FM INTELLIGENCE

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FINANCE MAGNATES

Intelligence Magazine

In this issue:

Plus:
The return of
MT4!

EDITOR'S NOTE

Sylwester Majewski,
Intelligence Team Lead

[sylwester@financemagnates.com]

The last quarter of 2018 brought some long-awaited animation to the retail trading industry. After a disappointing third quarter, average volumes increased visibly at the end of the year, although the number of active traders still slightly decreased.

This edition of Intelligence Magazine is dedicated to two hot topics. In our first article, we take a look at the situation of the retail forex market in the US. Due to improving conditions of the industry, as well as changes in the industry's structure, the US retail FX market, which has gone under the radar of the financial media for several years, may soon explode.

We spoke to IG about their entry into the US retail forex market. Rupert Osborne, CEO of IG US LLC, shared with Finance Magnates his view both on the US industry as well as its future. Considering the latest data gathered by our Intelligence Department, we can reveal that 2019 could be one of the most exciting years for the US industry in a decade.

Our second article covers the MT4 phenomena and is inspired by the recent changes in the offering of two leading FX/CFD brokers. As it occurs, after many years of fighting the idea they decided to introduce the MetaTrader platform to their customers. We will talk to brokers to better understand the reasoning behind such a decision.

MetaQuates, the developer of the most popular trading software on the market, has been struggling with the unwavering popularity of MetaTrader 4 for years, trying to increase the usage rates of MetaTrader 5. As we will find out, some brokers, who have already resigned from the older version for MT5, decided to get back to MT4. We will learn why.

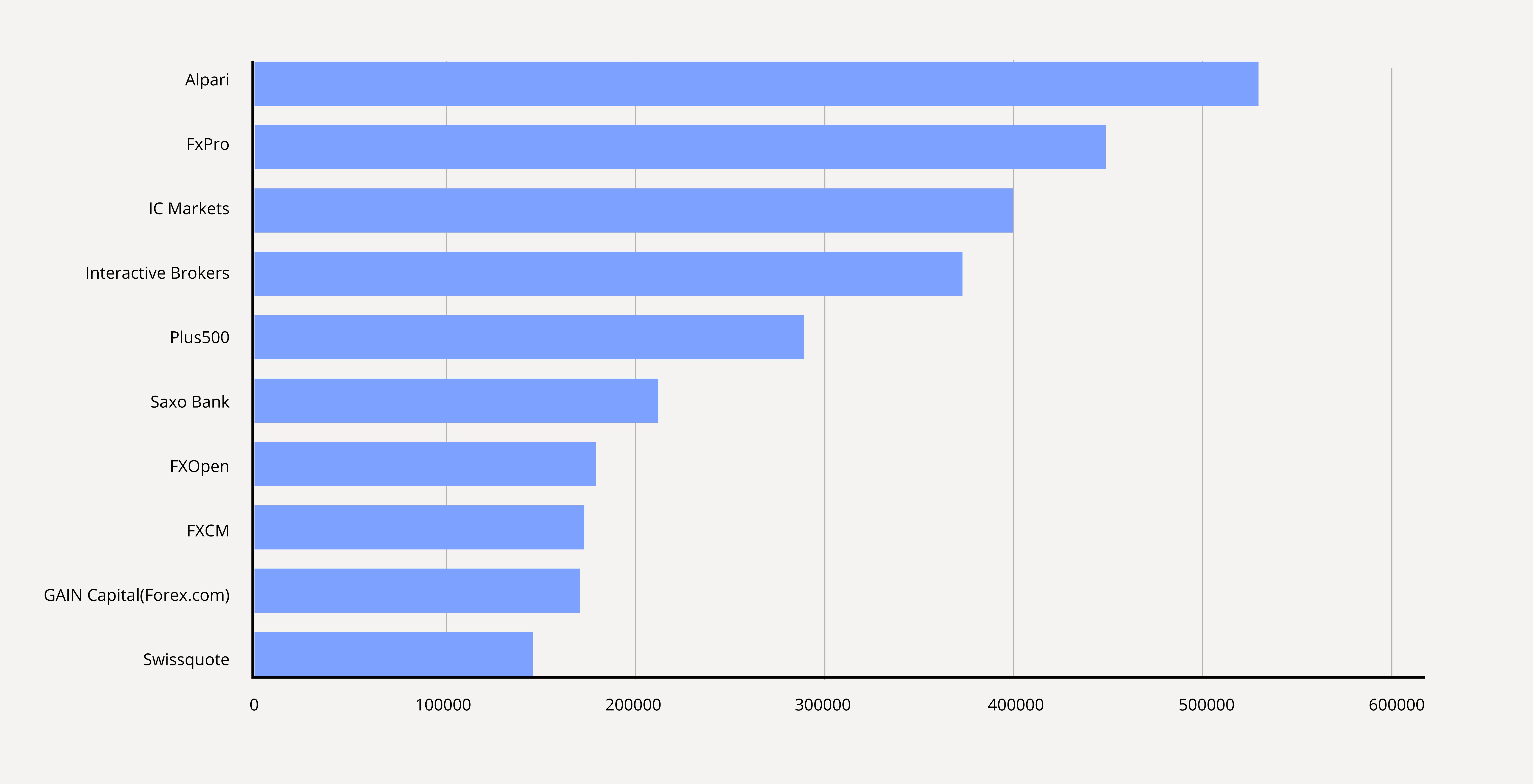
We continue to present our latest two cryptocurrency benchmarks created by Finance Magnates. With the focus on the most significant currencies which are most often traded by retail investors, we want to summarize the condition of the crypto market. We can also reveal that from 2019, you will find several new and interesting sections in our Intelligence Report.

As always, we remain open to your comments regarding topics covered by us. If you would like to contribute to the next issue or have some suggestions, please let us know.

Broker Social Media Presence Benchmark

* The social media presence benchmark was created by calculating the combined total amount of followers on the main Facebook and Twitter accounts of each of the top 10 brokers from Finance Magnates volume rank, respectively.

Fig. 1



Most Twitter followers gained in Q4

IC Markets

4.5%

From 4,631 in Q3 to 4,840 in Q4

Most Facebook followers gained in Q4

IC Markets

38.9%

From 277,329 in Q3 to 385,469 in Q4

Featured Country **Russia**

Since retail forex trading became popular more than a decade ago, Russian firms, from software developers to retail brokers, have played an essential role in the FX industry. Up until today, Russian firm MetaQuotes has been providing the trading industry with the most popular trading platform ever, MT4.

Russian forex brokers such as Alpari, FXTM, RoboForex or InstaForex, have also been playing one of the more prominent roles on the global scene. For a long time, the Russian industry was not regulated to the extent known from the EU or US. The official regulatory framework for forex brokers was fully introduced in May of 2017 - far behind similar regimes in other countries. However, from the very beginning regulations and most of all the attitude of the Central Bank of Russia towards brokers was being criticized by the Russian private forex industry.

The real shock came in late December of 2018. Pioneers such as Alpari, TeleTrade, TrustForex, InstaForex, and Forex Club had all been suspended. These companies will have until January 27, 2019, to cease all operations and return deposits to clients. The official statement quotes systemic violations of the guidance of the authority, risk management deficiencies, and others as the reason for the Bank's decision. However, some sources speculate that this may be an attempt at taking the Russian FX market away from independent private businesses in favor of large banks, often linked to government authorities.

How will this change the Russian industry? In an official statement, Alpari informed that the Russian central bank has been acting in contradiction with local rules and regulations. The broker is preparing to appeal the decision of the Russian central bank to suspend its forex license. Whether this move can be successful is debatable. One thing is for sure - Russian traders will have to search for new trading service providers. The question remaining is which one and where?

Russia

Fig. 2

Period	O4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Retail Monthly Volume ($ billion)	124	126	132	135	127

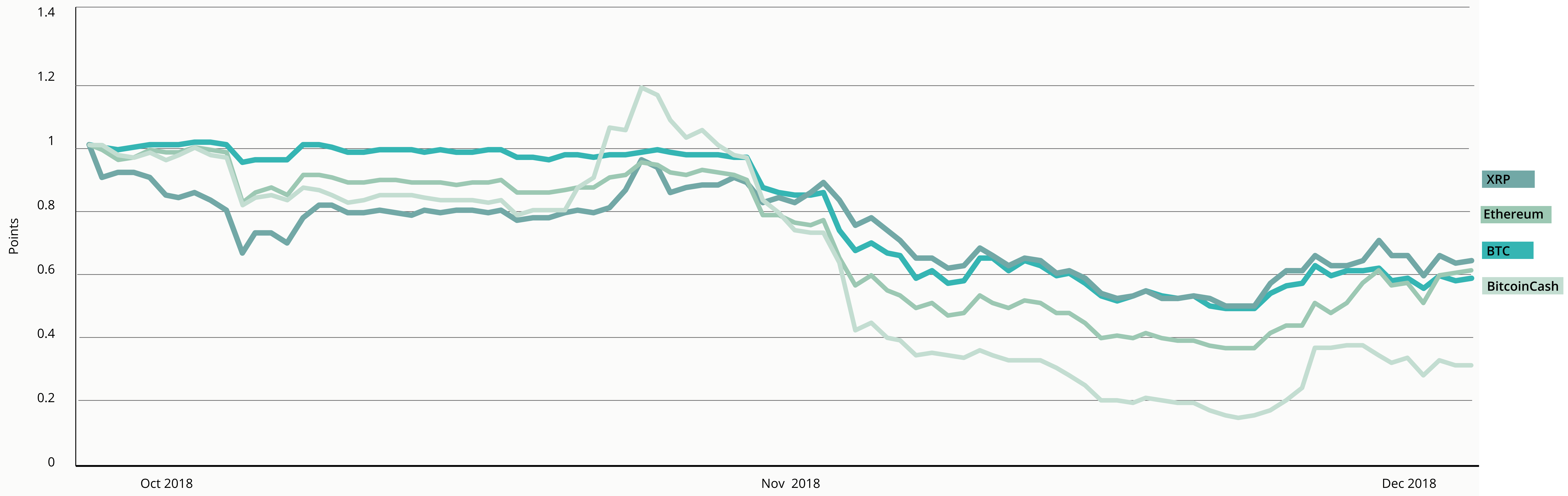
Source: Finance Magnates

Cryptocurrency Performance Benchmark

Fig. 3

As can be seen, Bitcoin was not the only cryptocurrency to lose value. In Q4 of 2018, all top 4 cryptocurrencies by market value headed south. The one that lost the most was BitcoinCash, which also happened to gain the most at the very beginning of November, right before the market crash. XRP (Ripple) meanwhile lost the least - only 38 percent in all of Q4 compared to the 71 percent drop in the value of BitcoinCash. Bitcoin itself was surprisingly stable compared to other cryptocoins, losing 43 percent as of the end of December.

The Relative Performance Benchmark is a proprietary index of the Finance Magnates Intelligence Department that measures the relative strength of the main cryptocurrencies in any given quarter. It compares the performance of the four biggest cryptocurrencies by market capitalization and tracks their price change. Currently, these are Bitcoin, Ethereum, Ripple (XRP) and BitcoinCash. The initial value of the benchmark is always 1 point.



Source: Finance Magnates, Coinmarketcap

Recovery of the US Retail Forex Industry. From the Depths of Hell to a New, Brighter Era

By Sylwester Majewski

The last quarter of 2018 brought us interesting forex metrics from the US retail market. The number of active accounts across the country grew to the highest level in history. At the same time, two outside companies are applying for NFA regulation. Are we observing the rebirth of the US market and are more brokers to come?

One of the oldest retail FX industries in the world is starting to look more and more interesting. In Q4 of 2018, it was reported that there were 132,988 active accounts on the US market. Not only was that the best result for the whole year but also the best result for the US market ever. The previous record was registered in Q2 of 2018 with 132,412 accounts. Such a good year must mean that for some reasons, US retail investors decided to become more interested in this segment of the market. And the US market is not an easy one compared to the rest of the world. While at the very beginning, more than a decade ago, it looked like a promised land it quickly transformed into one of the least friendly environments for retail forex trading.

[The Eearly Days of the US Retail Industry were Bright

The US retail FX market has always been almost inseparably linked with two companies - Forex Capital Markets (FXCM) and Gain Capital. Both started their business in 1999 and in a matter of a few years became prominent market players. These were the golden years of retail forex trading. Companies were growing fast, and there was no real regulatory framework for this kind of investment. It is a bit ironic since as we will find out later, the US industry, at some point became one of the most rigid in the world when it comes to regulations.

FXCM became an NFA registered Futures Commission Merchant (FCM) already in 2001, while its rival Gain Capital only did so in 2004. Both companies were approved with the status of Retail Foreign Exchange Dealer (RFED)/Forex Dealer Member (FDM) in 2010 in the wake of new regulations.

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JB Mackenzie,
Managing Director of Futures & Forex at TD Ameritrade

While market moves like these drive customer interest in the forex markets, the real driver behind our increase in accounts is TD Ameritrade’s value proposition” - JB Mackenzie, Managing Director of Futures & Forex at TD Ameritrade

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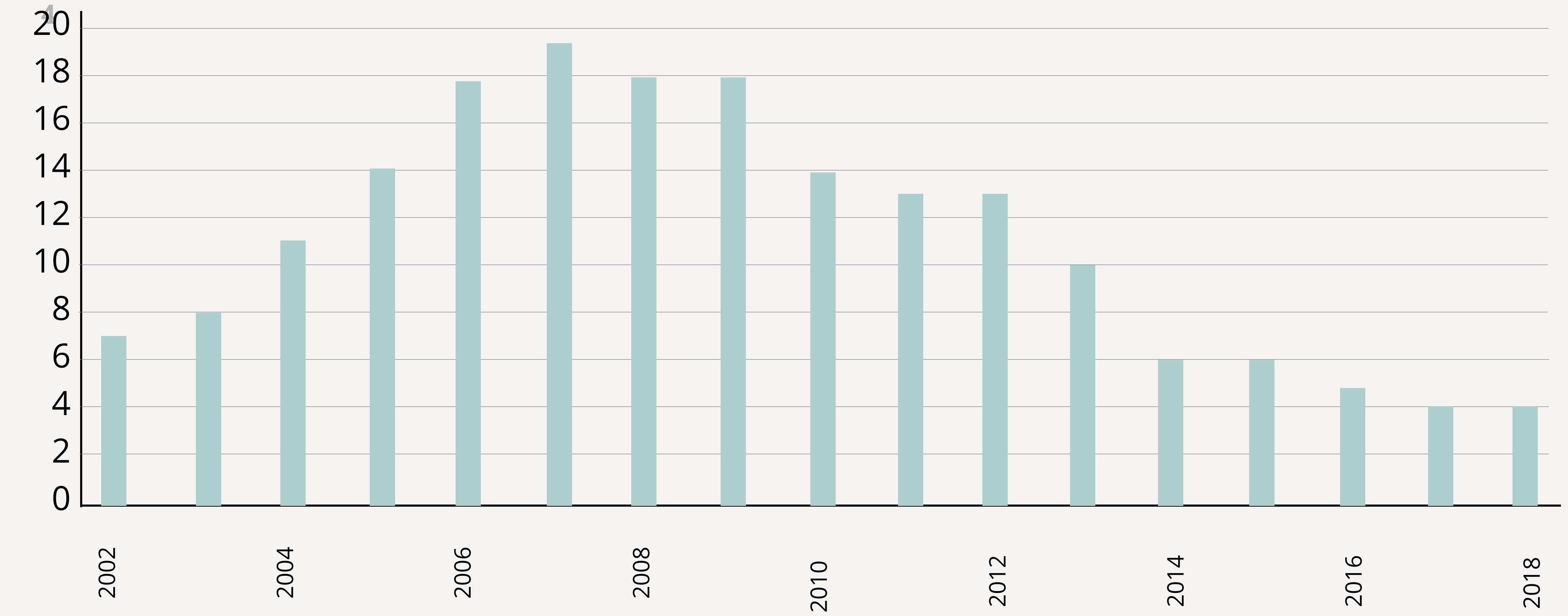
However, there were much more forex brokers in the US these days than just those two firms. Financial data for FCMs published on the Commodity Futures Trading Commission’s (CFTC) website goes back to 2002. Finance Magnates collected data for December of each year from 2002-2018. What we learned from this comparison study is that in 2002, there were seven companies in the US related to retail FX trading.

The US retail forex industry was growing fast in the early days. In 2004 there were already 11

Number of FX Brokers in the US by Year

Fig. 4



Source: CFTC

Top Biggest US Brokers by Adjusted Capital in 2007

Fig. 5

Broker	Adjusted Net Capital ($M)
Oanda Corporation	156.97
Forex Capital Markets LLC	74.66
Global Futures & Forex	69.08
Gain Capital Group LLC	49.66
FX Solutions LLC	17.96

Source: CFTC

Brokers Leaving the US Forex Market

Fig. 6

Broker	Year
CMC Markets	2008
IG Markets	2011
Forex Club	2012
Advanced Markets	2013
Easy Forex US	2013
FX Solutions	2013
IBFX	2016

Source: Finance Magnates

brokers providing retail service to traders. The largest number of participants was more than a decade ago, in 2007. In that year, 19 retail brokers operated in the US. Since then it was never the same, and the industry kept shrinking up until 2018.

At that time the US industry was a really interesting place to be. Apart from the most prominent duo in the form of FXCM and Gain Capital, there were known companies from other countries such as British CMC Markets, IG Group, and Russian Alpari to name just a few. The leading pack also had a different order than it currently does.

In 2007 the biggest US retail FX broker, at least in terms of reported adjusted capital, was Oanda Corporation. In December of that year, it had over $156 million of net adjusted capital. That was more than twice as much as the second in the rankings, FXCM, which reported over $74 million. Third in the rankings was the now-defunct Global Futures & Forex (GFT), followed by Gain Capital. This looks a little bit ironic today, knowing that later GFT was acquired by Gain Capital. The last one in our Top 5 ranking was FX Solutions, which is also not present anymore on the FX scene.

Overall, out of the Top 5 brokers, according to capital, two of them do not exist anymore since they were acquired by one of their rivals. A third one was also swallowed by that same rival, at least in the US, but the company itself still operates outside of the US. In general, six companies out of the 19 that were present in 2007, do not exist anymore, while the remaining nine function only outside of the US.

The first of the top brokers to leave the US market was CMC Markets. Its NFA membership

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Glenn Stevens,
CEO of GAIN Capital

We expect the U.S. FX market to grow in the next few years and, as a U.S.-based company that has been operating in this market for close to 20 years, we are well positioned to benefit from our market-leading position

“

was withdrawn already in November of 2008. The firm was followed by its British rival IG, which left the US market three years later in May of 2011. Just one year later Forex Club also fled the American industry. The biggest pack of brokers leaving the US was seen in 2013 when we were missing such brands as Advanced Markets and Easy Forex US. The Middle Eastern broker informed that “after a recent strategic business review at the parent company level of Easy Forex, a decision has been made no longer to accept and/or service retail customers from the United States at this time.”

There were other brokers leaving the US market too, both before and after Easy Forex. However, these were mostly the result of acquisitions and consolidation of the industry.

[A Difficul tTtime for Most,Oopportunity for Others

The slight decrease in the number of retail FX industry participants in the US up until 2010 was just a mere indication of what we were about to witness. It was the second decade of the new millennium that was supposed to change the US market for good.

Although several changes have been introduced by the NFA in the history of US forex market, the cornerstone of all evil was the Dodd-Frank Wall Street Reform Act which was introduced in 2010 on the back of the 2008 world financial crisis. It aimed to improve financial stability and consumer protection. However, with increased security inevitably came higher requirements for financial institutions.

According to the rules of the Dodd-Frank Act enforced by the CFTC, brokers wishing to offer retail forex trading in the US must have maintained a minimum capital of at least $20 million, plus five percent of the amount by which liabilities to retail forex customers exceed $10 million. That change alone was enough of a blow to the industry, especially if one recalls the times when US forex brokers were required only to have net capital of at least $250,000. Also, the comparison to European countries, especially to Cyprus, was not encouraging for US brokers.

However, this was not the only change that affected the industry. It was also agreed that maximum leverage of 50:1 could be applied to major currency pairs and 20:1 for other pairs. No over-the-counter foreign currency transactions were allowed unless they were done through a government-approved agency. Only US financial institutions were allowed to act as counterparties. Moreover, no spot metals transactions were allowed unless they aimed to have delivery within 28 days.

All aspects of running a retail FX business in the US became so harsh that many smaller brokers were faced with two options - to close their company or to sell it to someone. The second option was used several times in the last decade. As it occurs, there was one US broker that particularly enjoyed using market opportunities created by brokers leaving the industry. It was Bedminster, NJ registered Gain Capital.

Between 2010 and 2017 Gain Capital acquired the business of five different firms, including one UK-based one. The first of them was New York-based Capital Market Services LLC (CMS) – a quite successful broker that could not face the new capital requirements in the long run and, in 2010, decided to sell its customer assets to Gain Capital. Two years later, in 2012, Gain Capital took over the client base of GFT Forex, a very popular broker with proprietary and widely respected DealBook platform. The deal was valued at $40 million.

The third in the line was FX Solutions, whose client base was acquired by Gain Capital in early 2013. It was sold by London based City Index, which wanted to leave the US market altogether. Not much later, in 2014, Gain Capital also acquired City Index. This time however with the aim of expanding into the European market.

The last FX related acquisition from Gain Capital took place in 2017 when it purchased the customer base of its longtime rival FXCM. This time the reasons behind the deal were of a different nature. After two rather difficult years for FXCM, the company was fined $7 million. It was also forced to leave the US market and its NFA/CFTC membership withdrawn.

One year earlier another deal was done. This time it included Oanda Corporation and IBFX. Owned by Japanese Monex Group, Tradestation decided to leave the US market in 2016. At the time of the deal, its IBFX subsidiary had around 2,000 active accounts.

[US Mmarket Began Showing Strength

Despite all the drama and difficulties which the US retail forex industry had to face in the last decade, recent years indicate that there might be a light at the end of the tunnel. At least since 2015, we have been observing the steady growth of the number of active accounts. This was especially visible last year, although the changes were not significant.

In the first quarter of 2015, there were 96,112 active accounts reported by US retail forex brokers. It was the highest number that year, which ended with 89,478 accounts in Q4 2015. The whole of 2016 was already much better, and the number of active accounts easily stayed over the 120,000 mark. In general, 2016 kicked off with increased market volatility which attracted many new traders to the FX market.

In 2017 and 2018 we saw continual and steady growth of the US market. There weren't many volatility igniting events, especially in 2018, which was rather dull. And yet, the US retail forex market was taking up more and more space. We started Q1 of 2018 with 131,050 active accounts and ended the year with a record number of accounts at 132,988.

When it comes to specific brokers, we can underline a few observations as well. In 2017 the most significant improvement was part of the experience of Gain Capital. Moving from 17,032 accounts to 33,636 was impressive. But one has to remember that this was achieved thanks to the acquisition of FXCM's client base.

As we will see in 2018, Gain Capital was less fortunate. The US broker started the year with 35,139 active accounts in Q1 and finished it with 30,632 accounts. This was the worst performing US market participant in 2018 when it comes to

Biggest Acquistions in the FX Industry

Fig. 7

Acquiring	Acquired	Sum ($M)	Year
City Index	FX Solutions	not disclosed	2008
Gain Capital	CMS Forex(client base only)	8	2010
Gain Capital	GFT Forex	40	2012
Gain Capital	FX Solutions(client base only)	not disclosed	2013
Gain Capital	City Index	118	2014
Gain Capital	FXCM US(client base only)	based on activity of FXCM customers	2017

Source: Finance Magnates

the number of accounts.

On the other end of the spectrum was TD Ameritrade. Starting with 38,732 accounts, the Nebraska-based broker ended last year with 42,364 accounts. This means that currently, almost one-third of the US retail forex market trades forex with TD Ameritrade. The broker took first place in terms of accounts already in Q3 2016, and although its lead over others was not as pronounced as today, it never lost it since then.

Finance Magnates asked TD Ameritrade for comment on the reasons behind their success. JB Mackenzie, Managing Director of Futures & Forex at TD Ameritrade, attributes this to two factors. "In 2018, the financial markets saw a return of volatility and the Forex markets were no different," he said. "Whether it was concerns over rising interest rates and a strong U.S. Dollar early in the year, moves in the Turkish Lira and South African Rand late in the summer, or rising trade tensions between the U.S. and China, the Forex markets were impacted and industry volumes reflect investor interest."

"While market moves like these drive customer interest in the forex markets, the real driver behind our increase in accounts is TD Ameritrade's value proposition – offering best-in-class trading platform, best-in-class customer service and best-in-class education," he added.

Whether it was a matter of education, platform, or other factors, the growth of the customer base of TD Ameritrade has to command respect from competitors. The firm proved that one can do retail forex business in the US and expand. It shouldn't come as a surprise that some brokers, who probably have kept an eye on this industry for a longer time, decided to enter the US retail forex scene. Finance Magnates reported earlier that IG applied for an NFA license. The official entry date of the UK tycoon onto the US scene happened as we were closing the edition of this Intelligence Report, on February 1.

The UK broker plans to offer access to more than 80 currency pairs and to introduce an aggressive pricing strategy, to build immediate market share. How will that be possible? Which of the competitors will lose the most customers to IG? If the firm's clients are to be completely new retail traders that would mean even a larger customer base growth in the US.

[Brighter future ahead of US industry?

It was interesting how IG saw the US market. In a news release the CEO of IG Group, June Felix, said: "We see this initiative as a significant growth opportunity, and we're excited about IG's future in the US." Finance Magnates reached out for comment directly to IG US after their launch on the US market. We wanted to know what exactly pushed the British tycoon to enter the US retail forex scene now. Rupert Osborne, CEO of IG US LLC told us: "We applied for Forex Member Status with the NFA because we view the US market as a significant growth opportunity and feel the market has become fairly stagnant and uncompetitive in recent years. We're excited about IG's future in the US, and we're building a foundation for the long-term."

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Rupert Osborne,
CEO of IG US LLC

We believe increased competition will lead to better prices and service in the US FX industry

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Adding more to the reasoning behind their decision Osborne continued: "The US Forex market has only two providers dedicated to FX traders. We feel this has left the market underserved and lacking innovation in product offering as well as the overall customer experience. We've always prided ourselves on championing the client at IG, and we're excited to bring this same passion and focus to US FX traders. We believe increased competition will lead to better prices and service in the US FX industry, which, in turn, will shake up the market. We see the US market growing in the near-term as a result."

There is another company that is approaching US forex market right now. In the first half of January 2019 it was revealed that Trading Point, which operates the well-known XM brand, launched Trading.com Markets, formerly known as Trading Point US LLC. The new entity applied for NFA regulated status on January 3. Finance Magnates reached out to Trading.com for a comment on the situation but did not receive a reply at press time.

But not only these two brokers see a bright future for US retail forex market. Glenn Stevens, CEO of GAIN Capital, was full of optimism in a recent interview with Finance Magnates. "We expect the U.S. FX market to grow in the next few years and, as a U.S.-based company that has been operating in this market for close to 20 years, we are well positioned to benefit from our market-leading position," he said.

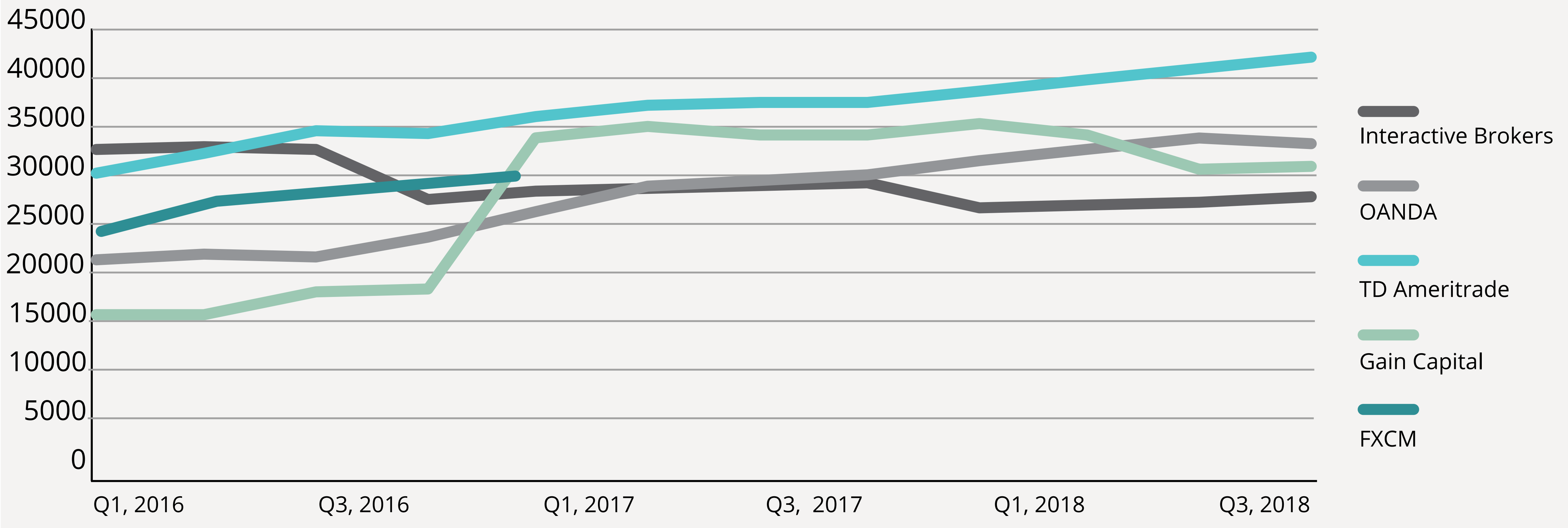
[Conclusions

The US retail forex industry went through some truly difficult times. From the environment of multiple, innovative, small entities to the current reality of only four major brokers. Actually, if we take into consideration that since 2016, Interactive Brokers has been providing FX services only to Eligible Contract Participants (traders with at least $10 million in assets), technically we should count only three brokers when talking about the retail side of the US market.

Local regulation never made it easy for the forex business. Not only was the capital requirement changed, making it more and more difficult for brokers to cope with, but changes also hit the traders themselves. The maximum allowed leverage for retail traders has always been on the bottom end of the globally accepted scale. For instance, even today, Australian brokers regulated by the ASIC (Australian Securities and Investments Commission) can offer 500:1 leverage, which is ten times higher than in the US. Most retail traders prefer higher leverage which allows them to chase bigger gains with smaller capital (even if for the most part they end up with more substantial losses instead).

Number of Active Accounts FX for US Brokers

Fig. 8



Source: CFTC § 5.5(e) Forex Disclosures

Yet, for some reason, the US retails market survived these changes and kept evolving. Data does not lie, and we can see that the number of active forex accounts increases each year. If the market expands even in such a challenging environment, that means there is great potential for additional growth. If on top of that, we're willing to take a slightly crazy bet, then maybe one-day regulations will be loosened to the point there will be a good basis for long term business for those that are willing to invest substantial capital and wait. It shouldn't come as a surprise that giants such as the British IG Group considered getting back into the US market. Nowadays, when European regulators are making EU brokers struggle in the post ESMA changes reality, the US market may not look all that bad - at least for the bigger players. Whether more market participants will join the US industry scene remains to be seen, but such a scenario is not impossible.

Is MetaQuotes Its Own Worst Enemy? Nine Years after MetaTrader 5's Introduction, Brokers Still Prefer MetaTrader 4

By Damian Chmiel

Trading platforms designed by MetaQuotes are definitely the most recognized and well-known within the retail trading industry. If we asked the average trader which platforms they use for trading, most of them would confirm at least occasional contact with one of the MetaTrader versions.

Due to the unwavering popularity of MetaTrader 4, the supplier of the most popular investment software on the market has been struggling with trying to increase the usage rates of MetaTrader 5 for years. As it turns out, some brokers who already upgraded to MT5, have decided to return to the "good ol'" solution, which still looks more appealing to traders. On top of that, big brokers that were so far avoiding MT4 and promoting their own software finally had to surrender and introduce their competitor's software to their clients. This unusual turnaround led Finance Magnates to seek for the answers to this surprising phenomenon.

MetaQuotes, originally from Russia and today based in Cyprus, was established in 2000 with the launch of FX Charts, which was renamed as MetaQuotes just a year later. The real breakthrough came however in the middle of the last decade when Metatrader 4 (MT4) was finally released. Since then, the platform has become the flagship symbol of dynamically developing retail electronic trading, and almost 15 years later it is still a first choice solution for many investors around the world. Despite its 'old-fashioned' design and the emergence of a considerable number of alternative apps and proprietary brokerage platforms, MT4 still retains a dominant position.

The refreshed version (MT5), which was to take over the lead after MetaTrader 4, officially debuted in 2010. Although almost ten years have passed since then and MetaQuotes has taken many steps to make this version the leading choice of brokers and traders, the issue remains problematic. More interestingly, since the beginning of last year, MT4 is not officially being sold anymore, and yet brokers still offer it to their clients. Some of them even decided - after removing the platform from the offering in the first place - to make it available again due to the tremendous and constant interest of consumers.

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Arthur Azizov,
CEO of B2Broker

MT4 still generates the largest trading volumes. It is simpler to use than MT5 and 70% brokers still have MT4 trading platforms.

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] MetaTrader 5 – An Improvement for Brokers, not Necessarily for Traders?

In January 2018, MetaQuotes made an official announcement that it would no longer sell the MetaTrader 4 trading platform. The company elaborated that the system is outdated and cannot be developed further. It should be noted that the decision came amid an increasing push for MetaTrader 5 adoption, which began in 2016. Before MetaQuotes decided to stop selling MT4 completely, it firstly offered preferential license purchase rates to brokers for a newer platform, while increasing the fees for the earlier version.

Main Differences between MetaTrader 4 and MetaTrader 5

Fig. 9

	MetaTrader 4	*MetaTrader 5*
Trading instruments	FX and CFDs	FX, CFDs, futures, and stocks
Timeframes	9	21
Pending orders	4 types (buy stop, buy limit, sell limit, sell stop)	6 types (additionally buy stop-limit, sell-stop limit)
Hedging	Only hedging	Hedging and netting
Technical analysis tools	30	38
Market depth	No	Yes
Economic calendar	No	Yes
Order execution types	3	4
Graphical objects	31	44
Strategy tester	Single-threaded	Multi-threaded
Fund transfer between accounts	No	Yes
Programming language	MQL4	MQL5

Source: MetaQuotes

Metaquotes has long been preparing the phase-out of MT4, and the final decision was dictated by technological constraints: “The architecture was designed under the limitations of a different time, due to which it is no longer possible to implement new features that should meet nowadays increased requirements of the industry or the brokers and traders demands,” MetaQuotes explained in January 2018.

Despite the developer's actions, a large number of clients still prefer MT4, so brokers keep the platform on offer. However, according to the industry participants' opinions, for the investment firms themselves, version number 5 is definitely more advantageous. MT5 does not exist primarily to help the millions of pop traders; it is first and foremost an improvement for brokers. What are the most significant ones? For the purpose of this article we will consider four different aspects: fewer third-party plugins (meaning better control),

Greg Niebank,
Group Head of Product at CMC

There is a large community of long standing MetaTrader 4 users that we would not be able to attract unless we made MetaTrader 4 available to them.

gateway liquidity solution, more markets and better features, and lastly an improved pricing structure.

Control and fewer third-party add-ons – Brokers using MT4 would need MetaQuotes' own Virtual Dealing Desk to handle order routing or adapt third-party plugins to provide the feature that came built-in with the newer MetaTrader. Add extensive API support to the package, which allows brokers to build their custom apps and website integration, and you receive a better-tailored solution for every investment company.

Gateway liquidity solution – Thanks to the 5 STP Gateway, MT5 gets a massive advantage over MT4, allowing any MetaTrader 5 broker to connect directly to any other MetaTrader 5 broker for additional liquidity. This solution, which was not possible in the case of MT4 due to technological constraints, has mutual benefits. Firstly, liquidity providers might increase their revenues by offering liquidity services at zero-cost and secondly, brokers using MT5 gain almost instant access to higher liquidity.

Higher markets range and new features – While MT4 limited asset offering to a few hundred symbols, MT5 has abolished these restrictions. In addition to supporting Forex and CFDs, MT5 allows offering futures, stocks, bonds, and options trading, thus bringing in a larger audience and additional clients.

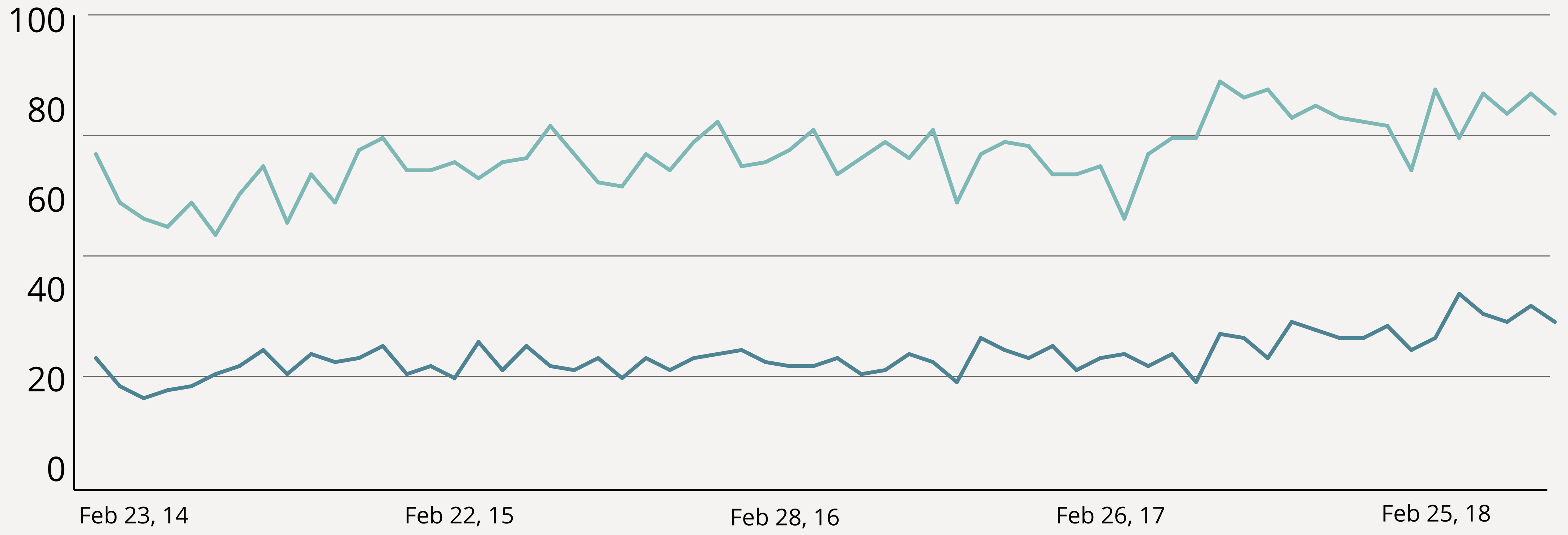
Pricing - In its pricing system, MetaQuotes never concealed that it offers more preferential rates for brokers choosing MetaQuotes 5 (while MT4 was still being sold). In the beginning of 2018, a new entrant could expect to pay $100,000 for MT4, while MT5 started at $75,000 for 1,000 users and ran up to $300,000 for 200,000 trader accounts.

MT5's supremacy over MT4 when it comes to additional features were confirmed by Piotr Baszak, Head of Trading Department at Dom Maklerski TMS Brokers: "From MQ we know that the main idea behind building MT5 platform was to make the architecture of the system more reliable and be prepared to support also other asset classes," Baszak said. "MetaQuotes does not work on development on new features in MT4. MT5 now is the priority. When it comes to interfaces MT4 and MT5 are similar therefore we do not see clients having problems with MT5".

"MetaQuotes is the leader on the market and seems that this will not change soon.

MetaTrader 4 and MetaTrader 5 in Google Trends

Fig. 10



Source: Google Trends

MT4 Global Market Share in FX/CFD Retail Volumes *

Fig. 11

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Total w/o Japan	50.5%	52.3%	55.1%	55%
Total with Japan	31.5%	33.9%	36.1%	37%

Source: Finance Magnates Intelligence
**-includes MT5 volume*

Some of the brokers, especially bigger ones who have big IT teams, will invest in their own solutions to differentiate. However, the platform itself is a kind of commodity to achieve business goals. I believe that the only platform that would allow clients to improve their results can be a real game changer. Until then there is no significant evidence that one of the platforms has any superiority over the others," he added.

The examples mentioned above show that MT5 is definitely a better solution for most retail brokers. Taking into account the back-end infrastructure, it looks more developed than MT4 making things easier when it comes to brokerage business. What is good for the broker, however, does not always go hand in hand with market demand. Clients' interests show that they still prefer to use MT4 - at least in terms of 'traditional' FX and CFD trading.

The monopoly that MT4 has established in recent years ironically works against MetaQuotes' attempts to promote MT5. Directly, traders are comfortable with MetaTrader 4, and they do not need any change – the platform is stable, working and available everywhere. Indirectly, MT4 still offers retail traders a myriad of add-ons and extras that were created in the last decade and enjoy strong community support. Take into account all electronic advisers (EAs), copy trade solutions, indicators, and additional tools developed by investors for MT4. MetaQuotes tried to solve this issue by offering an improved programming language inside MT5, which allegedly gives more possibilities, but many developers preferred to stay with older solutions. The gap between the popularity of the two platforms is confirmed by Google Trends statistics from the last five years. Internet users much more frequently search MetaTrader 4, but MetaTrader 5 is becoming more and more popular year by year.

At the end of the day, it turns out that a product which, in theory, is better, newer, more developed, and offers a number of benefits to brokers (and indirectly to customers) loses the fight with its older and technologically constrained sibling.

[50% around the World, 100% among Some Brokers – MT4 Will Not Die That Fast (If Ever)

According to data gathered by Finance Magnates' Intelligence Department, MetaTrader 4's market share amongst top brokers still looks very healthy. Throughout 2018, and in individual quarters, around 50-55 percent of brokers offered MT4. However, taking into account the Japanese market, this value drops to 31-36 percent, which shows that the MetaQuotes platform is mainly popular in the Western parts of the world. Even more interesting results can be seen when comparing trading volume generated on individual platforms in the case of different brokers. For IC Markets it was 93.7 percent ($403.1 billion MT4 volume), for Pepperstone 86 percent ($182.1 billion), and for Alpari 100 percent ($132.3 billion) - these three brokers generated the highest turnover on the MT4 platform in the fourth quarter. The Top 10 brokers in terms of MT4 usage during the last three months of 2018 altogether recorded $1,295.1 billion in trading volumes.

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Piotr Baszak,
Head of Trading Department
at TMS Brokers

From MQ we know that the main idea behind building MT5 platform was to make the architecture of the system more reliable and be prepared to support also other asset classes.

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According to Arthur Azizov, CEO of B2Broker, the popularity of particular platforms “depends on how many platforms brokers provide for clients. For example, if a broker provides MT4 and MT5, then 75% use the former and 25% the latter. If for example, a broker provides both MT4, MT5, and cTrader then I would estimate the percentages at 50/25 & 25% accordingly.”

“I believe one of the main reasons that MT4 is still popular is that a lot of EAs, trading bots, signals and trading strategies develop their systems using MQL4. MQL4 and MQL5 (for MT5) are 2 totally different coding languages. For this reason, it is not easy for them to make the move and redevelop all their solutions to MT5. Leading on from this, while they both have similar functions, many brokers have built their trading environment around MT4, with MT5 still work in progress,” Azizov added.

Top 10 Brokers by MT4 Usage in Q4 2018

Fig. 12

	MT4 % Volume Share	MT4 Volume ($B)
IC Markets	94.0%	497.3
Pepperstone	86.0%	210.4
Alpari	100.0%	139.4
Axi Trader	100.0%	130.9
FXOpen	100.0%	122.3
Tickmill	100.0%	116.4
FxPro	86.0%	97.2
FXCM	35.0%	70.3
Admiral Markets	100.0%	67.5
GAIN Capital	32.0%	67.3

Source: Finance Magnates Intelligence

[Old Brokers Finally Surrender to MetaTrader

The fact that MetaTrader 4 is doing well is evidenced not only by the percentage of brokers who still offer it or the turnover it generates but also by the decisions taken by investment firms in recent months. Brokerage companies, including Dukascopy and CMC Markets, that gave up offering MT4 to their clients some time ago decided to re-include the solution in their offer, reacting proactively to the continued interest of investors.

CMC is renowned in the industry for its refusal to adopt the MetaTrader 4 or 5 trading platforms. However, in its annual report, the company confirmed it would offer MetaQuotes' trading solutions to meet the demand of new clients and take advantage of the European Securities and Market Authority (ESMA) regulations. It seems that the firm is trying to acquire the client base from smaller brokerage houses that collapsed due to recent financial watchdog actions, offering these clients solutions to which they have become accustomed. Greg Niebank, Group Head of Product at CMC, said in an exclusive interview with Finance Magnates that MT4 still gathers the vast majority of traders: "There is a large community of long standing MetaTrader 4 users that we would not be able to attract unless we made MetaTrader 4 available to them. But I do think that MetaTrader 5 is becoming more popular and will eventually usurp MetaTrader 4," he said.

Considering the broad market, MetaTrader 4 still generates the largest number of trading volumes, according to the data and estimates of B2Broker's Azizov. "MT4 still generates the largest trading volumes. It is simpler to use than MT5 and 70% brokers still have MT4 trading platforms. My personal opinion overall is that MT5 is a better platform from all perspectives and I am surprised that brokers have not implemented it at a faster pace."

[Two MetaTraders and In-House Trading Platforms – Still the Best Solution for Many Brokers?

If you are wondering which platform should offer to your clients as a broker you, the answer will certainly not appeal to your wallet. For years, the principle of 'the more, the better' has been working great. Of course, small brokers cannot afford such a solution, but larger investment firms try to offer different approaches so as not to miss any potential clientele. For this reason, a large group of retail brokers still provides one of the two current MetaQuotes platforms, complemented by their in-house trading apps.

X-Trade Brokers (xtb), a retail online brokerage listed on the Polish stock exchange, is one of those who decided to merge MetaTrader 4 and its own platform, xStation 5. According to Filip Kaczmarzyk, Member of the Management Board and Head of Trading Department at XTB, it is hard to compete with the popularity of MT4. However, an increasing number of new clients decide to use the company's platform - which offers more instruments and trading on real shares. "MT4 is especially popular among customers who have been with us the longest. This is probably due to the fact that MT4 has long been the most popular trading platform on the market and it is especially difficult for experienced traders to change their habits. However, our new clients show much more interest in our own platform xStation 5, which is a complete trading solution and includes a wealth of analytical tools, in-depth market news, educational resources and much more. We try to encourage our MT4 clients to move to xStation 5 as we feel we are offering them an enhanced user experience in comparison to MT4."

Kaczmarczyk states that MT4 domination can be interrupted, as shown by the latest data collected by the broker. At this moment, XTB sees many more accounts being opened on xStation 5 in comparison to MetaTrader 4. In some of the local branches the split goes even as high as 80/20 and on a group level, MT4's market share is currently below 50 percent. "That proves to us that developing our own platform was the right decision and that our clients have appreciated our effort in creating a complete trading solution for both advanced and beginning traders," Kaczmarczyk said.

Currently, most of XTB's turnover is generated via xStation 5, but that percentage is still not high enough to completely remove MT, which still has its avid followers, from offer. The conversation with the XTB representative, only confirms a thesis also put forth by

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Filip Kaczmarzyk,
Member of the Management Board, Head of Trading Department at XTB Brokers

Developing our own platform was the right decision and that our clients have appreciated our effort in creating a complete trading solution for both advanced and beginning traders.

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other brokers: Clients are creatures of habit and these habits are very difficult to change. That is one of the reasons why MT5 cannot currently win the fight with MT4, and why platforms built in-house must be gradually and systematically implemented (and promoted) in order to break through in the awareness of individual traders.

[Summary: Traders Are like Leopards: They Cannot Change Their (Trading) Spots

This article can be perfectly summarized with the statement of Tomasz Wiśniewski, chief analyst at Alpari Group. Wiśniewski admits in his own example that he returned to trading using MetaTrader 4 because he had been associated with it as an individual trader for ten years. “Back in that day, direct trading from the chart was not available on the MT4,” Wiśniewski said. “It vastly improved the trading process. Luckily, MetaQuotes introduced that feature to MT4 too, so I came back to that platform. I think that MT4 offers everything that people want and it is provided in a very user-friendly way. That is why people will remain loyal.”

Brokers and technology solutions providers associated with the investment market honestly admit that from their perspective, MetaTrader 5 is a better platform for doing business and the clients themselves. However, retail investors do not share this opinion and still prefer to use MetaTrader 4. Old habits die hard? Most likely. A huge MT4 community? Definitely. Overall, B2Broker states that many of the biggest brokerage houses still provide trading on MT4 and don’t advertise MT5 because the integrations are incomplete and cannot support it properly.

MetaQuotes’ actions will ultimately make MT5 more popular. Already at this point, a new broker entering the market cannot purchase a license for an older version - only through white label solutions. The lack of support for MT4 and stronger promotion of MT5 will eventually allow the newer platform to win. So far, however, the ‘four’ is so deeply rooted and popular among retail investors that the change will not be easy nor fast.