Senior Manager, Post-trading and OTC Derivatives
Financial Market Infrastructure
Australian Securities & Investments Commission
Level 5, 100 Market St
SYDNEY NSW 2000

Sent by post and by email to: OTCD@asic.gov.au

1 May 2013

To whom it may concern,

Response to Consultation Paper 205: Derivative transaction reporting (the "CP")

IG Markets Limited ("IGM") is grateful for the opportunity to respond to the CP and to provide its comments on the proposals for reporting OTC derivatives and the draft ASIC derivative transaction rules 2013.

1. IG Markets Limited and Contracts for Differences ("CFDs")

By way of brief background, IGM deals in OTC CFDs on a broad array of financial instruments to a predominantly retail client base. IGM is regulated by ASIC and is a holder of an Australian Financial Services Licence, no. 220440.

IGM offers its clients CFDs that are:

- small in size;
- bilateral (enforceable only between IGM and the client);
- not traded on any exchange;
- not cleared through any central counterparty; and
- not fungible among other CFD providers.

IGM has two sides to its business; the retail client side described above and a market facing side where IGM enters into CFDs with other financial counterparties in order to hedge and manage risk relating to its retail client activity.

2. Executive Summary

A. IGM reiterates that consistent implementation of the G20 commitments across all G20 jurisdictions is essential (both in terms of derivative classes and reporting fields).
B. As IGM operates in Australia as a registered foreign company, IGM is very keen to ensure its reporting obligations in Australia dovetail with its obligations in the UK and other jurisdictions that it operates in, that there is no unnecessary duplication of obligations and that there is the ability to report by IGM and its group companies on a centralised basis. This would minimise cost and be more efficient.

C. In respect of trade reporting, IGM requests that in imposing any deadlines to adopt trade reporting, account is taken of the potential need to implement changes in IT systems in addition to operational changes.

3. General Comments on the Proposals

We have reviewed the CP and have the benefit of having also been able to read, consider and respond to various other international consultations on the same G20 OTC derivatives commitments, in particular in the United Kingdom, Singapore and South Africa.

4. Responses to specific issues and questions

IGM sets out its specific responses to the questions posed in the CP below. We have limited our comments to those questions that directly impact IGM or where we wish to specifically respond to a question.

B1Q1. Do you support the overall scope of the reporting obligation?

IGM supports the overall scope of the reporting obligation and notes as a foreign company registered under Division 2 Part 5B.2 that we would be required to report transactions executed in Australia.

B4Q1. Do you agree with the proposed timing of reporting?

We agree with the timing of T+1 (and note that this is consistent with EMIR in which we will have equivalent reporting obligations).

B4Q3. Do you think a longer deadline is needed for reportable transactions executed outside Australia?

We consider that any deadline should be sufficiently flexible to allow entities with overseas operations to be able to report trades to all applicable competent regulators at the same time to satisfy reporting obligations. This could be restricted to regulators that are acknowledged as having substituted compliance to ASIC.

C1Q1. Do you consider that an alternative reporting regime would assist in allowing reporting entities to meet their reporting obligations?

We support an alternative reporting regime which will assist IGM with consolidating global reporting obligations from a single location in a more efficient and cost effective manner.

C2Q1. Do you agree with the criteria we are proposing be used to determine that a trade repository can be used for reporting under an alternative reporting framework?

We agree with the proposed criteria.

D1Q1. Do you have any comments on the proposed data fields in Part S2.1 of the Schedule 2 that will need to be reported to trade repositories? Are there any data fields that it will be particularly burdensome to report?

We consider the data fields to be appropriate and consistent with EMIR where we will have equivalent reporting obligations.

D3Q1. Do you agree with the mechanism by which we are proposing to obtain information about mark-to-market valuations and collateral?

We consider there would be undue burden and costs involved in requiring the mark-to market valuation and daily reporting of transactions by a financial institution with natural persons. This is because trades performed by natural persons are not systemically important to the operation of the financial markets. Requiring these obligations would result in increased costs to end users.

We further consider that only certain trades entered into by a financial institution with other non-financial institutions should be required to be marked-to market and daily reporting. A threshold test should be applied in relation to the derivative activity of a non-financial institution and only once a non-financial institutions activity in the derivatives markets is above that threshold should daily mark to market and valuations of OTC transactions be required. Non-financial institutions' activity in the derivatives markets below the threshold should be exempt from these obligations.

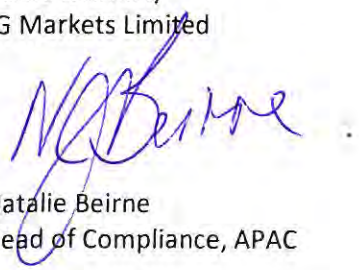
This approach is consistent with the approach adopted in the EU pursuant to the introduction of EMIR and we believe that this approach should be followed in Australia and in other G20 members in relation to this issue.

For the avoidance of doubt, we are not opposed to the reporting of the above trades when they are entered into, modified or closed.

5. Conclusion

We thank ASIC for the opportunity to comment on this CP.

Yours faithfully
IG Markets Limited



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