

9 May 2017

IG Markets Limited  
Natalie Beirne  
Level 15  
55 Collins Street, MELBOURNE VIC 3000

**By email: [natalie.beirne@ig.com](mailto:natalie.beirne@ig.com)**

Dear Natalie Beirne,



Level 7, 120 Collins Street,  
Melbourne VIC 3000  
GPO Box 9827, Melbourne VIC 3001  
DX 423 Melbourne

Telephone: +61 3 9280 3200  
Facsimile: +61 3 9280 3444  
[www.asic.gov.au](http://www.asic.gov.au)

**Notice of Direction under s912C(1) of the *Corporations Act 2001***

I enclose a Notice of Direction (**Direction**) under s912C(1) of the *Corporations Act 2001* (Act).

You should read the Direction carefully. You will see that it requires Ingot Brokers (Australia) Pty Ltd (**Licensee**), Australian Financial Services Licence (**AFS Licence**) 220440 to give to the Australian Securities & Investments Commission (**ASIC**) a written statement containing certain information by 5pm on **8 June 2017**. Details are set out in the Direction.

The Licensee may comply with the Direction by emailing the written statement to [steven.bebic@asic.gov.au](mailto:steven.bebic@asic.gov.au) or by posting it to Level 7, 120 Collins Street, Melbourne 3000 VIC. Please address the written statement to the attention of Steven Bebic.

The Licensee is entitled to consult with its legal adviser in relation to its obligations under the Direction.

I draw your attention to the note enclosed with the Direction which contains information relevant to the Direction, including some definitions of expressions which may be used and some of the offence and penalty provisions relating to non-compliance with the Direction. It also deals with the application of legal professional privilege to the Direction.

The Direction should not be construed as an indication by ASIC that a contravention of the law has occurred, nor should it be considered a reflection upon any person or entity.

If you have any questions about the Direction, please contact me on (03) 9280 4666.

**Privacy**

The books/information required to be produced may include personal information. Please refer to our Privacy policy ([www.asic.gov.au/privacy](http://www.asic.gov.au/privacy)) for information about how we handle your personal information, your rights to seek access to and correct personal information, and how to complain about breaches of your privacy.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steven Bebic', written over a horizontal line.

Steven Bebic  
Analyst, Market Supervision – Complex Products



M01396674

**ASIC**

Australian Securities & Investments Commission

**AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION**

**SUBSECTION 912C(1) OF THE *CORPORATIONS ACT 2001***

**NOTICE OF DIRECTION TO GIVE A WRITTEN STATEMENT**

To: IG Markets Limited  
Natalie Beirne  
Level 15  
55 Collins Street  
MELBOURNE VIC 3000

Australian financial services licence number: 220440

You are notified under s912C(1) of the *Corporations Act 2001* (Act) that you are directed to give:

to: Steven Bebic  
Analyst  
Market Supervision- Complex Products  
Australian Securities & Investments Commission  
at: Level 7, 120 Collins Street, Melbourne VIC 3000 (or by emailing it to  
steven.bebic@asic.gov.au)  
by: 5pm  
on: 9 June 2017

a written statement containing the information about the financial services business carried on by you or your representatives specified in the Schedule to this Direction.

Date: 9 May 2017

Signed:

**Steven Bebic**

a delegate of the Australian Securities & Investments Commission.

## SCHEDULE

### Definitions

For the purposes of this Schedule:

**“Act”** means the *Corporations Act 2001* (Cth)

**“AFS Licence”** means an Australian financial services licence granted under s913B of the Corporations Act.

**“Client”** means a person that has:

- (a) an agreement with the Licensee to be provided a financial service(s) that is covered under the Licensee’s AFS Licence; and
- (b) placed a trade with the Licensee at least once in the 12 months prior to the date of this notice.

**“Client Money”** means money that is paid to the Licensee under s981A of the Act.

**“Derivative”** has the meaning given by s761D of the Act.

**“Hedging Counterparty”** means the entity the Licensee uses to hedge its risk from client positions.

**“Licensee”** means IG Markets Limited the holder of AFS Licence no. 220440.

**“Liquidity Provider”** means the entity that provides liquidity to the Licensee by quoting prices and ensuring a reasonable size of trading can be done at those quotes.

**“OTC”** means over-the-counter.

**“Referring Party”** means any introducing broker, third party sales company, or any other person or entity who refers financial service clients to the Licensee.

**“Representative”** means an authorised representative, employee, director, officer, or contractor of the Licensee.

**“Retail Client”** means a client as defined in s761G of the Act.

**“Total Account Balance”** means the total amount owed to a Client by the Licensee if the Client was to liquidate his or her positions plus any cash held with the Licensee.

**“Turnover”** means the total size of Client trades that have been processed through the Licensee’s business (i.e. margin + leverage amount).

**Note:** This is to be calculated on a trade by trade basis. For example, if a Client posted a margin of \$10 and a product has a leverage amount of \$190, the Turnover from that trade would be \$200 even if that particular trade remained open for 3 (three) consecutive days during the period requested.

**“User”** means the entity that the Licensee provides a source of liquidity for in relation to OTC derivative financial services.

**“White Label”** financial services provided by one entity and then rebranded by another entity to make it appear their own.

### **Required Information**

1. The number of Clients the Licensee has as at the date of this notice. Please include a breakdown of those Clients showing the number of Retail Clients.
2. The Licensee's number of Representatives as at the date of this notice.
3. The annual Turnover of the Licensee covering the period from:
  - a. 1 January 2016 to 31 December 2016; or
  - b. for the 12 month period covering the Licensee's last financial year, as long as the financial year end date is no more than 7 months before the date of this notice.
4. Provide details of the total amount of money the Licensee owed to Clients, that is, the aggregate of all Clients' Total Account Balances as at:
  - a. 31 March 2016;
  - b. 30 June 2016;
  - c. 30 September 2016;
  - d. 31 December 2016; and
  - e. the date of this notice.
5. Provide details of the OTC products offered by the Licensee under its AFS Licence including:
  - a. The category of product (for example, including but not limited to, margin FX, CFDs or binary options);
  - b. The underlying reference assets relevant to the pricing for each product (for example, AUD/USD, Telstra shares, ASX200 index);
  - c. The annual Turnover of the Licensee in the product category covering the period from:
    - i. 1 January 2016 to 31 December 2016; or
    - ii. for the 12 month period covering the Licensee's last financial year, as long as the financial year end date is no more than 7 months before the date of this notice.
  - d. The number of transactions in the product category covering the same period used in response to item 5(c);
  - e. Where relevant, the leverage range for each product, covering the previous year up to the date of this notice. Where the leverage size is calculated based on client

revenue or some other measure, please specify the details of this in your description of the leverage for that product;

- f. For binary option products, provide the payout levels for each product offered or the methodology/methodologies used to determine payout levels, covering the previous year up to the date of this notice;
- g. The average trade execution response time for products traded in the category; and
- h. The total number and proportion (calculated as a percentage of all Clients that traded the product) of Clients that were profitable and not profitable in each category of product for the period from:
  - i. 1 January 2016 to 31 December 2016; or
  - ii. for the 12 month period covering the Licensee's last financial year, as long as the financial year end date is no more than 7 months before the date of this notice.

*Note:* In calculating whether a retail client account was profitable or not profitable during the period, the Licensee must calculate the realised and unrealised gains and/or losses on all retail client transactions carried in the account at any time during the period, and subtract all fees, commissions, and any other charges posted to the account during the period, and add any interest income and other income or rebates credited to the account during the period. All deposits and/or withdrawals of funds made by a client during the period must be excluded from the calculation of whether the account was profitable or not profitable during the period.

- i. Provide the total number and proportion (calculated as a percentage of all Clients that traded the product) of Clients that were profitable and that were not profitable in each category of product for the period used in items 5(e) and 5(f) but with transaction fees not subtracted from the calculations.
6. Which of the following risk management strategies best describes your business (where necessary please separate by product, product category or business line):
- a. An A-book strategy where each and every single Client transaction is automatically perfectly hedged with a counterparty;
  - b. An A-book strategy where Client transactions are netted off and the entire remaining market exposure is hedged with a counterparty every time;
  - c. A pure B-book strategy where all market risk is held and managed internally by the Licensee;
  - d. A combination of an A-book and B-book strategy. Please explain the details of how this strategy is implemented. For example, including but not limited to, whether it is based on:
    - i. individual client revenue;
    - ii. overall client revenue;



- iii. overall liquidity of underlying assets relevant to the issued product;
  - iv. market events;
  - v. balance sheet risk; and/or
  - vi. a percentage of market risk.
- e. Other (please provide details).
7. Where there are particular formulas used in the calculation of the strategy mentioned in item 6(d) or item 6(e), please provide those formulas.
  8. Please describe whether and how Client Money is used to facilitate any of the strategies outlined in item 6.
  9. Please provide the following details about the sources of liquidity the Licensee uses to price the financial services it offers including:
    - a. Pricing feed providers and/or price feeds used as a reference (for example, information from exchanges such as the ASX or price feeds such as Bloomberg etc);
    - b. The name of any liquidity provider the Licensee has entered into an agreement with and the products covered under that agreement;
    - c. Describe any other direct or indirect relationship the Licensee has with a liquidity provider mentioned in item 9(b) including, but not limited to, shared management, ownership or employees;
    - d. Provide details of whether the Licensee alters the price obtained from the pricing feed providers or liquidity providers mentioned in item 9(a) or 9(b), including the specifics of any formulas or percentages used to alter the pricing offered to its clients and/or any other factors that are taken into account in determining pricing offered to clients;
    - e. Provide information about any software product used to facilitate the price feed from a liquidity provider;
    - f. If a liquidity provider is also used as a hedging counterparty please indicate this in your response and include:
      - i. the types of products hedged; and
      - ii. an approximate percentage of the amount of the Licensee's business that it typically hedges with that liquidity provider; and
    - g. Indicate whether a liquidity provider mentioned has the ability to reject an order even when the order matches its original quoted price and provide any known restrictions on this process.

10. Provide a list of any additional hedging counterparties used by the Licensee that have not been mentioned in item 9(f) and include:
  - a. The types of products hedged;
  - b. An approximate percentage of the amount of the Licensee's business that it typically hedges with that hedging counterparty;
  - c. Any software product used to facilitate the hedging trade; and
  - d. Describe any other direct or indirect relationship the Licensee has with the hedging counterparty including but not limited to, shared management, ownership or employees.
11. Provide a list of any White Label partners the Licensee has entered into an agreement with, indicating whether the Licensee is the provider of the White Label services or is a White Label client.
12. Where the Licensee is a source of liquidity for another provider of OTC derivative financial services, provide details including:
  - a. The name of the User;
  - b. The products the Licensee is providing liquidity for;
  - c. Whether the Licensee is also acting as a hedging counterparty to the User. Include a percentage of the typical amount of the User's business that is hedged with the Licensee (if known); and
  - d. Indicate whether the Licensee has the ability to reject an order even when an order matches its original quoted price. If so, provide information on any policies, procedures, restrictions or standard practices relevant to this process.
13. Provide the name of each Referring Party the Licensee has entered into a contractual relationship, arrangement or other understanding either locally or overseas in the last three years before the date of this notice, also include:
  - a. the date any agreement was entered into;
  - b. if the relationship has terminated, the date of termination; and
  - c. the jurisdiction of the Referring Party.
14. Provide a description and breakdown for each fee and remuneration arrangement associated with a Referring Party mentioned in item 13 covering the lifecycle of a client relationship, including:
  - a. In what part of the client relationship is payment(s) due and levied;
  - b. Whether it is the Licensee or Referring Party that is the recipient of the payment;
  - c. What is the amount of the payment and/or any formula or methodology used to calculate the payment;

- d. Any conditions required to be met for a payment to be made by the Licensee to the Referring Party; and
- e. Provide the amount paid to and received from each Referring Party identified in item 13 in the last 12 months before the date of this notice.

15. Provide a brief description of any software products the Licensee uses in connection with its OTC derivative financial services business under its AFS Licence (both the software provided to Clients and the software used internally to manage the Licensee's financial services business) including:

- a. The name of the product;
- b. The function of the product; and
- c. Whether it is a proprietary software product or a product supplied by a third party. If provided by a third party, provide the name of that party.



## INFORMATION ABOUT THE NOTICE OF DIRECTION

### Relevant Statutory Provisions

[All section references are to the *Corporations Act 2001* (the Act) unless otherwise indicated]  
Subsection 912C(1) provides that the Australian Securities & Investments Commission (ASIC) may, by giving written notice to a financial services licensee, direct the licensee to give to ASIC a written statement containing the specified information about:

- (a) the financial services provided by the licensee or its representatives; or
- (b) the financial services business carried on by the licensee.

Under s912C(3), the licensee must comply with a direction given under s912C:

- (k) within the time specified in the direction if that is a reasonable time; or
- (l) in any other case, within a reasonable time.

ASIC may extend the time within which the licensee must comply with the direction by giving written notice to the licensee: s912C(3).

ASIC may suspend or cancel a licence under s915C(1)(a) of the Act if the licensee has not complied with its obligations under s912A. Among the list of obligations under s912A, is the obligation to comply with the financial services laws: s912A(1)(c).

Non-compliance with a direction that ASIC gives under s912C(1), within the time set out in s912C(3), may constitute a failure to comply with a financial services law.

ASIC may only suspend or cancel a licence if it first gives the licensee an opportunity:

- (k) to appear or be represented at a hearing before ASIC. The hearing is conducted in private: s915C(4); and
- (l) to make submissions to ASIC on the matter: s915C(4).

### Legal Professional Privilege

For the purposes of your obligations arising from the Direction, legal professional privilege is a reasonable excuse for not providing information pursuant to the Direction. Accordingly, you are not obliged to provide under the Direction information that is covered by a valid claim of legal professional privilege.

A person who claims legal professional privilege must establish that the privilege exists. If you claim that any information that you are required to provide is subject to legal professional privilege, you must provide ASIC with sufficient information to allow its officers to make an informed decision about whether the claim for privilege can be supported.

For that purpose, if the information over which you claim legal professional privilege was or is currently, comprised in the whole or part of a document, you should prepare a list, in writing, which specifies for each document or part thereof you claim is privileged:

- (a) the time, date, type, author, recipient and subject matter of that document or part thereof, and whether it is an original or copy;
- (b) if the original or a copy of the document or part thereof has been provided to any person who is not the privilege holder or a legal representative of the privilege holder, the identity of the persons to whom the original or a copy of the document or part thereof has been provided and the basis on which it was provided to those persons;
- (c) the grounds on which legal professional privilege is claimed;

- (d) the facts that are relied upon as giving rise to the claim of legal professional privilege. Those facts should include (but not be limited to) details of the dominant and any other purpose for which the information was brought into existence.

You will be requested to specify whether an in-house legal counsel was involved in the preparation of that document or part thereof and to provide sufficient details about that person's independence and the capacity in which they acted in relation to the preparation of that document or part thereof; and

- (e) the identity of the person in whose name the claim of legal professional privilege is made.

If the information over which you claim legal professional privilege was the subject of an oral communication, you should prepare a list, in writing, which specifies for each oral communication you claim is privileged:

- (i) the grounds on which legal professional privilege is claimed;
- (ii) the facts that are relied upon as giving rise to the claim of legal professional privilege. Those facts should include (but not be limited to) details of the dominant and any other purpose for which the communication was made.

You will be requested to specify whether an in-house legal counsel was involved in the communication and to provide sufficient details about that person's independence and the capacity in which they acted in relation to the communication;

- (iii) the identity of the person in whose name the claim of legal professional privilege is made;
- (iv) the date and time of, and parties to, the communication; and
- (v) the subject matter of, location at, and means by which, the communication took place.

Unless ASIC otherwise agrees, you should provide the list(s) relating to your privilege claims to ASIC on or before the due date of the Direction.

### **Definitions**

"financial service" has the meaning given by Division 4 of Part 7.1: s766A. A person provides a financial service if they:

- (a) provide financial product advice (see section 766B); or
- (b) deal in a financial product (see section 766C); or
- (c) make a market for a financial product (see section 766D); or
- (d) operate a registered scheme; or
- (e) provide a custodial or depository service (see section 766E); or
- (f) engage in conduct of a kind prescribed by regulations made for the purpose of this paragraph.

[s766A(1)]

"financial services business" means a business providing financial services: s761A.

Note: The meaning of "carry on a financial services business" is affected by s761C of the Act.

"financial services licensee" means a person who holds an Australian financial services licence: s761A.

"representative" has the meaning given by s910A of the Act and includes:

- an authorised representative of the Licensee; or
- an employee or director of the Licensee; or
- an employee or director of a related body corporate of the Licensee; or
- any other person acting on behalf of the Licensee.

"financial services law" means:

- (a) a provision of Chapter 7 or of Chapter 5C, 5D, 6, 6A, 6B, 6C or 6D of the Corporations Act; or
- (b) a provision of Chapter 9 of the Corporations Act as it applies in relation to a provision referred to in paragraph (a); or
- (c) a provision of Division 2 of Part 2 of the ASIC Act; or
- (d) any other Commonwealth, State or Territory legislation that covers conduct relating to the provision of financial services (whether or not it also covers other conduct), but only in so far as it covers conduct relating to the provision of financial services.
- (e) in relation to a financial services licensee that is a licensed trustee company (in addition to paragraphs (a) to (d))—any rule of common law or equity that covers conduct relating to the provision of financial services that are traditional trustee company services (whether or not it also covers other conduct), but only in so far as it covers conduct relating to the provision of such services.

[s761A]

### **Offences**

A person who, in a document required by or for the purposes of the Corporations Act or lodged with or submitted to ASIC, makes or authorises the making of a statement that to the person's knowledge is false or misleading in a material particular, or omits or authorises the omission of any matter or thing without which the document is to the person's knowledge misleading in a material respect, is guilty of an offence: s1308(2).

A person who, in a document required by or for the purposes of the Corporations Act or lodged:

- (a) makes or authorises the making of a statement that is false or misleading in a material particular; or
- (b) omits or authorises the omission of any matter or thing without which the document is misleading in a material respect;

without having taken reasonable steps to ensure that the statement was not false or misleading or to ensure that the statement did not omit any matter or thing without which the document would be misleading, as the case may be, is guilty of an offence: s1308(4).

A person must not, without lawful excuse, obstruct or hinder ASIC, or any other person, in the performance or exercise of a function or power under the Corporations Act: s1310.