Retail Outcomes in Futures & Options

India's FY22-FY26 evidence, the closest international datasets, and a rigorous test of the zero-sum argument

Scope: This report begins with the parliamentary table supplied in the discussion, reconstructs its official context, compares it with evidence from the United States, Germany, the European Union, Australia and Brazil, and then evaluates the claim that only a small minority can profit from F&O.

78.6 lakh	₹91,685 crore	₹1,16,654
FY26 sampled individual traders	FY26 aggregate net loss	FY26 average loss per person

Prepared from official parliamentary and regulatory material, supplemented by primary academic research.

Educational analysis only. This is not personal investment advice or a recommendation to trade derivatives.

How the discussion developed

The report follows the exact chain of questions that led from the Indian evidence to the broader economic argument.

1	**Starting evidence.** A parliamentary answer reported five years of individual participation, turnover, aggregate P&L and average loss in India's equity F&O segment.
2	**International question.** The next question was whether the United States, Europe or other markets publish comparable retail profitability data.
3	**Economic thesis.** The discussion then proposed that F&O is a zero-sum product created for hedging, that most active traders must lose, and that the losses of the majority become the profits of a small minority.
4	**Analytical task.** The final step is to identify which parts of that thesis are mathematically correct, which parts are empirical rather than structural, and where the formulation needs correction.

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One-sentence conclusion: F&O is a zero-sum risk-transfer mechanism at the gross contract-payoff level, but zero-sum arithmetic does not impose a fixed percentage of winners; the very high retail loss rates observed in India and elsewhere are empirical outcomes shaped by leverage, costs, trading behaviour and unequal capabilities.

EXECUTIVE SUMMARY

Executive summary

The data are strong enough to support a sceptical view of unhedged retail speculation, but not the claim that derivatives are mechanically designed to produce a fixed 90/10 winner split.

1	**India has the broadest public series reviewed here.** The latest parliamentary table uses data from the top 15 brokers, representing approximately 90% of individual investors in the equity-derivatives segment. It reports 78.6 lakh traders, ₹202 lakh crore of defined turnover, ₹91,685 crore of aggregate net loss and an average loss of ₹1,16,654 in FY26. [IN-1]
2	**Participation and aggregate loss fell in FY26, but average loss rose.** From FY25 to FY26, the number of sampled individuals fell 19.9% and aggregate net loss fell 18.0%. Average loss per person nevertheless increased 2.4% to the highest value in the five-year table. [IN-1]
3	**No foreign dataset is a perfect match.** The closest evidence differs in product, sample, P&L construction and population coverage. U.S. futures and Brazilian mini-index futures are closest by product; U.S. equity-options data are close by instrument but infer retail orders; European and Australian CFD data concern a different OTC structure.
4	**The broad cross-market pattern is still consistent.** Across the reviewed studies, a majority of retail participants or accounts lost money on the relevant measure. The result is strongest for persistent day trading, high-turnover option activity and leveraged CFD accounts. [US-FUT-1] [US-OPT-1] [DE-FUT-1] [EU-CFD-1] [AU-CFD-1] [BR-FUT-1]
5	**Zero-sum is correct before costs and within the complete counterparty set.** For every derivative contract, one side's gross trading gain is the other side's gross trading loss. After brokerage, exchange and clearing charges, taxes and other external costs, the combined net result of customer accounts is lower by those costs.

6	**Zero-sum does not determine the percentage of winners.** One large loser can fund many small winners, or one large winner can be funded by many small losers. A 90% loss-maker rate is therefore an observed distribution, not a contractual rule.
7	**Hedging can be successful even when the derivative leg loses.** The correct evaluation unit is the entire economic position. A futures or option loss may offset a favourable move in the underlying exposure and still accomplish the hedge's objective of reducing uncertainty.
8	**Profit concentration is real, but the 90/10 statement is too literal.** SEBI found that the top 1% and top 5% of active FY22 profit-makers earned about 51% and 75% of active profit-makers' total net profit. In FY24, proprietary traders and FPIs recorded large gross profits while individuals and others lost. However, costs and non-individual counterparties mean the net losses of individual accounts do not map one-for-one to the remaining profitable individuals. [IN-2] [IN-3]

SECTION 1

The Indian starting point: official FY22-FY26 evidence

The supplied image is an extract from an official Rajya Sabha answer. This section preserves the original evidence, transcribes it and places it in the full regulatory context.

1.1 The supplied image

ANSWER
MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) SEBI has done an analysis of individual/retail participation in the F&O segment and their profitability outcome during the last five financial years. The summary table on the same is as follows:

Financial Year	Traders in F&O (Lakh)	Total Turnover (₹ Lakh Crore)	Net P&L (₹ Crore)	Avg Per Person Loss (₹)
FY22	42.74	115	-40,824	-95,517
FY23	58.35	149	-65,747	-1,12,677
FY24	86.26	172	-74,812	-86,728
FY25	98.1	213	-1,11,788	-1,13,913
FY26	78.6	202	-91,685	-1,16,654

Note: *The above data is based on information collected from the top 15 brokers in the equity derivatives market. The sample used in the study represents approximately 90% of all individual investors in this segment. Total turnover refers to notional turnover in futures and premium turnover in options.*

Figure 1. Extract supplied in the discussion: the Minister of State for Finance summarises SEBI's five-year analysis of individual participation and profitability. [IN-1]

Official identification: The image comes from Rajya Sabha Unstarred Question No. 2633, "Retail Investor Protection in F&O Trading," answered on 11 August 2026 by the Minister of State for Finance, Shri Pankaj Chaudhary. [IN-1]

1.2 Clean transcription of the table

Table 1. Individual participation and profitability in India's equity F&O segment [IN-1]

Financial year	Traders in F&O (lakh)	Total turnover (₹ lakh crore)	Net P&L (₹ crore)	Average per-person P&L (₹)
FY22	42.74	115	-40,824	-95,517
FY23	58.35	149	-65,747	-112,677
FY24	86.26	172	-74,812	-86,728
FY25	98.1	213	-111,788	-113,913
FY26	78.6	202	-91,685	-116,654

The source note states that the data were collected from the top 15 brokers in the equity-derivatives market, representing approximately 90% of individual investors in the segment. “Total turnover” combines notional turnover in futures with premium turnover in options; it is therefore not a uniform measure of capital at risk or economic exposure. [IN-1]

1.3 The broader question and the parts answered

The parliamentary question asked for the number of retail investors, trading volume and turnover, aggregate losses, average loss per participant and debt burden; the effect of risk warnings and regulation; the impact of algorithmic and high-frequency trading; F&O securities transaction tax; and possible suitability or accountability safeguards. [IN-1]

- The answer supplies the participation, turnover and P&L series, but it does not provide a debt-burden estimate. [IN-1]
- It reports that the number of unique individuals and aggregate net loss declined in FY26 compared with FY25 after regulatory measures were introduced. [IN-1]
- It states that SEBI had not carried out the specific examination asked about algorithmic and high-frequency trading and market fairness. [IN-1]
- It provides annual F&O securities transaction tax collections for FY22-FY26. [IN-1]

SECTION 2

What the India series does - and does not - show

The five annual observations reveal a large expansion through FY25, a contraction in FY26, and a persistent negative outcome for the sampled individual cohort. Interpretation nevertheless requires attention to definitions, sample revisions and portfolio context.

2.1 Derived trends from the latest table

Table 2. Change through the FY25 peak and into FY26 [IN-1]

Metric	FY22	FY25	FY26	FY22 to FY25	FY25 to FY26
Participants	42.74 lakh	98.10 lakh	78.60 lakh	**+129.5%**	**-19.9%**
Defined turnover	₹115 lakh crore	₹213 lakh crore	₹202 lakh crore	**+85.2%**	**-5.2%**
Aggregate net loss	₹40,824 crore	₹1,11,788 crore	₹91,685 crore	**+173.8%**	**-18.0%**
Average loss per person	₹95,517	₹1,13,913	₹1,16,654	**+19.3%**	**+2.4%**

Central FY26 reading: The fall in aggregate loss broadly tracked the reduction in the number of participating individuals. The loss burden did not improve at the average-person level: the FY26 average was 2.4% higher than FY25 and 22.1% higher than FY22. [IN-1]

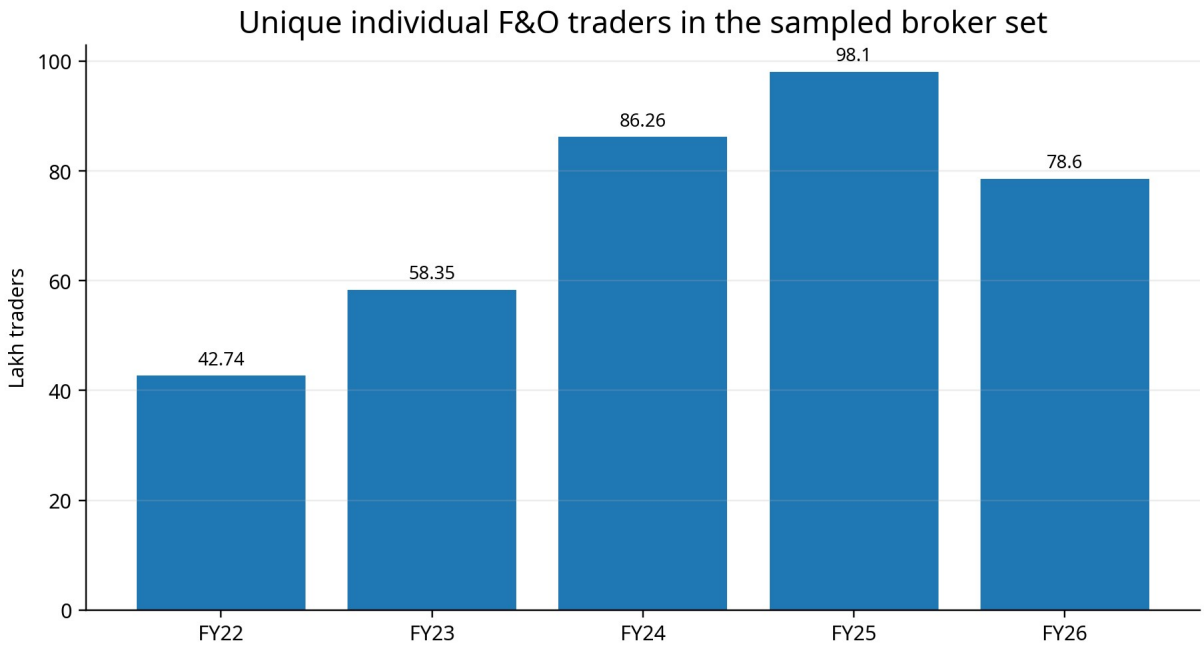


Figure 2. Sampled unique individual participation rose sharply through FY25 and then declined in FY26. [IN-1]

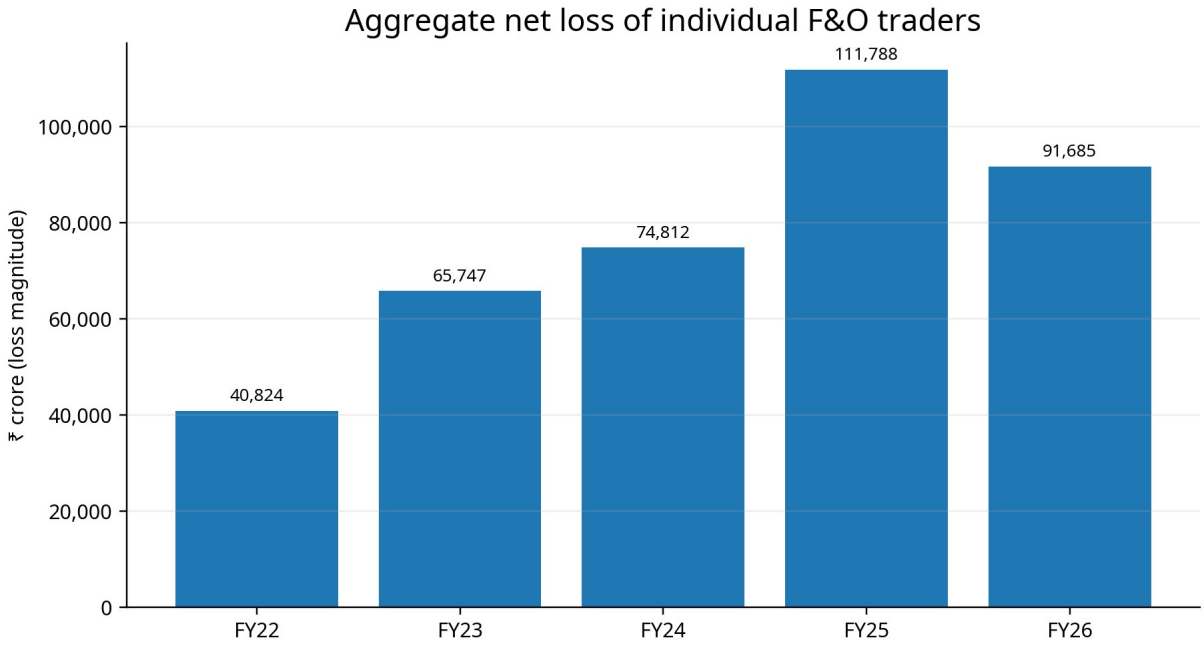


Figure 3. Aggregate net loss expanded more quickly than participation through FY25, then declined in FY26. [IN-1]

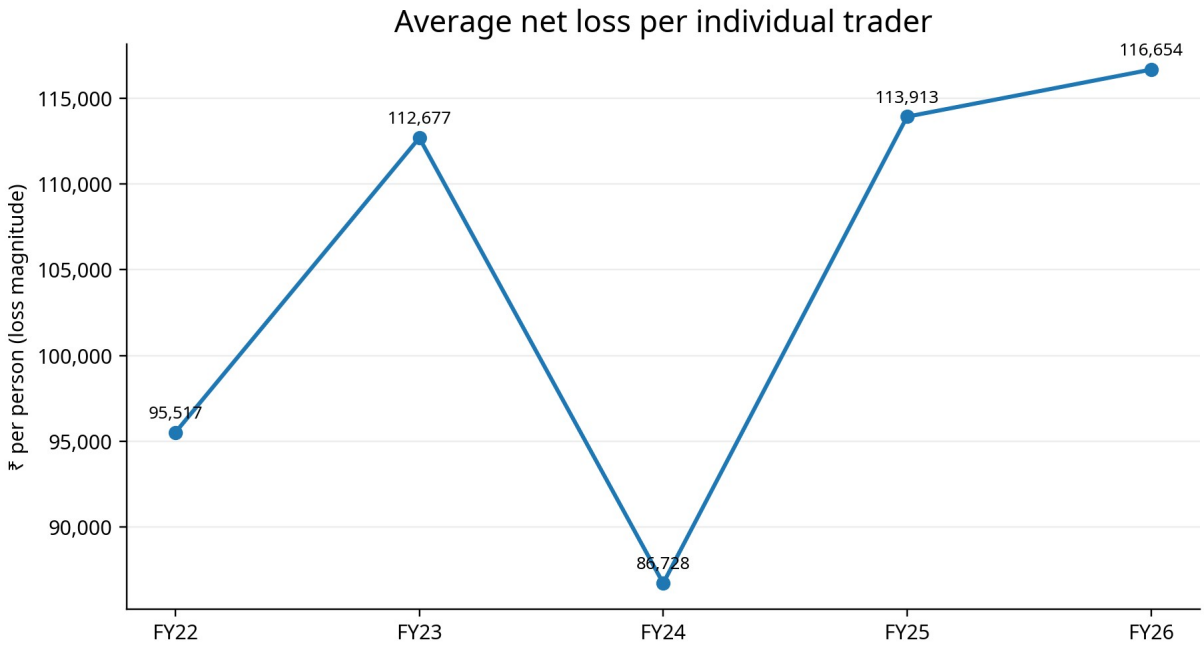


Figure 4. Average net loss per person was volatile but reached its highest value in FY26. [IN-1]

2.2 Five-year total: useful, but easy to misuse

The sum of the five annual aggregate net-loss figures is ₹384,856 crore, or approximately ₹3.85 lakh crore. This is a valid sum of annual cohort outcomes, but it is not the cumulative loss of 364.05 lakh distinct people. The same person may appear in several financial years, and the table does not provide a deduplicated five-year investor count. [IN-1]

2.3 How this latest series relates to earlier SEBI studies

- SEBI's January 2023 study used the top 10 brokers, covering about 67% of individual-client turnover in FY22. It found that 89% of individual traders lost money in FY22 and that the top 1% and top 5% of active profit-makers captured about 51% and 75% of active profit-makers' total net profit. [IN-2]
- SEBI's September 2024 update reported that 93% of more than one crore individual traders lost money over FY22-FY24, with aggregate losses exceeding ₹1.8 lakh crore. It also reported roughly ₹50,000 crore of transaction costs over those three years. [IN-3]

- SEBI's July 2025 report used the top 13 brokers and reported 96 lakh FY25 traders, a ₹1,05,603 crore net loss and an average P&L of -₹1,10,069. The later parliamentary table uses a broader top-15-broker sample and reports 98.1 lakh traders, -₹1,11,788 crore and -₹1,13,913 for FY25. [IN-4] [IN-1]

Version-control rule used in this report: The parliamentary answer is treated as the latest benchmark. The exact reconciliation between the earlier top-13 and later top-15 FY25 figures is not published in the reviewed sources, so the two versions are not mixed as though they were identical. [IN-4] [IN-1]

2.4 The regulatory response reported in the same answer

The official answer points to a sequence of retail-protection and market-stability measures. These include platform risk disclosure, rationalisation of weekly and monthly index derivative products, higher tail-risk coverage on expiry, increased contract sizes, upfront collection of option premium, removal of calendar-spread treatment on expiry day and intraday monitoring of position limits. Further measures followed in May 2025. [IN-1] [IN-5] [IN-6] [IN-7]

The answer associates the FY26 decline in unique individuals and aggregate losses with the period following these measures. The table alone does not establish how much of the change was caused by regulation rather than market volatility, tax changes, product-mix shifts, entry and exit, or other factors. [IN-1]

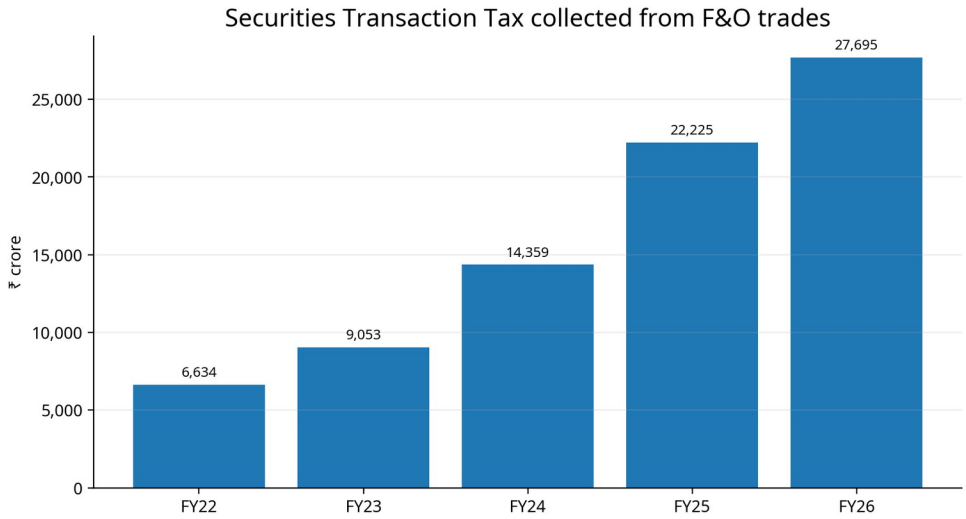


Figure 5. Nominal F&O STT collections reported in the same parliamentary answer increased from ₹6,634 crore in FY22 to ₹27,695 crore in FY26. [IN-1]

Across the five years, the reported F&O STT total is ₹79,966 crore. Collections are not a clean proxy for risk or turnover because tax rates and product composition can change. [IN-1]

2.5 What the Indian table cannot tell us by itself

- It does not separate hedgers from directional speculators or market-neutral strategies. [IN-1]
- It reports only the F&O leg, not each trader's combined cash-equity, mutual-fund, business or commodity exposure.
- It does not show the full P&L distribution, the number of winning accounts, medians, drawdowns or risk taken.
- It does not identify the complete set of counterparties receiving gross gains.
- It does not measure household debt burden or determine whether losses were debt-financed. [IN-1]
- Its turnover measure combines futures notional value with options premium turnover, so simple turnover ratios can be misleading. [IN-1]

SECTION 3

Closest comparable datasets in other markets

A public series matching India on annual trader count, turnover, aggregate net P&L and average loss was not found in the sources reviewed. The evidence below is therefore ranked by conceptual closeness, with limitations made explicit.

3.1 Comparison matrix

Table 3. Closest international evidence and why it is not fully apples-to-apples

Market	Product	Coverage	Headline result	Key limitation	Closeness
United States	Listed futures	36,538 inferred retail accounts; 50 markets; Feb 2021-Nov 2022	Median estimated loss about $100-$200; 60th percentile near break-even	One large FCM; mainly overnight positions; no explicit fee adjustment	**Moderate-high**
United States	Listed equity options	Transaction-level proxy; Nov 2019-Jun 2021	10-day net performance -$2.1bn; indirect execution costs $6.4bn; direct commissions estimated $887m	Retail orders and holding periods inferred; missing underlying legs	**Moderate**
Germany	Listed futures	Retail survey; Jul 2019-Jun 2020	More than half of clients lost; retail futures volume about €78bn	No SEBI-style aggregate or average loss published	**Moderate**
European Union	OTC CFDs	Multiple national analyses cited by ESMA	74%-89% of retail accounts lost; average loss €1,600-€29,000	CFDs are dealer/OTC products, not listed F&O	**Adjacent**
Australia	OTC CFDs	FY2024 regulator data	68% lost; more than A$458m total loss including A$73m fees	Different product structure and client population	**Adjacent**
Brazil	Mini-Ibovespa futures day trading	19,646 entrants; 1,551 persisted >300 days	97% of persistent group lost net of exchange and brokerage fees	Selected persistent day traders, not all futures users or hedgers	**High for day trading**

Interpretation rule: Do not rank countries by these percentages. The unit of observation, product, period, sample selection and treatment of costs differ materially.

3.2 Detailed dataset notes and live source links

USA

Listed futures

Comparability

MODERATE-HIGH

Coverage: 36,538 distinct accounts inferred to be retail, at one large futures commission merchant; 50 CME futures markets; February 2021-November 2022.

Headline result: The median account had an estimated loss of roughly $100-$200. The 60th percentile was around break-even, implying that only roughly four in ten were above break-even on the paper's estimated P&L measure.

What it tells us: It is direct account-position evidence for exchange-traded futures and therefore one of the closest product comparisons to India.

Main limitation: The data observe end-of-day positions rather than transaction prices and largely miss intraday-only trading. Options-only accounts and accounts ever requiring more than $50,000 initial margin were excluded. Retail status was inferred, and trading fees were not explicitly deducted.

Source: [US-FUT-1] cftc.gov/.../Retail_Traders_Futures_V2_new_ada.pdf

USA

Listed equity options

Comparability

MODERATE

Coverage: U.S. transaction-level listed-options data from November 2019 to June 2021. The authors infer retail "SLIM" trades and model performance over several assumed holding horizons.

Headline result: At a 10-day horizon, identified retail trades had gross performance of about +$4.3 billion, indirect execution costs of about $6.4 billion and net performance of about -$2.1 billion. Direct commissions, estimated separately, were about $887 million. The paper also estimates that retail accounted for 62% of total options volume.

What it tells us: This evidence shows how a positive pre-spread trading result can become negative after execution costs, and it is directly relevant to listed options.

Main limitation: Retail classification and holding periods are inferred rather than taken from audited brokerage account P&L. The paper does not observe all non-marketable orders or every stock leg of multi-leg strategies.

Source: [US-OPT-1] onlinelibrary.wiley.com/doi/10.1111/jofi.13285 | Open author-hosted PDF

GERMANY

Listed futures

Comparability

MODERATE

Coverage: BaFin survey period July 2019-June 2020, undertaken in the context of product intervention concerning futures offered to retail clients.

Headline result: On average, more than half of retail clients incurred losses. Retail futures trading volume during the survey period was about €78 billion.

What it tells us: The product is exchange-traded futures, making it conceptually closer to Indian F&O than CFD evidence.

Main limitation: BaFin did not publish a five-year trader-count series, aggregate loss or average loss per person comparable with the Indian table. The regulatory focus included contracts with possible additional-payment obligations.

Source: [DE-FUT-1] bafin.de/.../vf220217_Futures_en.pdf | BaFin final administrative act

EUROPEAN UNION

OTC CFDs

Comparability

ADJACENT

Coverage: National competent-authority analyses across several EU jurisdictions, summarised by ESMA during its 2018 product intervention.

Headline result: Typically 74%-89% of retail CFD accounts lost money; reported average losses ranged from about €1,600 to €29,000 per client.

What it tells us: It is strong regulator evidence on retail outcomes in leveraged short-term derivative exposure across multiple jurisdictions.

Main limitation: CFDs are generally bilateral/dealer or OTC products with financing charges and different market structure. They should not be treated as exchange-listed futures and options.

Source: [EU-CFD-1] esma.europa.eu/.../restrict-cfds-protect-retail-investors | ESMA press-release PDF

AUSTRALIA

OTC CFDs

Comparability

ADJACENT

Coverage: ASIC's FY2024 retail-CFD data, reported in a January 2026 enforcement and sector-review release.

Headline result: 68% of retail CFD investors lost money. Total losses exceeded A$458 million, including A$73 million in fees.

What it tells us: This is recent official evidence that separates a substantial fee component from total retail losses.

Main limitation: The product is CFD exposure rather than exchange-listed F&O; the percentage and amounts are therefore not directly comparable to India.

Source: [AU-CFD-1] asic.gov.au/.../26-004mr...cfd-sector-falls-short

BRAZIL

Mini-index futures day trading

Comparability

HIGH FOR DAY TRADING

Coverage: All 19,646 individuals identified as beginning day trading in mini-Ibovespa futures from 2013 to 2015. The key persistent-trader analysis covers 1,551 people who continued for more than 300 trading days.

Headline result: 97% of the persistent group lost money net of exchange and brokerage fees. Only 17 people, or 1.1%, earned more than the Brazilian minimum wage from the activity; the authors found no evidence of learning by doing.

What it tells us: This is the strongest evidence in the set on persistent retail day trading in a listed equity-index futures product.

Main limitation: The 97% statistic applies only to the selected persistent group, not all 19,646 entrants, all futures users, or hedgers. Taxes, platform costs and course costs were not deducted.

Source: [BR-FUT-1] repositorio.fgv.br/.../Day-Trading-for-a-Living | SSRN abstract page

Supplemental U.S. OTC forex evidence: A CFTC advisory states that roughly two out of three registered-dealer OTC forex customers lost money over Q2 2021-Q1 2022 after credits, financing charges, fees and other expenses. A later CFTC summary cited recent dealer disclosures ranging from 50.96% to 74% loss-making accounts. This is useful corroboration for leveraged retail trading, but it is not exchange-listed F&O. [US-FX-1]

3.3 What can legitimately be concluded across markets

- A majority-loss result appears repeatedly across listed futures, listed options, persistent index-futures day trading and retail CFDs. [US-FUT-1] [US-OPT-1] [DE-FUT-1] [EU-CFD-1] [AU-CFD-1] [BR-FUT-1]
- Costs matter economically. In the U.S. options study, measured indirect execution costs were large enough to turn positive gross performance into negative net performance; SEBI likewise documented major transaction costs for Indian individuals. [US-OPT-1] [IN-3]
- Persistence does not guarantee learning. The Brazilian study found no improvement among persistent traders, while SEBI reported that more than 75% of loss-making Indian traders continued trading. [BR-FUT-1] [IN-3]
- The percentages cannot be pooled into a single global estimate because the denominators and methodologies differ.

SECTION 4

Testing the zero-sum and 90/10 thesis

The core intuition is powerful: derivative trading redistributes P&L and costs make the average customer outcome worse. The errors arise when this is converted into a fixed winner percentage or when a derivative leg is judged without the position it hedges.

4.1 The thesis being examined

> *"F&O is a zero-sum product originally designed for hedging. If people trade it speculatively, most will lose; the losses of roughly 90% will become the profits of roughly 10%, making the minority's payoff look lucrative."*

4.2 What is mathematically correct



Gross contract P&L: For a complete set of counterparties and before costs, derivative trading P&L sums to zero. Every long futures gain is matched by a short futures loss; every option buyer's payoff net of premium is the option writer's opposite payoff.

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Futures: Long P&L + Short P&L = 0

Call option: [max(S_T - K, 0) - premium] + [premium - max(S_T - K, 0)] = 0

All counterparties, gross: Σ trading P&L = 0
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This identity concerns the contract and the complete counterparty set. It is not a statement that every category - individuals, institutions, market makers or brokers - must separately sum to zero.

4.3 Why customer trading becomes negative after external costs

For the customer-account group, brokerage, exchange and clearing charges, taxes and other externally paid costs reduce the total net result. A careful formulation is:

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Σ customer net P&L = - externally paid customer costs
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- Explicit charges include brokerage, exchange and clearing fees, taxes and statutory levies.
- Bid-ask spread and market impact are real costs to the liquidity-demanding trader, but they are principally transfers to a counterparty or liquidity provider rather than money that disappears from the entire system.
- If brokers, exchanges, liquidity providers and government are added to the accounting universe, many "costs" become revenues to those entities. The negative-sum label is most precise for the set of customer trading accounts after costs, not for every actor in society.

4.4 Refutation: zero-sum does not fix the number of winners

The zero-sum identity constrains rupee totals, not headcount. Two opposite distributions can both satisfy it:

Scenario	Winning accounts	Losing accounts
A	10 winners × +₹9	90 losers × -₹1
B	99 winners × +₹1	1 loser × -₹99

Both scenarios sum to zero before costs. The contract therefore does not require 90% of people to lose. India's roughly nine-in-ten loss rate is an empirical outcome of how the products were used, who participated, and what costs and risks they faced. [IN-2] [IN-3] [IN-4]

4.5 Win rate is not the same as profitability

- An option seller can win on many expiries and still be unprofitable after one severe tail loss.
- An option buyer can lose several small premiums and still be profitable after one large convex payoff.
- The meaningful quantities are expected P&L after costs, payoff asymmetry, drawdown, margin requirements and risk of ruin - not simply the percentage of winning trades.

The SEC notes that option buyers can lose the entire premium and some option-writing strategies can expose sellers to losses beyond the premium received. [US-RISK-1]

4.6 Where do the losses go?

The intuitive statement “the losers fund the winners” is directionally correct only at the gross, complete-market level. The Indian individual-account numbers require four qualifications:

1	**Counterparties extend beyond profitable individuals.** The other side may be a proprietary desk, FPI, market maker, institution, another retail account or a chain of hedged intermediaries.
2	**Net losses include costs.** Part of the gap becomes brokerage, exchange and clearing revenue, taxes or execution revenue rather than trading profit for the remaining individual accounts.
3	**Headcount and rupee concentration are different.** Knowing that 90% of accounts lost does not tell us how much the largest loser, median loser, small winner or top winner made.
4	**Market makers often hedge.** A market maker that earns spread on one transaction may transfer price risk through other options, futures or cash-market trades. The final economic recipients of a retail loss can be distributed across many positions and entities.

Evidence of concentration in India

FY22 active profit-makers

Top 1% earned ~51% of total active profit-makers' net profit; top 5% earned ~75%.
Supports strong concentration among winners. [IN-2]

FY24 participant categories

Proprietary traders booked ~₹33,000 crore and FPIs ~₹28,000 crore gross profit; individuals and others lost >₹61,000 crore before costs.
Shows that profitable counterparties are not limited to the profitable minority of individuals. [IN-3]

Algorithmic share

97% of FPI profits and 96% of proprietary-trader profits were attributed to algorithmic trading.
Shows association and concentration, not proof that algorithms caused retail losses. [IN-3]

Important restraint: The 2026 parliamentary answer says SEBI had not carried out the specific examination asked about the impact of algorithmic and high-frequency trading on market fairness and retail investors. The profit shares above therefore should not be turned into a causal claim that algorithms caused the individual losses. [IN-1] [IN-3]

4.7 Hedging: a derivative loss can be the intended outcome

Derivatives are central tools for risk transfer, but hedging is not judged by the isolated derivative leg. The correct unit is the combined exposure.

Fuel-price scenario	Physical fuel exposure	Long futures hedge	Economic interpretation
Prices rise	Airline pays more	Derivative gain	The gain offsets the higher operating cost.
Prices fall	Airline pays less	Derivative loss	The loss gives back part of the physical saving, but the hedge still stabilises total cost.

A protective put on an equity portfolio makes the same point. If the market rises, the put may expire worthless; its premium is economically similar to an insurance cost. Classifying that derivative leg as a “failed trade” would ignore the protection purchased for the wider portfolio.

Why zero-sum can still create economic value: Risk is valuable to transfer because parties differ in their exposures, risk tolerance, balance-sheet capacity and timing needs. A hedger may willingly accept a negative expected derivative P&L in exchange for more predictable business or portfolio outcomes. Speculators and market makers help provide the opposing risk-bearing capacity, liquidity and price discovery. [IN-6]

4.8 Why retail speculative outcomes are often poor

1

Leverage and risk of ruin. Small adverse moves can consume margin, force liquidation or produce losses disproportionate to posted capital.

2	**Repeated costs.** High turnover repeatedly pays spreads, brokerage, exchange charges and taxes. SEBI and the U.S. options study both show that costs are economically large. [IN-3] [US-OPT-1]
3	**Multi-dimensional forecasting.** Options may require a view not only on direction but also timing, volatility, path and decay.
4	**Tail-risk asymmetry.** Strategies with frequent small gains can hide rare, very large losses; attractive win rates can therefore mislead.
5	**Execution and information disadvantage.** Professional firms may have superior data, automation, inventory management and execution, although the exact causal contribution requires careful study.
6	**Behaviour and persistence.** Overconfidence, loss-chasing, poor position sizing and continued trading after losses can compound negative expectancy. [IN-3] [BR-FUT-1]
7	**Strategy selection.** Short-dated and lottery-like contracts can embed high effective costs and extreme payoff distributions.

SECTION 5

Final assessment and practical framework

The strongest version of the thesis is not that derivatives mechanically reserve profit for a fixed elite, but that unhedged retail speculation is a highly competitive, cost-bearing activity in which the base rate of persistent profitability is poor.

5.1 Point-by-point verdict

Claim	What is right	Necessary correction
"F&O is zero-sum."	Substantially correct at gross contract-P&L level across the complete counterparty set.	Keep the boundary explicit: customer accounts become negative after externally paid costs; some costs are transfers to other market actors.
"It was designed for hedging."	Hedging and risk transfer are core functions.	Not the sole function. Price discovery, liquidity, speculation and market making are integral to a functioning derivatives market.
"Only a few percent can make money."	Consistent with some observed persistent-trading samples, especially Brazil.	Not structurally required. The contract fixes rupee symmetry, not the winner headcount.
"If retail trades, people will lose."	A reasonable base-rate warning for repeated unhedged speculation, supported by multiple datasets.	Too absolute for every person, trade or hedged portfolio. Some traders profit and some derivative losses are successful hedge costs.
"90% of losses go to the 10% as profit."	Directionally true only for gross P&L in a closed complete set.	Net individual losses also contain costs and can flow to non-individual counterparties, intermediaries, liquidity providers and government.
"The profitable minority looks lucrative."	Correct: skewed payoffs and visible winners can be psychologically powerful.	The size of winners does not establish favourable odds or positive expected value for a new entrant.

5.2 Best final formulation

F&O is a zero-sum risk-transfer mechanism before costs and a negative-sum activity for the set of customer accounts after externally paid costs. It is not structurally limited to a fixed percentage of winners, but leverage, repeated trading costs, tail risk and unequal capabilities make persistent profitability very difficult for ordinary retail speculators.

5.3 The practical test before treating F&O as a trading business

- ☐ Purpose: Is the position reducing a pre-existing risk, or creating a new leveraged bet?
- ☐ Edge: What specific, testable reason should the strategy earn positive P&L after every cost?
- ☐ Evidence: Is the edge demonstrated over a large sample, out of sample and across different volatility and trend regimes?

- ☐ Costs: Have brokerage, spread, slippage, exchange fees, taxes, financing and data or platform costs been included?
- ☐ Risk: What are the maximum loss, drawdown, gap risk, margin-call risk and risk of ruin?
- ☐ Payoff shape: Is a high win rate disguising a rare catastrophic loss, or are repeated small losses funding a rare payoff?
- ☐ Sizing: Can the position survive a historically severe move without forced liquidation or damage to essential savings?
- ☐ Benchmark: Does the strategy outperform a simpler alternative after adjusting for risk, time and taxes?
- ☐ Governance: Are rules precommitted, recorded and audited, rather than changed after losses?

Prudent default: Without objective evidence of a repeatable edge after all costs and through different market conditions, the safer assumption is not "I will be in the profitable minority," but "I have not yet shown that I possess an edge."

APPENDIX A

Methodology and comparability guide

These rules explain why the report refuses to turn heterogeneous studies into a single international ranking.

A.1 Questions to ask of every retail-trading statistic

1	**Unit.** Is the denominator a person, account, trade, position, client-year or persistent trader?
2	**Product.** Is the evidence for exchange-listed futures, listed options, CFDs, OTC forex or a mixed segment?
3	**Population.** Does the sample cover the entire market, top brokers, one broker, only persistent traders or inferred retail orders?
4	**P&L method.** Is P&L realised, mark-to-market, estimated from end-of-day positions, or simulated at assumed holding horizons?
5	**Costs.** Are spreads, commissions, exchange fees, taxes, financing and platform costs included, excluded or estimated separately?
6	**Portfolio scope.** Are cash-market or underlying hedges visible, or only the derivative leg?
7	**Time period.** Did the sample include unusual volatility, a retail boom, regulatory intervention or product redesign?
8	**Selection.** Does persistence, account-size filtering, intraday invisibility or order-classification bias affect who is observed?

A.2 Evidence hierarchy used here

Tier	Evidence type	Use in this report
Tier 1	Official market-wide or near-market-wide account data	India's Parliament/SEBI series is the strongest example in this report.
Tier 2	Official regulator samples	CFTC futures, BaFin futures, ESMA CFD and ASIC CFD evidence.
Tier 3	Peer-reviewed or regulator-data academic studies	U.S. listed options and Brazilian mini-index futures.
Tier 4	Adjacent disclosures	OTC forex dealer account disclosures are corroborating, not direct F&O equivalents.

APPENDIX B

Glossary of key terms

Definitions are stated in the practical sense used throughout this report.

Term	Meaning
Aggregate net P&L	The combined post-cost profit or loss reported for a defined group over a period. The exact included costs depend on the source methodology.
Futures notional turnover	Contract value represented by futures trades, not the cash capital deposited or maximum economic loss.
Options premium turnover	The premium value exchanged in options trades, not the notional value of the underlying exposure.
Gross P&L	Trading gains and losses before specified fees, taxes and other costs.
Net P&L	P&L after the costs included by the relevant study. “Net” is not identical across sources.
Zero-sum	A payoff identity in which the complete set of counterparties' gross gains and losses sum to zero.
Negative-sum for customers	The combined customer-account result after externally paid costs is below the gross zero-sum result.
Hedger	A participant using derivatives to reduce or stabilise an existing economic exposure.
Speculator	A participant deliberately taking market risk in pursuit of profit rather than offsetting a pre-existing exposure.
Market maker	A liquidity provider quoting prices and managing inventory or hedge risk across related instruments.
Win rate	The fraction of profitable trades or periods. It does not by itself determine expected P&L.
Risk of ruin	The probability that losses, margin calls or drawdowns deplete capital enough to force exit before any expected edge can materialise.

APPENDIX C

Live source directory

The report does not embed or reproduce the source documents. The entries below are live links to the official or primary sources used.

C.1 India: official parliamentary and SEBI sources

IN-1	**Rajya Sabha Unstarred Question No. 2633: Retail Investor Protection in F&O Trading** *Parliament of India / Ministry of Finance	11 August 2026* sansad.in/.../AU2633_w2b25X.pdf Official two-page answer containing the FY22-FY26 table, regulatory measures and STT collections.
IN-2	**Analysis of Profit and Loss of Individual Traders dealing in Equity F&O Segment** *Securities and Exchange Board of India (SEBI)	25 January 2023* sebi.gov.in/.../1674645296493.pdf	SEBI landing page FY19 and FY22 study based on the top 10 brokers; includes profit concentration and transaction-cost analysis.
IN-3	**Updated SEBI Study: 93% of Individual Traders Incurred Losses in Equity F&O between FY22 and FY24** *Securities and Exchange Board of India (SEBI)	23 September 2024* sebi.gov.in/.../1727086965496.pdf	SEBI press release page Three-year evidence, FY24 category-level profit distribution, transaction costs and persistence.
IN-4	**Comparative Study of Growth in Equity Derivatives Segment vis-a-vis Cash Market after Recent Measures** *Securities and Exchange Board of India (SEBI)	7 July 2025* sebi.gov.in/.../1751900271726.pdf	SEBI press release page Earlier top-13-broker FY25 profitability study and review of post-November-2024 measures.
IN-5	**Risk Disclosure with respect to Trading by Individual Traders in Equity Futures & Options Segment** *Securities and Exchange Board of India (SEBI)	19 May 2023* sebi.gov.in/.../risk-disclosure..._71426.html Circular requiring the prominent retail risk disclosure based on the FY22 study.

IN-6	**Measures to Strengthen Equity Index Derivatives Framework for Increased Investor Protection and Market Stability** *Securities and Exchange Board of India (SEBI)	1 October 2024* sebi.gov.in/.../equity-index-derivatives..._87208.html Weekly-product rationalisation, higher tail-risk coverage, contract-size changes and related measures.
IN-7	**Measures for Enhancing Trading Convenience and Strengthening Risk Monitoring in Equity Derivatives** *Securities and Exchange Board of India (SEBI)	29 May 2025* sebi.gov.in/.../risk-monitoring..._94293.html Further measures on expiry-day organisation, risk metrics, monitoring and disclosure.

C.2 Closest comparable international datasets

US-FUT-1	**Retail Traders in Futures Markets** *CFTC Office of the Chief Economist staff paper	February 2024* cftc.gov/.../Retail_Traders_Futures_V2_new_ada.pdf 36,538 inferred retail accounts at one large FCM, 50 futures markets, February 2021-November 2022.
US-OPT-1	**Retail Trading in Options and the Rise of the Big Three Wholesalers** *The Journal of Finance, 78(6)	2023* onlinelibrary.wiley.com/doi/10.1111/jofi.13285 | Open author-hosted PDF Transaction-level U.S. listed-equity-options study using inferred retail trades, November 2019-June 2021.
DE-FUT-1	**BaFin Product Intervention Analysis concerning Futures** *German Federal Financial Supervisory Authority (BaFin)	17 February 2022* bafin.de/.../vf220217_Futures_en.pdf | BaFin final administrative act German retail-futures survey covering July 2019-June 2020.
EU-CFD-1	**ESMA agrees to prohibit binary options and restrict CFDs to protect retail investors** *European Securities and Markets Authority (ESMA)	27 March 2018* esma.europa.eu/.../restrict-cfds-protect-retail-investors | ESMA press-release PDF Cross-jurisdiction evidence on loss-making retail CFD accounts and average losses.

AU-CFD-1	**ASIC secures nearly $40 million in refunds and drives change after CFD sector falls short** *Australian Securities and Investments Commission (ASIC) | 7 January 2026* asic.gov.au/.../26-004mr...cfd-sector-falls-short Official FY2024 retail-CFD loss and fee figures.

BR-FUT-1	**Day Trading for a Living?** *FGV CEQEF Working Paper 57 / SSRN | 2020* repositorio.fgv.br/.../Day-Trading-for-a-Living | SSRN abstract page 19,646 new mini-Ibovespa futures day traders; detailed results for 1,551 traders persisting beyond 300 days.

C.3 Supplemental risk and OTC-forex sources

US-FX-1	**Customer Advisory: Eight Things You Should Know Before Trading Forex** *U.S. Commodity Futures Trading Commission (CFTC) | Advisory citing Q2 2021-Q1 2022 dealer disclosures* cftc.gov/.../CustomerAdvisory_MustKnowForex.html | Later CFTC summary of recent dealer disclosures Supplemental OTC-forex evidence; not exchange-listed futures or options.

US-RISK-1	**Investor Bulletin: An Introduction to Options** *U.S. Securities and Exchange Commission (SEC) | 18 March 2015* sec.gov/.../ib_introductionoptions Plain-language explanation of option-buyer and option-writer risk.

Closing note on uncertainty

The numerical statements in this report are tied to the cited source definitions. Cross-market conclusions are intentionally qualitative because a precise global estimate would require harmonised account-level data, common cost treatment, consistent product definitions and visibility into hedged portfolio legs. The analytical conclusions about zero-sum arithmetic follow from contract payoff identities; conclusions about retail profitability remain empirical and sample-dependent.