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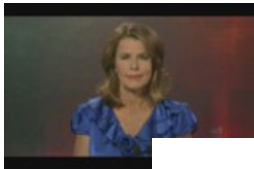
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CFD newcomer backs tighter ASIC rules

Tuesday, 7 December 2010 11:45am

Capital CFDs tackles Australia's contracts-for-difference (CFD) market despite ASIC tightening its regulations.

Australia's CFD market, reportedly the second largest globally, was hit hard during the GFC with many investors exposed to the drawbacks of highly leveraged trades.

Yet there is obviously a market out there based on trading data.

According to Investment Trends figures, Australia's CFD market is valued at around \$350 million with the number of investors climbing from 32,000 in 2009, up 22 per cent to 39,000 this year.

Andy Merry, managing director of Capital CFDs, said that Australian retail investors are now returning to CFDs, with Capital focused on providing a responsible product.

Launched last month, Capital said its key difference from other CFD sources include mandatory stop-losses on all open trades, fully segregated client accounts, unlimited demo site, customer suitability testing and clear and comprehensive risk warnings.

Coinciding with this rising interest in CFDs was ASIC's move to tighten regulations for CFDs so as to prevent investors from biting off more than they can chew.

On November 17 ASIC released its Consultation Paper 146 including a draft regulatory guide where CFD providers will provide PDSs and ongoing disclosures requiring them to address benchmarks on an "if not, why not" basis.

Merry said Capital support moves to tighten regulations on the Australian market.

"I think CFD trading is here to stay in Australia, ASIC are regulating as much as they can, I do think it's a very competitive market over here,"

"Where there is prosperity, people with more disposable income are going to have a chance to invest and speculate, that's the benchmark for the product doing well," said Merry.

Capital CFDs is the Australian arm of London Capital Group.

Other providers of CFDs include IG Markets, CMC Markets, MF Global and GFT.

Elise Burgess

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