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Business

Revenues at CMC Markets halved as ranks of traders proliferate

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

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

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

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

The principal at Investment Trends, 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, its Australian operations appear to have at least \$200 million in revenues, according to information provided by its 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 \$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," Mr Odes said. He would not comment on CMC's former practice of classifying its customers into a C-book and harvesting their losses, saying only that CMC had now changed its system.

The reported dip in revenues may only be a temporary phenomenon. Johnston of Investment Trends said that previous experience showed increased trader numbers converted to higher volumes - and therefore higher revenues - when markets came back.

