

Business

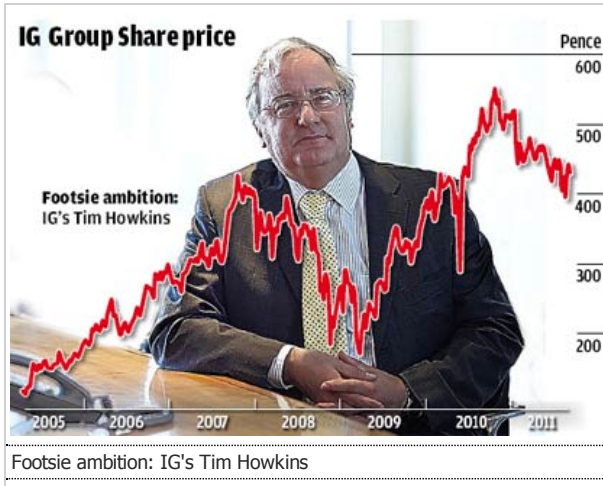


Simon English
13 Sep 2011

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When Tim Howkins rocked up at IG Group in 1999, it was to a firm still in its infancy. Founded in 1974 by Stuart Wheeler, the company was still one year away from its stock-market flotation.

Back then, it was purely a UK affair. It had a mere 85 staff, and revenues that year were just £12 million. Today, they are more like £320 million, and there are about 900 employees, and offices in 14 countries. It's far from impossible that the business will one day join the [FTSE 100](#).



Howkins, now chief executive, recalls: "We were a cottage industry. When I started, there were only three or four providers, and it was all done on the telephone. We've grown enormously. I never get tired of saying we would like to be in the Footsie."

Such a move - the company is about the 130th-biggest company on the [London Stock Exchange](#) at the moment - would be seen by many as a vindication of an industry that has, with the odd wobble, gone from strength to strength. Even rivals would probably welcome IG's promotion to the big league as a sign of how much they themselves might grow.

Ten years ago, IG Index, the brand IG Group promotes to clients, had 5000 customers. Now it boasts well over 100,000.

"Spread betting has become much more mainstream," says Howkins. "It has become a middle-class pursuit."

The assumption often made, that clients are City types gambling on the sly, is wrong.

A typical customer is a well-paid professional or someone who runs their own business. An IT executive, perhaps, or a lawyer with an interest in stock markets and a desire to plot their own financial future.

City workers themselves are often banned from trading on their own accounts by nervous compliance departments.

"Typically, a new client will be a man in his mid-30s," says Howkins (most clients are male, it is true). "That's the period in most people's life cycle when they have surplus cash to invest." What do they use spread bets and contracts for difference (CFDs) to achieve?

"Whenever you talk to a group of our clients, it is very common to hear them say that it is part of their overall investment strategy. They are actively trading, rather than holding stuff for the long term. Quite often, clients say they have allocated 15% of their investable wealth for short-term trading."

The increasing sophistication of both the company and its clients means that only about 25% of trades are now directly on shares.

The rest is people taking a view on entire indices, foreign currencies, commodities or treasuries. Clients have more than 7000 financial instruments to pick from. How has recent panic in world markets been for the company?

Well, August, normally a sleepy affair in the City, was IG's busiest-ever month. Investors worried about what extremely volatile stock markets were doing to their wealth wanted to open accounts and to trade. Why would they choose IG? One good reason might be reliability of its PureDeal trading platform.

In a survey by Investment Trends last year, spread bettors repeatedly cited reliability as one of the most critical factors in choosing a provider.

The same survey showed that almost 60% of the country's active financial spread betting

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population have an account with IG Index, and 88% of all respondents rated PureDeal as "good" or "very good".

David Jones, chief market strategist at IG Index, says: "August saw the FTSE 100 move in a range of more than 100 points on 18 out of the 22 trading days - something that in more normal market conditions would only happen three or four times a month. As a direct result of the volatility, the number of orders placed by clients jumped significantly, with the PureDeal platform processing almost 900,000 transactions on August 9 alone."

The view has been expressed by some that there can't be much more growth to come from the UK because almost everyone that is likely to spread bet already does.

Howkins strongly disputes this. "The UK will continue to grow," he says. "We'll get bigger internationally too. Lots of people will find they have a use for spread betting. We're here for good."

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4



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Reader views (1)

I have been spread betting for around 2 years using IG Index and others after buying a course from Vince Stanzone. I mainly trade commodities and shares, I find indices can be too volatile. My tip is get some good training before you start (I don't mean the stuff from the bookies) - search youtube you will find some good clips.

- Tony Miles, London, 13/09/2011 13:23

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