

## ANNOUNCEMENT

### ESMA CALL FOR EVIDENCE- POTENTIAL PRODUCT INTERVENTION MEASURES ON CFDS AND BINARY OPTIONS TO RETAIL CLIENTS

The Cyprus Securities and Exchange Commission (“CySEC”) wishes to draw the attention of the Cyprus Investment Firms (“CIFs”) to the publication of a [call for evidence](#) for potential product intervention measures on the provision of contracts for differences and binary options to retail clients, as issued by the European Securities and Markets Authority (“ESMA”) on 18 January 2018.

ESMA invites investment firms involved in the sale, distribution or marketing of contracts for difference and/or binary options, as well as relevant consumer groups and investors, to submit their comments **by 5 February 2018, the latest**.

Pursuant to Article 40 of Regulation 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (“MiFIR”), ESMA is considering taking measures to mitigate the risks associated with these products.

In particular, ESMA is considering measures that will:

1. prohibit the marketing, distribution or sale of binary options to retail clients; and
2. restrict the marketing, distribution or sale of CFDs, including rolling spot forex, to retail clients.

The restrictions on CFDs currently under review are:

- leverage limits on the opening of a position between 30:1 and 5:1, whose limit will vary according to the volatility of the underlying asset;
- a margin close-out rule;
- negative balance protection to provide a guaranteed limit on client losses;
- a restriction on benefits incentivising trading; and
- a standardised risk warning.

CySEC would like to remind CIFs who provide investment services in CFDs, binary options and other speculative investment products that the measures proposed for consultation by ESMA include measures that have already been taken or issued for consultation by CySEC. To that end, CySEC would like to note that any national measures will remain in force, until further notice or until a respective ESMA measure is taken that supersedes a national one.

It is reminded that the measures taken or proposed by CySEC include:

- a default leverage restriction of 50:1<sup>1</sup>;
- a negative balance protection per account basis<sup>2</sup>;
- a proposed ban on existing binary options<sup>3</sup>;
- performance of critical or important operational functions of Cyprus Investment Firms either from the head office of the CIF or from its branch situated in the Republic of Cyprus or in another Member State<sup>4</sup>;
- a ban on offering bonuses designed to incentivize retail clients to trade in complex speculative products.<sup>5</sup>

**Nicosia, January 22, 2018**

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<sup>1</sup>C168 [<https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=8a41b640-9022-4986-b6d9-dff92c39888f>]

<sup>2</sup> C168 and subsequent announcement

[<https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=25f9c324-d455-42b8-96e9-5da855b9aeb0>]

<sup>3</sup> CP (2017-01) [<https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=ebf53e28-2bb7-4494-bb3a-4cced2e3c8ba>]

<sup>4</sup> C181 [<https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=ea02458e-f564-4ec1-ab4d-79a32fb76705>]

<sup>5</sup> C168 [<https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=8a41b640-9022-4986-b6d9-dff92c39888f>]