

## CMC Markets response to ASIC consultation paper - CP 322 Product intervention: OTC binary options and CFDs

**DATE:** 4 October 2019

CMC Markets supports the Australian Securities and Investments Commission (ASIC) in its endeavours to implement stronger protection measures for retail investors.

We believe in a consistent approach to regulation, a level playing field and raising standards in the industry.

We have read **CP 322 Product intervention: OTC binary options and CFDs** and considered the concerns raised regarding the significant detriment to retail clients, primarily financial losses. While we believe this is predominantly caused by some firms conduct and not the products themselves, we endorse ASIC's proposals and have recommended amendments as noted below.

### KEY POINTS

- **Raising standards** - CMC Markets believes in a consistent approach to regulation, a level playing field and raising standards in the industry. This includes *applying regulatory measures to both proprietary and third party platforms and ensuring client categorisation follows stringent and prescriptive criteria*. Fair outcomes for clients is our focus and we are supportive of ASIC's proposals to ensure the industry acts in the best interests of Australian consumers.
- **Global alignment** - CFD trading is global in nature, going beyond regional boundaries. As such, CMC Markets proposes that investor protection regulatory measures in Australia, *including leverage ratio limits and negative balance protection* are aligned with those in other jurisdictions - notably those introduced by the European Securities and Markets Authority on 1 June 2018. This will ensure aligned protection for investors across borders and act to remove regulatory arbitrage between regions.
- **Considered timeframes** - CMC Markets recommends that ASIC's implementation timeframes are reviewed and reconsidered in order to allow sufficient time for firms to implement and test the required system related changes, update key client documentation/assets and provide notice to clients in ensuring a smoother client transition experience.
- **Negative balance protection** - The introduction of negative balance protection for retail clients will increase capital requirements for firms that will essentially need to provide a guaranteed close out for retail clients. CFD issuers will not receive the same benefit from trades placed with prime brokers to hedge the market risk exposure. As such, we urge ASIC to increase the Net Tangible Asset requirements to at least \$2 million or 15% of average revenue to better protect investors.

**ENDS**

### **About CMC Markets**

CMC Markets plc. (CMCX), was established in 1989 and through regulated offices and branches in 14 countries is now one of the world's leading independent financial services providers. CMC Markets is now the second largest retail stockbroker in Australia\*. Through our award-winning, online and mobile trading platforms, we enable clients to trade over 10,000 financial instruments including contracts for difference (CFDs), foreign currencies (FX), countdowns, electronically traded funds (ETFs), shares, mFunds (unlisted managed funds), options, listed managed investments, warrants and interest rate securities. In 2019, CMC Markets Stockbroking was named Canstar's Online Share Trading Broker of the Year for the ninth consecutive year. Please see our website for more information [www.cmcmarkets.com.au](http://www.cmcmarkets.com.au)

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