

IG Markets supports ASIC's proposed disclosure benchmarks

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UNDER AUSTRALIAN STOCK SHARES

Article by Paul Daly

IG Markets, Australia's Number One CFD Trading Provider supports ASIC's proposed introduction of disclosure benchmarks for CFD providers. ASIC's release suggests that investors ask an array of questions when looking for a CFD provider.

CEO of IG Markets Australia, Tamas Szabo says, "ASIC's move is a welcome one in ensuring greater client protection and potential CFD traders should choose their provider carefully. When trading any financial product, it is of the utmost importance that you thoroughly research the company you choose to deal with, particularly when there is counterparty risk exposure to an investor. You should always consider counterparty risk and be sure the financial stability of the provider and that it has a proven track record of strength and security. Equally important, is to understand how they will treat your funds".

In striving to be completely transparent IG Markets has publicly answered each of these questions below: What is the financial position of the CFD provider?

IG Markets is part of IG Group Holdings plc, a FTSE 250 company. This affords you the security, resources and service of a publicly owned organisation with 12 offices worldwide and more than 900 staff. We process around 5 million transactions a month for more than 120,000 clients, of which over 99% are online.

As at 31 May 2010, IG Group was valued at over A billion, which ranks us just outside the FTSE100. We have total assets of almost A billion, and own cash of over A4 million.

What is the CFD provider's policy on the use of client money?

IG Markets is the only CFD provider in Australia who offers all the following protection for your funds and your net running unrealised profits: IG only uses its own funds for hedging All of your funds are held in a regulated trust account All of your funds are held in top-tier Australian bank Your net running unrealised profits are also held in a regulated trust account IG Markets is regulated by ASIC IG Group is a publicly listed company

It is important to note that in offering the above protection, IG Markets exceeds both its contractual and regulatory obligations.

How does the CFD provider determine the prices of CFDs they offer?

IG Markets determines the prices of our major CFD markets in the following ways: Shares: Reflect the best bid/offer available in the underlying market. Indices: Reflect the underlying market price, plus the IG spread (trading charge). Cash indices are determined using the underlying futures price adjusted for fair value. Forex pairs: Determined by taking up to 20 individual bank price feeds. We use the best bid and offer of this price feed and apply an IG spread. Commodities: Reflect the underlying market price plus the IG spread.

When processing CFD trades, does the CFD provider enter into a corresponding position in the market for the underlying asset?

When processing orders, IG Markets acts as the counterparty to all CFD trades. We aim to internally match client buy and sell trades, however IG Markets often participates in the underlying market to hedge client positions. Clients that opt to use our Direct Market Access (DMA) platform for share CFD trading will have all their orders matched in the underlying market. There is no extra charge for this; it is up to our clients how they chose to trade. The prices offered on each method of trading are the same.

Can the CFD provider change or re-quote the price after you have already placed your order?

Other than for Price Improvement, where we look to pass on favourable changes when the underlying market allows, prices you trade on are not changed by IG Markets. We do not re-quote and will always offer a two-way (bid and offer) price. So when you place an order, you can be assured the price will not move against you.

If there is little or no trading going on in the underlying market for an asset, can you still trade CFDs over that asset; and does the CFD provider let you trade CFDs even if the underlying market is closed?



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IG Markets' major CFD markets can be traded at varying times, as detailed below: Shares: Share CFDs can only be traded when the underlying market is open. Indices: You can trade index CFDs when the underlying futures market is open. On a range of popular markets we make prices 24 hours a day. This allows you to enter or exit a position despite the underlying futures market being closed. Forex pairs: You can trade forex CFDs 24 hours a day from 8am on Monday until 9am on Saturday. Prices match the underlying interbank market hours. Commodities: Commodity CFDs can only be traded when the underlying futures market is open. IG Markets specialises in financial derivatives, principally Contracts for Difference (CFDs) on over 7,000 global share CFDs, along with indices, forex trading, commodities, options, binaries and more.

About the Author

About IG Markets: IG Markets specialises in financial derivatives, principally Contracts for Difference (CFDs) on over 7,000 global share CFDs, along with indices, forex trading, commodities, options, binaries and more. IG Markets is part of the IG Group, a UK FTSE 250 member with over 120,000 active clients worldwide. For further information please call 1800 601 799. *29% of CFD traders choose IG Markets as their main provider vs. 20% for the next largest provider – Investment Trends May 2010 CFD Report. Remember that CFDs are a leveraged product and can result in losses that exceed your initial deposit. CFD Trading may not be suitable for everyone, so please ensure that you fully understand the risks involved.

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