

IC Markets faces a class action over derivatives trading, alleging investors lost hundreds of millions



IC Markets founder Andrew Budzinski.

By ANGELICA SNOWDEN
JOURNALIST

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A highly profitable contract-for-difference broker owned by a [little-known Australian billionaire](#) faces an imminent class action over allegations everyday investors may have collectively lost hundreds of millions of dollars trading in risky derivatives.

Piper Alderman partner Kate Sambrook said the firm intended to file the class action [against IC Markets](#) this month and expected that tens of thousands of investors who lost money trading the risky financial derivatives would be eligible to take part.

CFDs and binary options are generally marketed to and traded by retail investors, of whom 70 per cent earn an annual income of \$80,000 or less, according to ASIC.

“Generally speaking, someone with an income of \$80,000 would be unlikely to have a significant amount of disposable capital that they could just afford to lose and have no financial detriment suffered,” Ms Sambrook said.

“In the past few years, greater attention is being paid to the consumer protections that are in place for people trading contracts for difference.”

IC Markets was founded by Andrew Budzinski, who ranked number 50 on The List – Australia’s Richest 250, worth \$2.5bn.

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The now 48-year-old launched the platform in 2007.

In 2022 he told The Australian the pandemic had led to a surge in profit.

“Lockdowns and Covid market volatility fuelled the global trend towards self-directed trading,” he said.

“Australia has always been an important market and continues to be a strong market.”

According to accounts lodged with ASIC for the 2020 financial year, IC Markets made a \$421m net profit and has raked in nearly \$1bn in net profits in three years.

In a separate statement, the law firm said the class action would allege investors suffered losses because IC Markets “did not adequately assess their objectives, financial situations and where the risks of investing were inadequately disclosed”.

“Piper Alderman is investigating a class action against International Capital Markets Limited (IC Markets) on behalf of everyday Australian investors who have collectively lost hundreds of millions of dollars trading controversial financial products called ‘contracts for difference’,” the statement reads.

“It is anticipated the class action will advance allegations of unconscionable conduct and misleading and deceptive conduct against IC Markets during the period January 2018 to March 2021.”

CFDs are financial products that allow people to bet on how much assets – such as cryptocurrencies, shares and commodities – will increase or decrease in value.

They are legal in Australia, but the corporate regulator issued a product intervention order in March 2021 imposing strict conditions on providers to protect retail investors, who mostly lose rather than make money.

“For example, during a volatile five-week period in March and April 2020, the retail clients of a sample of 13 CFD issuers made a net loss of more than \$774m,” ASIC said.

The new rules limited the CFD leverage – the amount by which investors could magnify the value of a trade – to two times for crypto assets and up to 30 times for currencies.

They also prohibited inducements for retail clients, banning trading credits, rebates and “free” gifts like iPads.

ASIC also successfully prosecuted three cases against CFD providers AGM Markets, OT Markets and Ozfin for breaching the Corporations Act after Federal Court judge Barry Beach handed down a total penalty of \$75m for engaging in systemic unconscionable conduct.

The Piper Alderman claim is being funded by Woodsford.