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City Index: Why Do Forex Traders Choose Spread Betting Over CFD Trading?

Investment Trends recently reported that CFD trading rose in popularity last year and is expected to grow again during 2011. However, the same report also revealed that 51,000 of 67,000 forex traders surveyed choose to trade through spread betting rather than CFDs. Here, spread betting and CFD trading provider City Index (<http://www.cityindex.co.uk/>) looks at why this might be.

Forex trades constituted around 42 percent of financial spread betting in 2010 – a rise of 6 percent on 2009. Of course, spread betting is more popular than CFD trading generally, but another reason for this increase could be the cheaper transaction costs offered by spread betting, which could make a big difference with the higher turnover associated with forex.

Tax efficiency may also be part of the equation. [Spread betting](#) is exempt from both Capital Gains Tax and stamp duty. CFD trading is only free of the latter*. It should be noted however that any CFD trading losses can be used to offset your CGT liabilities.

Another potential reason may be that spread betting trades are always denominated in your local currency (pounds sterling in the UK). This is not the case with CFDs, which are traded in their native currency.

To find out more about financial spread betting, visit:

<http://www.cityindex.co.uk/spread-betting/>

Spread betting and [CFD trading](#) are leveraged products which can result in losses greater than your initial deposit. Ensure you fully understand the risks.

*Spread betting and CFD trading are exempt from UK stamp duty. Spread betting is also exempt from UK Capital Gains Tax. However, tax laws are subject to change and depend on individual circumstances. Please seek independent advice if necessary.

About City Index:

Today more and more individual traders are discovering the benefits of derivatives, and many of them are discovering them through a City Index trading platform.

As a group, we transact in excess of 1.5 million trades every month for individuals in over 50 countries worldwide. We provide access to a wide range of instruments including margined foreign exchange, CFD trading and, in the UK, [financial spread betting](#).

We constantly look to improve the performance of our platforms and expand our range of services. The result is that our customers benefit from innovative trading tools with transparent pricing, competitive spreads, and a high standard of customer support. Visit <http://www.cityindex.co.uk/> for more information.