

Product Governance at IG

Introduction

Our product offering includes:

- Over-the-counter (OTC) derivatives
- Exchange traded derivatives (ETDs)
- Stock trading and investments

Each product has a different risk profile and client onboarding requirements may differ accordingly.

The Group is committed to ensuring that our products are only traded by clients who understand our products and have the financial means to do so. This includes meeting local regulatory requirements in all locations in which our products are distributed.

Our approach to product governance spans the entire product lifecycle from design to distribution.

In this document we focus on the following key components of the framework:

- A distribution strategy aligned to a narrow target market
- Client onboarding
- Client money and assets safeguarding
- Data security
- Our business model
- Client vulnerability
- Content and education

Product governance refers to the systems and controls IG Group has in place to design, approve, market and manage its products throughout the products' lifecycle to ensure they meet legal and regulatory requirements. Good product governance ensures our products meet the needs of our target market and deliver appropriate client outcomes, enabling IG to "*power the pursuit of financial freedom for the ambitious*" across its product offering.

1. A distribution strategy aligned to a narrow target market

IG recognises that its products are not suitable for everyone and as such limits their distribution to a defined target market of prospective clients who are able to meet requirements relating to: (i) experience and knowledge; (ii) financial situation and loss bearing ability; and (iii) attitude towards risk.

Suitability and appropriateness testing along with minimum wealth requirements are used to ensure that IG's distribution strategy (including its marketing activity) is aligned to its narrowly defined positive target market and that those for whom our products are not appropriate (perhaps because they do not have the necessary experience and knowledge to understand the risks involved or do not meet minimum wealth requirements) are not able to open accounts.

2. Client onboarding

We offer a range of products with different risk profiles and have different client onboarding criteria for each which varies by geography.

The key steps in the client onboarding process are as follows:

- Identity verification – we must be able to identify our clients. This may either be done electronically through specialist providers or by requesting ID and proof of address.
- Wealth / income – clients must self-declare their income and savings to help ensure that they are within our positive target market.
- For complex products we ask applicants questions about their experience and knowledge – to assess whether the product is appropriate for them
- Risk appetite – applicants must read and accept a risk warning, confirming they understand the products and the risks involved.
- On-going KYC checks – clients are asked to update their KYC information at least annually and may be asked to provide evidence to satisfy the Group’s ongoing financial crime obligations.

3. *Client money and assets safeguarding*

The Group holds liquid assets in its own name and is a custodian of client money. The key principle governing the investment of these funds is to ensure that they are safe and appropriately accessible, with yield a secondary consideration. Funds are held in bank deposits (overnight and notice/term), money market funds or invested in government securities.

Cash deposits and investments in money market funds are held across a broad range of top-tier banks to mitigate exposure to any individual institution.

The Group integrates ESG into the management of its own cash and client monies as follows:

- Bank deposits – the Group ensures that, where possible, counterparties have a minimum MSCI rating of A.
- Money market funds – in selecting funds, we undertake due diligence to understand how ESG has been integrated into the investment process. The Group only selects funds that are compliant with SFDR articles 6 and 8.
- Securities – the Group posts cash and UK government gilts as collateral on its hedges. Where possible we negotiate these agreements enabling us to post green bonds as collateral.

4. *Data security*

Data security is of critical importance to the Group. We are trusted with our client’s money and assets, but we are also trusted with their personal information.

The Group has dedicated data governance, and information security teams that are responsible for securing client data and protecting it from accidental loss or malicious attack.

We adhere to data security regulations in all jurisdictions in which we operate, including the General Data Protection Regulation (GDPR) in the EU.

5. *Our business model*

Effective market risk management is key to sustainability of our business model and continued strong capital generation.

Our business model is different for each of the different products that we offer. For stock trading and exchange traded products, we operate an agency business and do not have any material market risk.

For our OTC leveraged business, we act as the counterparty to our clients which exposes the Group to market risk. We mitigate this exposure primarily by internalising our client positions (offsetting long and short exposure). If the Group's residual market exposure exceeds Board approved limits, we hedge with third parties to reduce the risk back to acceptable levels. The Group does not benefit from gains if our clients incur losses which ensures alignment of interests.

6. Client vulnerability

The Group's regulated entities have a duty to act in the best interests of our clients and to ensure that they are not placed at risk of foreseeable harm. While strict onboarding requirements ensure our products are accessed only by those for whom they are appropriate and suitable, personal circumstances evolve and IG recognises that clients move through the vulnerability risk spectrum during their relationship with us and are therefore at risk of becoming vulnerable.

Characteristics of vulnerability do not necessarily mean that a client is vulnerable, but IG are aware that where such characteristics present either trading may be negatively impacted or that the trading itself may cause harm.

We take both a reactive and proactive approach towards client vulnerability. If a client discloses characteristics or circumstances which may constitute vulnerability, our front line teams will contact them to discuss next steps. This may include sign posting to relevant support services and restricting the client's access to our products including suspending or closing their account.

To enhance our ability to predict vulnerability before the risk of harm crystallises, we have developed a vulnerability model which monitor client activity to detect trading and deposit patterns which may indicate that a person is becoming at risk of harm. This can include a client depositing money, quickly incurring losses and continuing to deposit and lose money or client trading activity that is not consistent with self-declared income or wealth. In situations like this we will contact the customer to understand more about their circumstances and where necessary will take steps to restrict the account.

7. Content and education

The Group also offers content and education. This does not generate revenue but is a key component of our service offering. It provides a place for existing clients and potential new clients to gain a better understanding of our products, the underlying markets, and effective risk management.

The content and education that we provide includes:

- IG Academy – an online portal where clients can go to watch a breadth of educational videos at their own pace.
- Demo accounts – these give clients the chance to trade the financial markets using our products without any risk.
- tastylive – provides live and archived content, for all levels of traders.