



Nicole Chew
Lawyer, Financial Advisers
Australian Securities and Investments Commission
Level 5, 100 Market Street
Sydney NSW 2000

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

19 September 2013

Dear Ms Chew,

Response to Consultation Paper 215: Assessment and approval of training courses for financial product advisers (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 the assessment and approval of training courses for financial product advisers.

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 is authorised to provide general advice, to deal and to make a market; in derivatives and foreign exchange contracts. We think it is worth emphasising in the context of this CP that IGM only provides general advice about its *own* OTC CFD products. Therefore the scope of what our advisers are able to discuss with customers is very limited whereas the impact of the CP on our global resourcing would be severe.

For further information about IGM please see the enclosed annex, which provides a short summary of our business and our corporate group.

2. Executive Summary

- Removing the recognition of overseas qualifications will severely impact not only IGM but also other licensees who wish to offer its customers a comprehensive 24

hour service and therefore operate using global shared services across tightly regulated jurisdictions.

- The FCA and the MAS allow overseas advisors of IGM to deal with clients of the UK or Singapore offices without the need for local qualifications, recognising the relevant equivalency of other jurisdictions.
- The impact of these proposals will either have a severe detrimental impact on the customer service offered by IGM or, alternatively, will cause dramatically increased compliance costs in order for IGM to maintain the service it currently offers from personnel IGM views as well qualified, supervised and regulated. IGM submits that either outcome is unreasonable and serves no benefit to its Australian customers.

3. 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.

B3Q1. Do you agree with our proposal to remove the recognition of foreign qualifications from RG146? If not, why not?
--

IGM does not agree with this proposal. In the jurisdictions in which we are currently licensed and operate, there are already equivalent regulatory qualification requirements. Overseas advisors of IGM may deal with Australian clients on an infrequent basis, such as out of hours, but this proposal would add an additional training requirement and burden for them to complete further qualifications that are likely to add no additional value to the regulatory qualifications they have already completed. In our view, to require such additional training would be an unreasonable, costly and an on-going compliance burden that serves no benefit to the end client.

Many organisations now operate with regional or global call routing for efficiency and to provide improved customer service. IGM currently routes calls based on factors including geography, language and office hours. Clients may sometimes be routed to our Singapore office if the wait time is shorter or to the UK office during out of hours. If IGM were not to use call routing, during open times our clients would have to wait longer and have a poorer customer service experience or not have their calls answered at all when the Australian office is closed. For calls not to be answered on a 24/7 basis would be a significant degradation to the service currently offered by IGM and, in our view, would not only materially degrade the customer experience but would also potentially increase the risk that a customer may not be able to promptly and adequately manage their derivative positions and risk exposure as they may require in real time.

B3Q3. Do you currently rely on the recognition of foreign qualifications in RG146? If you are an AFS licensee, please provide details of the numbers of advisors who rely on this policy.

Yes, IGM relies on the recognition of foreign qualifications for advisors in Singapore and the UK. Both jurisdictions have equivalent regulatory licensing and advisor qualification requirements.

The number of advisors potentially affected is 7 in Singapore and 28 in The UK. We have provided the total number of staff in the teams that might handle Australian calls as the call routing works on a team rather than individual basis for maximum efficiency over 24 hours.

B3Q5. Do you consider that this proposal will impose additional costs on AFS licensees, advisors or training course providers?

Yes. If overseas advisors are required to obtain local qualifications there will be additional costs in obtaining these. It also follows that if local qualifications are required then continuing training will also be necessary posing further and arguably unnecessary, costs.

By way of example, the cost for an RG146 compliant qualification with our current training provider is \$700 per person and continuous educations costs are \$30 per month per advisor. Based on the number of advisors detailed above, the additional cost would be \$37,100 in the first year (initial RG146 qualification + continuing training) and \$12,600 per year thereafter. If the number of advisors and/or the qualifications costs go up then this cost will also increase. These amounts do not reflect the amount of additional study time required, nor the considerable opportunity cost of enabling staff to be free for those hours rather than fulfilling their primary duties.

As noted at B3Q1 above, if IG were to decide that this requirement was too burdensome and opted to no longer operate a 24/7 customer service operation, then not only would the customer experience be degraded but their ability to manage their account (including all open positions) and talk to an appropriate advisor whenever they needed to may also be compromised.

B3Q5. Do you consider that this proposal will benefit consumers by improving the quality of advice provided?

No, as noted above we think the opposite outcome is far more likely. IGM issues and advises on its own bespoke non-standard CFD product and as such are the experts in knowledge of that product. As previously mentioned, we are licensed in the overseas jurisdictions in which we operate and our advisors already have regulatory qualification requirements that are equivalent to Australia. We believe the proposal would create unnecessary additional costs to IGM with no benefit to consumers.

We strongly suggest a practical alternative and one which we submit will maintain quality advice, good customer service and operational efficiency is to continue to recognise

equivalent overseas qualifications for those AFS licensees providing general advice about their own product. We see no benefit to licensees or to consumers by adding additional requirements for advisors who have specialist subject matter knowledge which has trans-jurisdictional applicability and is already highly regulated.

IGM also seeks to clarify that RG146.22 – RG146.26 continues to enable customer service representatives to operate and especially when dealing with a bespoke in-house product such as OTC CFDs when no personal advice is being provided? Specifically this would enable off-shore customer service representatives to manage client enquires and orders.

Yours faithfully
IG Markets Limited

Natalie Beirne
Head of Compliance, APAC

ANNEX: SUMMARY OF IG MARKETS BUSINESS OPERATIONS

1) INTRODUCTION

IG Markets Limited ("IGM") deals in Contracts for Differences (CFDs) on a broad array of financial instruments. IGM was formed in the UK under the laws of England and Wales where it is regulated by the Financial Conduct Authority ("FCA"). IGM is also registered as an overseas company in both Australia and New Zealand where it is regulated by ASIC and the FMA respectively.

2) INFORMATION ABOUT IGM AND THE IG GROUP

2.1 IGM and the IG Group

IGM is a member of the IG Group, which was established in 1974 in the UK. IG Group Holdings plc is the ultimate holding company of the IG Group and, in May 2005, its shares were listed on the London Stock Exchange. IG Group Holdings plc's market capital is currently in excess of £1.5 billion and it is a FTSE 250 company. The IG Group has offices in London, France, Spain, Portugal, Germany, Italy, Sweden, the United States, Japan, South Africa, Luxembourg, The Netherlands, Australia and Singapore. It also has a Representative Office in China and employs approximately 1,000 people worldwide.

2.2 IGM's products

The core business of IGM is trading CFDs. As ASIC will be aware, a CFD is a form of derivative that is, in essence, an agreement to exchange the difference in the value of a particular financial instrument between the time at which a contract is opened and the time at which it is closed. IGM offers CFDs on a range of underlying markets including stock indices, individual shares, commodities, FX, interest rate products and options.

2.3 IGM's regulators

IGM's primary regulator is the Financial Conduct Authority ("FCA") in the UK. As noted above IGM also holds an AFSL in Australia where it has been in operation since 2002. IGM has activated its EU regulatory passport and provides services from branches in Germany, France, Italy, Spain, Portugal, Sweden, Ireland, Luxembourg and the Netherlands and is subject to conduct of business supervision by the regulators in these European countries. Other IG Group companies are regulated by the CFTC in the US, the Financial Services Agency in Japan, the Financial Markets Authority New Zealand and the Monetary Authority of Singapore.

2.4 More information about IGM and IG Group

IGM's website (www.ig.com/au) contains a description of our CFDs, the range of markets offered, explains our online dealing platforms and provides examples of the way in which our products work. The site also contains our standard product disclosure notice, customer agreement and application forms.

The IG Group's corporate website (www.iggroup.com) contains further information about the IG Group of companies, including copies of our most recent report and accounts.