

IRESS

RESPONSE TO WHITEPAPER ON “HANDLING AND USE OF CLIENT MONEY IN RELATION TO OTC DERVIATIVE TRANACTIONS

14 March 2012

IRESS RESPONSE

IRESS is a principal supplier of share market and wealth management systems in Australia, Asia, New Zealand, Canada, South Africa and the United Kingdom.

We are a progressive, service-based organisation that employs over 600 staff in 14 offices worldwide. Located in the centre of the major financial districts, our staff have local knowledge and industry experience.

We are responding to the discussion paper on the handling and use of client money in relation to over-the counter derivatives transactions that has been issued for review, to provide our perspective as a software vendor.

We have chosen not to reply specifically to the questions detailed in the paper as we are not a provider of these products and so don't feel suitably qualified to provide answers to these specific nature of these questions.

As a vendor of market data and trading platforms we would like see the viability of true Direct Market Access (DMA) CFD providers maintained. We believe that this model is in demand from the retail client market on the basis that it provides the pricing transparency and the guarantee that a client's order are actually being executed in the true underlying market on a one for one basis. This model is currently specifically being sort out by these traders. We further believe that if the changes that are proposed were implemented so that DMA providers were no longer able to use a client's money in relation to margin for trades that the provider had entered into on the client's behalf that the viability of this model would be uncommercial. This scale of change may result in the demise of this type of offering as the DMA model requires all client orders to be hedged in the underlying market where as with the market made model only a portion are hedged.

DMA CFDs are a fundamentally different product to market made CFDs and we note that many of the largest online brokers in Australia have chosen the DMA model. They have chosen this model over the market made model because of the transparency of pricing that this model offers.

We believe therefore that the most beneficial change is therefore to restrict the use of client monies so that each client funds can only be used in relation to that given client's positions and not in relation to positions held by other clients of the CFD provider. This coupled with improved transparency of what client monies can be used for will allow clients to make an informed decision if they want to use this product knowing the risks.

AUSTRALIA	ASIA	CANADA	NEW ZEALAND	EUROPE-AFRICA
Melbourne +61 3 9018 5800	Hong Kong +852 3965 3341	Toronto +1 416 907 9200	Auckland +64 9 300 5571	Cape Town +27 21 918 6640
Sydney +61 2 8273 7000	Singapore +65 6672 6288		Wellington +64 4 462 6850	Durban +27 31 203 7500
Brisbane +61 7 3011 4700				Johannesburg +27 11 236 4700
Perth +61 8 6211 5900				London +44 203 397 4660
Adelaide +61 3 9018 5800				