

23 October 2020

CMC Markets Plc

CMC welcomes ASIC consultation paper outcome

CMC Markets Plc ("CMC" or the "Group") notes today's announcement by the Australian Securities and Investments Commission ("ASIC") regarding the outcome of the consultation paper issued in August 2019 on the application of product intervention powers on the issuance and distribution of binary options and contracts for difference to retail clients.

CMC believes in a consistent approach to regulation, which provides a level playing field and raises standards across the industry. Fair outcomes for clients have always been a focus for the Group. We welcomed the opportunity to work with ASIC during the consultation period to ensure the industry acts in the best interests of Australian consumers. We are supportive of ASIC's proposed changes, which are due to be implemented from 29 March 2021.

In summary, the product intervention order will restrict CFD leverage offered to retail clients to the same maximum ratio as those implemented by the European Securities and Markets Authority ("ESMA") in 2018:

- 30:1 for CFDs referencing an exchange rate for a major currency pair
- 20:1 for CFDs referencing an exchange rate for a minor currency pair, gold or a major stock market index
- 10:1 for CFDs referencing a commodity (other than gold) or a minor stock market index
- 2:1 for CFDs referencing crypto-assets
- 5:1 for CFDs referencing shares or other assets

Other measures such as margin close out protection and negative balance protection for retail clients will also be implemented.

We have experienced similar regulatory changes across other markets in which we operate, such as those most recently implemented by ESMA. It took some time for our retail clients to adapt their trading patterns under the new regulations, and as a result they are now trading with a longer tenure. We will harness this experience, supported by the flexibility of our technology, when implementing ASIC's regulatory measures. Our business is built around our clients and we are confident we can ensure that our clients continue to experience the highest levels of trading services and support with minimal disruption.

In FY20, Australian stockbroking net trading revenue, which will be unaffected by the current changes, constituted 13% of total Group's net operating income ("NOI"), with Australian CFD net trading revenue being 23% of Group NOI. ASIC rightly applies a high bar to those wishing to qualify as wholesale clients, but have provided clear and simple-to-document criteria. Given the Group's focus on acquiring and retaining high quality, experienced clients, we believe a large proportion of Australian CFD net revenue is generated by clients eligible to qualify as wholesale clients, meaning those clients will not be impacted by the regulatory changes announced by ASIC today. The new regulations come into effect from 29 March 2021 therefore there will be no impact in the current financial year. In the short term, the Group believes the impact on Australian CFD revenue is likely to be similar to that experienced in the ESMA region, but the impact on the overall Australian business will be lower given the significant contribution provided by the stockbroking business.

We look forward to the last of the regulatory uncertainty being lifted so we can continue to focus on driving the business forward in an industry with more closely harmonised regulations in our core markets. Australia continues to remain an integral part of CMC Markets' diversified global business and CMC is committed to the continued growth and development of the APAC region.

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Forward looking statements

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Notes to Editors

CMC Markets plc ("CMC"), whose shares are listed on the London Stock Exchange under the ticker CMCX (LEI: 213800VB75KAZBFH5U07), was established in 1989 and is now one of the world's leading online financial trading businesses. The Group serves retail and institutional clients through regulated offices and branches in 13 countries, with a significant presence in the UK, Australia, Germany and Singapore. CMC Markets offers an award-winning, online and mobile trading platform, enabling clients to trade up to 10,000 financial instruments across shares, indices, foreign currencies, commodities and treasuries through contracts for difference ("CFDs"), financial spread bets (in the UK and Ireland only) and, in Australia, access stockbroking services. More information is available at <http://www.cmcmarkets.com/group/>