

[The Sydney Morning Herald](#)

Business

Record number of traders but their enthusiasm waning

Stuart Washington
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THERE is a new record of 39,000 contracts-for-difference (CFD) traders in Australia, a growth rate of 21 per cent on the previous year, according to specialist finance industry researcher Investment Trends.

However, there are signs that traders' enthusiasm for CFDs has waned in the past year.

Reported revenues at Australia's second-largest CFD provider, CMC Markets, have plummeted by more than 50 per cent.

The latest annual report for CMC Markets Group Australia shows that revenues have fallen from \$118 million last year to \$56 million this year.

Investment Trends principal Mark Johnston says this is in line with the experience in online share trading, with trader numbers increasing despite smaller volumes being traded.

Despite the revenue fall at CMC, its profit results have improved from \$16 million to \$5 million.

Underlining the complex nature of CMC's global derivatives business, CMC's Australian operations appear to have at least \$200 million in revenues, according to information provided by CMC managing director Barry Odes. The extra, unreported revenue, is due to derivatives traded and hedged offshore, Mr Odes said.

Nevertheless, for whatever the Australian statutory accounts are worth, CMC reported that \$37 million in revenues were attributable to contracts for difference, down from \$98 million the previous year.

According to Mr Odes, the amount of CFD revenue attributable to what he termed "risk revenue" - or customer losses - stood at roughly \$3.7 million, or 10 per cent of the total.

Figures were not available for the "risk revenue" from CFDs booked offshore. Nor were figures available for "risk revenue" from the previous year, when CMC operated with "minimal customer hedging" and therefore profited from customer losses.

Mr Odes said the greatest proportion of CFD revenues was drawn from financing revenue and revenue from "spreads", or pricing its individual derivatives, although he could not provide individual figures. "We don't let client losses run," he said. He would not comment on CMC's former practice of classifying its customers into a C-book and harvesting their losses.

Source: [The Age](#)
