



EDR Review Secretariat
Financial System Division
Markets Group
The Treasury
Email: EDRreview@treasury.gov.au

25 January 2017

Dear Sir or Madam,

Response to Interim Report – Review of the financial system external dispute resolution and complaints framework (the “Interim Report”)

IG Markets Limited (“IG”) is grateful for the opportunity to respond to the Interim Report and to provide its comments on the recommendations.

1. IG Markets Limited

By way of brief background, IG deals in securities, managed investment schemes and over the counter (“OTC”) contracts for difference (“CFDs”) on a broad array of financial instruments to a predominantly retail client base. IG is regulated in Australia by the Australian Securities and Investments Commission (“ASIC”) and is a holder of an Australian Financial Services Licence (No. 220440). IG is a member of the Financial Ombudsman Service.

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

2. Executive Summary

IG predominantly supports the proposed recommendations and we have provided comments and feedback which we hope the Panel will consider.

3. Response to recommendations and information requests

IG’s responses to each proposed recommendation and information request are detailed out below.

Draft recommendation 1

No comment.

Draft recommendation 2

We agree that the existing monetary limit of \$500,000 and compensation cap of \$309,000 are no longer fit-for-purpose and bear little relationship to the value of *some* financial products (for example, mortgage balances) that may give rise to disputes. However, it is our submission that an increase to these values should only be imposed where justified by the relationship to the value of the financial product or service.



It is our submission that in determining the recommended monetary limit(s) and compensation cap(s), the Panel should have regard to the different products and services across the various industries the new proposed Ombudsman would cover. A 'one size fits all' monetary limit and compensation cap is too simplified, failing to have regard to the complexity of the many varying products and services, including characteristics of the product or service, the nature of the business, and the typical customer type, which all may justify different limits being maintained. Any increase to the monetary limit and compensation cap should ensure that such values are appropriate to the type of product or service in dispute, and be based on evidence demonstrating the necessity to increase the monetary limit and compensation cap across the relevant product or service.

We agree that if the monetary limit and compensation caps are increased they should be regularly reviewed.

Draft recommendation 3

No comment.

Draft recommendation 4

No comment.

Draft recommendation 5

No comment.

Draft recommendation 6

We agree that the new scheme should be required to meet the standards developed and set by ASIC.

Draft recommendation 7

We agree that ASIC's oversight powers in relation to industry ombudsman schemes should be enhanced by providing ASIC with more specific power to allow it to compel performance where the scheme does not comply with the EDR benchmarks.

Draft recommendation 8

We broadly agree in relation to the new industry ombudsman scheme considering the use of panels for resolving complex disputes and that users should be provided with enhanced information regarding under what circumstances the schemes with use a panel to resolve a dispute.

Draft recommendation 9

We understand that the limited data on IDR outcomes makes it difficult to determine how effective IDR currently is, and whether it is improving overtime. It is our view that if IDR reporting is to be adopted, Australia should follow the UK approach, as this approach strikes a balance between reporting data that is sufficiently useful for the Financial Conduct Authority to identify trends, emerging issues etc., and, the information and frequency of the reporting is not overly burdensome to firms.

Draft recommendation 10

No comment.

Draft recommendation 11

No comment.

Panel observation

We agree that there needs to be a scheme to deal with the uncompensated FOS determinations. However such a scheme must be designed in a manner that it does not impose a burden on fully compliant financial firms (in respect



to ongoing operating solvency and holding adequate PI insurance as noted by some stakeholders in the Interim Report), and it should not be a substitute for insufficient professional indemnity insurance.

4. Conclusion

We welcome the ability to engage in consultations and thank the Panel for the opportunity to be able to provide comments on the proposed recommendations in the Interim Report.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Kylie Jackson'.

Kylie Jackson
Compliance Manager



ANNEX: SUMMARY OF IG MARKETS BUSINESS OPERATIONS

1) INTRODUCTION

IG Markets Limited (“IG”) deals in securities, MIS and contracts for differences (CFDs) on a broad array of financial instruments. IG was formed in the UK under the laws of England and Wales where it is regulated by the Financial Conduct Authority (“FCA”). IG 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 IG AND THE IG GROUP

2.1 IG and the IG Group

IG 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 £2.9 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, Switzerland, Dubai, Australia and Singapore. It also has a Representative Office in China and employs approximately 1,500 people worldwide.

2.2 IG’s regulators

IG’s primary regulator is the Financial Conduct Authority (“FCA”) in the UK. As noted above IG also holds an AFSL in Australia where it has been in operation since 2002. IG 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, the Monetary Authority of Singapore, the Financial Services Authority in Dubai and the Financial Markets Supervisory Authority in Switzerland.

2.3 More information about IG and IG Group

IG’s Australian website (www.ig.com/au) contains a description of our securities, MIS and 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 relevant disclosure documents, 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.