



Below is an interview conducted with Owen Kerr, CEO of [Pepperstone Financial Pty Ltd.](#)

1) Some people may be apprehensive dealing with a broker that is so new to the marketplace however your website does mention that the partners are well experienced in this industry.

Can you give us more details on your backgrounds and expertise and also give us an idea of how Pepperstone came together?

Firstly let me assure you that while Pepperstone might appear to be a new market entrant our team are very experienced when it comes to the world of foreign exchange.

Combined, we have a wide-ranging history in the financial markets. With experience working for Brokers and consulting to Large Banks, and Investment banks such as Goldman Sachs - Our experience spans across multiple asset classes: futures, equities and foreign exchange.

We also have young "tech-stars" who have worked magic with Front/Back office Java, C++, and access to liquidity and APIs - and they have been a large part of our success.

Bringing this experience together in Pepperstone has been one of the most exciting things that I have worked on.

Having been involved in institutional foreign exchange I am more than familiar with the "real market". It shocked and worried me to see the difference and in-equality between the inter-bank market and the trading conditions retail FX traders were being offered. To me the retail Forex environment resembled the "wild-west" with many unregulated brokers offering services of varying reliability, spreads and quality.

Having experience in the institutional space allowed me to see how we could create a firm that does something differently. It took a long time to assemble the team and the technology but finally Pepperstone was born - Institutional grade spreads and trading conditions with lightning fast execution.

2) Your website seems to focus a great deal on your access to liquidity and superior execution but almost every other broker in the market says the exact same thing. Can you explain what it is that sets Pepperstone apart in this area?

Indeed retail FX clients should be skeptical of Broker claims.

The key to Pepperstone's increased liquidity is the fact that we link into a network that includes over 22 Banks and ECN's. Some brokers only have 5 banks on their network and believe it or not some use only 1. By having access to the industry's leading liquidity providers and major financial institutions we ensure that we have the deepest 'pool' of prices to provide our clients with.

To put it in layman's terms I like to think of the analogy of fishing – with trades as the fish. Imagine fishing in a small lake (Other Brokers).

In a small lake you only have the opportunity of catching the limited fish that are in that 'liquidity pool' – if that lake is small and over-fished you will rarely get to take home anything big.

Now imagine fishing in the Atlantic Ocean (Pepperstone)

Because this is a much larger 'liquidity pool', there is an almost unlimited quantity of good sized fish and some 'big ones' available to those who have the knowledge of how to catch them. Fishing in a bigger pool means that you can have access consistent good fish (trades) and even sometimes catch that 'big one'.

At the risk of getting overly technical, we leverage an ultra-low latency network and systems that increase the probability to fill and execute an order. In the increasingly volatile FX market, with price changes occurring several hundred times per second, the time to market is critical.

Do you have exclusive use of this technology?

This technology is only used by a small handful of Brokers/Prime Brokers, Hedge Funds and Buy/Sell side banks.

By using this technology for Retail FX Brokerage, Pepperstone enables retail traders to access the same pricing, spreads and execution as these large institutions.

3) Are your price feeds filtered in any way?

No - We do not filter price feeds in any way

4) Most brokers seem to use their spread on the EUR/USD as the benchmark. While your spread on this pair seems decent, your pricing on the minor pairs seems to be substantially better than other brokers. How is this possible?

This is a direct illustration of our better forex liquidity than other brokers. We are able to offer more price quotes from more market participants and bring these to our clients in the form of a lower spread.

A lot of brokers focus on having tight EUR/USD quotes; however we have made it our mission to bring the best trading conditions across the major and minor currencies.

Let's use the Japanese Yen as an example.

The majority of JPY trading occurs with the big FX banks (Deutsche, UBS) however a significant percentage also comes from smaller Japanese Banks.

Most traditional FX Brokers would be able to offer their clients liquidity from **just** the big FX banks and the liquidity from the smaller Japanese banks would be absent.

However the Small Japanese bank on our network may be willing to sell their holdings of JPY for far less than what some of the bigger banks will.

Because we offer these quotes to our clients this results in a better spread.

You will notice that our spreads on the JPY cross pairs as well as EUR/CAD, EUR/AUD, GBP/CHF, GBP/AUD, AUD/NZD, USD/CAD and other minor pairs is much lower than typical retail brokers (often by 2 pips or more).

5) Is Pepperstone well suited for news traders and scalpers? Do your spreads widen substantially during new releases and does your execution suffer?

Yes – we are suited to all types of trader including News traders and Scalpers.

However our prices do reflect true market conditions and thus spreads will widen over illiquid periods when institutions vacate the market - such as the milliseconds before and after major economic news announcements. Our execution is governed by liquidity in the market during news times.

6) Pepperstone is an STP broker. Can you explain to our readers how that differs from a dealing desk broker as well as an ECN broker? It seems as though ECN brokers are widely considered to be the fairest in terms of their pricing, what advantage does Pepperstone offer over an ECN broker?

Another great question that I love answering!

It all comes down to one thing: Foreign exchange does not have a centralised market. Think of a stock market like the London Stock Exchange (LSE). The LSE is a centralised marketplace where people can buy and sell stock. The market is regulated and since all transactions take place on the same playing field it is a fair market. You have buyers and sellers all operating on the same (digital) place. So should a stock get bought or sold everyone knows the price it went for.

Foreign exchange is different. There is no centralised market. Historically foreign exchange was only conducted between banks. For example Barclays needed to buy USD. They would approach another bank and the other bank would sell them USD directly for an agreed upon price. This same concept still applies today and this is where we ultimately get pricing on currencies.

As a Straight Through Processing (STP) Broker Pepperstone processes trades into large institutions and banks. We literally 'process' your order 'straight through' to the market participant that takes your trade.

One of the main advantages of being an STP broker is the ability to choose which price to offer. Quotes come in from multiple banks and institutions across the globe, the systems pick the best bid and offer and stream this to you.

Dealing Desk brokers on the other hand may take the other side of your trade and not even process your order into the underlying market. They can essentially offer whatever price they see fit and manipulate pricing in a way that may not be beneficial to the trader.

An ECN tries to replicate the centralised market ideal. In reality with the major ECN's (Currenex, EBS, Hotspot) competing against each other there is still no centralised fx marketplace.

I agree that the spreads may appear to be attractive with an ECN Broker but traders need to factor in the ECN broker commission costs to their trading. Pepperstone does not charge commission on trades and earns revenue from a small spread mark-up on each trade processed.

7) What is your relationship with The Aslan Group?

The Aslan Group are Pepperstone's preferred rebate provider.

8) Do you allow corporate and trust accounts for entities outside of Australia?

Yes we allow Corporate and Trust accounts for all entities except if they are registered in the following jurisdictions –

The United States of America (USA), Afghanistan, Burma (Myanmar), Cote d'Ivoire (Ivory Coast), Cuba, Democratic Republic of Congo, Former Liberian Regime of Charles Taylor, Iran, Iraq, North Korea, Somalia, Sudan, Syria, Unita (Angola) and Zimbabwe.

9) What does it mean to be Authorised representative of CDM Pacific Pty Ltd? It says that they are insured by Lloyds of London, what exactly does that mean?

Pepperstone Financial Pty Ltd is a corporate authorised representative (No.389931) of CDM Pacific Pty Ltd whom hold the Australian Financial Services License (AFSL No. 223682).

As an authorised representative of CDM Pacific Pty Ltd, we are regulated under the Australian Securities and Investment Commission (ASIC).

ASIC requires licensed financial services providers to meet strict capital requirements and to implement and comply with internal procedures including risk management, staff training, accounting and audits.

The activities of CDM Pacific are fully insured by Lloyds of London – this includes the Foreign Exchange brokerage activities Pepperstone operates under the AFSL No 223682.

10) What steps has Pepperstone instituted to ensure the safety of funds on deposit

As a leading Foreign Exchange brokerage Pepperstone takes pride in its culture of strong regulation and compliance.

Pepperstone employs strict procedures to ensure the upmost safety and security of our client's funds as this is our highest priority.

Pepperstone holds client funds in segregated client trust accounts with AA rated banking institutions. Funds are held off-business and never used for business purposes.

Whist this is a legal requirement under the Australian Corporations Act 2001, Pepperstone believes that the real protection comes from our internal controls and systems.

Not only are client funds held segregated from any business account, but the complete auditing, accounting, banking and compliance systems for client deposits are kept completely separate from the business.

11) Is there a difference in pricing between your demo accounts and your live accounts? Is it possible to have a demo account that exactly mirrors a live one?

There is no difference in pricing between live and demo accounts.

Demo trades however are not processed into the market. Trading in a live environment (with large lot sizes) your trades may potentially 'move' the market and force bid/ask quote changes.

12) Where are your servers hosted? Do you have a recommended VPS provider for those concerned with latency? Will Pepperstone offer VPS hosting services?

Our Servers are hosted in Sydney and Singapore - Currently we do not endorse any particular VPS provider.

For Scalpers and Algorithmic Traders concerned with latency we are organizing a dedicated VPS facility that will ensure Ultra-Low Latency access to our servers.

Pepperstone will provide a complementary Low Latency VPS for Pepperstone Platinum Clients

13) When do you expect the additional deposit options to become available?

Pepperstone has a planned road map of development with new features being added week by week. The next stage will be the full implementation of Credit Card funding within the next two weeks, followed closely by Paypal funding by the end of February.

14) I see that leverage drops from 200:1 to 100:1 for accounts over \$25,000 would you allow exceptions to this rule in certain circumstances?

We believe leverage is a double edged sword. It can magnify gains but it can also magnify losses.

For traders with FX Trading experience and upon application to management we can grant leverage of up to 400:1.

15) Is there a maximum trade size that can be opened at any given time?

Our Maximum volume per trade is 50 lots. Multiple trades of 50 lots can be made in one account however.

16) You state that it's your mission to bring institutional grade trading to the retail market. Since you have experience on the institutional side, can you describe specifically how it is different than what retail traders experience and how Pepperstone will bridge that gap?

Pepperstone aims to bridge the gap between Institutional FX and Retail by providing the following...

Real Market Access and Spreads – Not ‘made up’ pricing that retail market makers offer their clients. Much like institutional clients, Pepperstone’s clients can be assured that they are getting real access to interbank pricing.

Downtime and Technical Support – Institutional downtime is measured in milliseconds - not the minutes and sometimes hours that Retail traders experience.

Dedicated Account managers and Customer Service – Brokers on the Institutional side value their clients and often go above and beyond what is required to keep them happy. Pepperstone aims to bring this level of service to the retail trader.

Important information from The Aslan Group

Our Standard Rebate at Pepperstone Financial Pty Ltd is 0.3 pips/lot. In order to receive cashback rebates on your Pepperstone account you must visit their website through the following link http://pepperstone.com?a_aid=asg

As long as you open an account within 30 days of clicking this link, we will be listed as the IB.¹

When your account has been approved you will receive a “Welcome Letter” from Ryan (admin at The Aslan Group) within 48 hours.

If you do not receive an Welcome Letter within 48 hours please email us at pepperstone@aslanforex.com

Thank you.

The Aslan Group Inc.

¹ RISK WARNING: Trading foreign exchange on margin carries a high level of risk, and may not be suitable for all investors. The high degree of leverage can work against you as well as for you. Before deciding to trade foreign exchange you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose. You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent financial advisor if you have any doubts.