

# CFDs on ASIC's Radar – what does it mean for CFD providers?

## The Context

The Australian Securities & Investments Commission (ASIC) is pushing to enforce tighter and more comprehensive regulatory reform on OTC CFD providers after conducting a 'health check' of the retail broking industry.

The ASIC report reveals the significant risks faced by retail investors trading this highly leveraged and complex product. The report outlines key issues which will need to be addressed by CFD providers including:

- increased disclosure;
- implementation of client suitability procedures; and
- greater risk management processes for client monies.

CFD providers may need to consider revisiting their business models and product offerings before the regulators step into formal legislation. Possible regulatory reforms being considered include:

- making the products only accessible through advisor networks;
- mandatory Stop Loss orders on all trades; and
- providers guaranteeing the execution and price of stop loss orders.

The nature and complexity of CFDs means retail investors must be given sufficient information to make informed decisions. This requires significant improvements to the disclosures of risks and returns so that investors can understand the actual features of the products in simple language.

## Your Questions



What will happen if I don't do anything?



What risks need to be disclosed to investors and what is best practice disclosure?



What controls are needed to ensure segregation of client monies?

## How can PwC help?

### Organisational Needs

- What are ASIC's expectations of CFD providers?
- How do we gain comfort that we have complied with ASIC's disclosure benchmarks?
- What changes are required to processes, people and technology to comply with client monies requirements?
- What does this mean for white label providers?

### PwC Delivers

- Best practice benchmarking of disclosure and suitability frameworks, given we have relationships with all major CFD providers in Australia.
- An assessment of your compliance with the soon-to-be-released ASIC disclosure requirements
- End-to-end business process improvement opportunities, incorporating lean analysis and controls optimisation, and including the segregation of client monies.
- 3<sup>rd</sup> Party Controls Assurance to white label providers.

## The value to you

▪ Gives the Board and management comfort that the organisation will comply with the requirements set out by ASIC.

▪ Gives the Board comfort that their governance, risk and compliance frameworks are capable of supporting CFDs as a product offering

▪ Access to technical and industry experts with deep experience in assisting clients with implementing regulatory change

▪ Promotes awareness and accountability over the management of key risks.

▪ Increased disclosures will allow clients to make more informed risk based decisions when trading these products.

▪ Increased disclosures and the use of advisor networks will increase customer satisfaction resulting in lower customer turnover for providers.

## Key Contacts



Nicole Salimbeni  
Partner  
Phone: 02 8266 1729  
Email:  
nicole.salimbeni@au.pwc.com



Carole Ferguson  
Director  
Phone: 02 8266 2910  
Email:  
carole.ferguson@au.pwc.com



Dan Jowett  
Director  
Phone: 02 8266 0295  
Email:  
dan.jowett@au.pwc.com



Nick Kelly  
Manager  
Phone: 02 8266 0473  
Email:  
nick.kelly@au.pwc.com