



## MEDIA RELEASE

### AFMA TO WORK WITH ASIC TO STRENGTHEN CFD SECTOR

**12 July 2010**

AFMA will carefully examine ASIC's release today of a research report into contracts for difference (CFDs) and retail investors, entitled 'Report 205: Contracts for difference and retail investors'.

AFMA will work with members that provide CFDs to look at possible initiatives that could be undertaken at the industry level in response to the issues identified in the report.

The CFD industry, as regulated by ASIC, supports enhancements to the regulatory regime that are well balanced and appropriate to the market.

From AFMA's perspective, investors should be introduced to CFDs in an informative and explanatory fashion that is appropriate to experience levels.

Investors must be able to fully understand the risks as well as the benefits of investing in CFDs, and to also understand the ways in which they can mitigate these risks if they do choose to invest.

Moving forward, AFMA will look to build on their existing dialogue with ASIC regarding issues identified in this report, in addition to promoting enhanced industry practices to meet ASIC's objectives.

CFDs are a well-established investment product in the UK and Europe, and have been available in Australia for the past eight years. During this time, CFDs have proved popular with investors who are seeking to both manage their risks and to increase their wealth. While CFDs may not be suitable for all investors, leading AFMA members in Australia already incorporate aspects of investor suitability assessments within their product application process.

AFMA has also welcomed the release of regulatory guidance by ASIC on the appropriate management of client money for OTC derivative products. AFMA supports the objectives of the guidance, particularly in regards to enhancing disclosure to retail clients on how client money is managed and improving investor understanding of the counterparty risks involved when dealing in OTC markets.

The client money regulatory guide will be used as a tool to assist providers of CFDs to manage their compliance with the client money provisions of the law.

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**Notes for Editors:**

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 130 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.