

Because GFT’s system is net-based rather than position-based, the new rule does not apply. In a position-based system, it is possible for a trader to take multiple positions at different levels on the same market. For example, a trader could have three positions in the EUR/USD pair and then close out each position based on its individual performance, which would violate the FIFO rule.

However, in a net-based system such as GFT’s, when a trader enters a new position in a market where he or she already holds a position, the new position is simply added to the old position and the prices are averaged. So it’s not possible to hold multiple positions in the same pair and therefore it is not possible to violate the FIFO rule.

GFT has always encouraged traders to do their research and employ a sound methodology when trading currencies. Trading psychology and time-tested methodologies go hand-in-hand, and hedging strategies discourage these sound practices. To read comments made by Tilkin earlier this year on the subject of hedging and the new FIFO rule, [click here](#).

To circumvent the new rule, some dealers are asking customers to move their accounts to divisions in the UK where the NFA has no jurisdiction. However, Tilkin questions this practice because he believes the NFA rule is designed to offer better protection for traders.

“Why would we ask our customers to move their accounts outside the US when the NFA is looking out for their best interests?,” he asked. “Ultimately, we believe that more protection is better.”

[Read additional facts here.](#)



About GFT

GFT provides service, support and award-winning trading technology through its DealBook® suite of trading platforms, which are designed for trading online spread bets, spot foreign exchange and contracts for differences. GFT launched its online spot forex trading services in 1997, becoming a pioneer in the online trading industry. Today, GFT is the brand name of several divisions and subsidiaries throughout the world. GFT's world headquarters is based in Ada, Mich., with additional U.S. offices located in Chicago and New York and global offices in London, Tokyo, Sydney Singapore and Dubai.

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