
TO : Cyprus Investment Firms

FROM : Cyprus Securities and Exchange Commission

DATE : 22 October 2018

CIRCULAR NO. : C282

SUBJECT : ESMA product intervention decision on contracts for differences and binary options- Renewal

The Cyprus Securities and Exchange Commission (“CySEC”) wishes to inform the Cyprus Investment Firms (“CIFs”) that the European Securities and Markets Authority (ESMA) has decided to renew the restriction on the marketing, distribution or sale of [contracts for differences \(CFDs\)](#) to retail clients, which are in effect since 1 August 2018, for a period of three-more months, i.e. from 1 November 2018 to 1 February 2019.

In the context of the renewal, ESMA has agreed to introduce the following additional risk warning:

- *[insert percentage per provider]* % of retail CFD accounts lose money.

The new warning will be allowed only in cases where the standard terms of a third party marketing provider have a character limit which is lower than the number of characters comprising the full or the abbreviated risk warning, provided that the advertisement also links to a webpage of the provider on which the full risk warning is disclosed.

CySEC reminds CIFs that ESMA has also decided to renew the prohibition of the marketing, distribution or sale of [binary options](#) to retail clients, in effect since 2 July 2018, from 2 October 2018 for a further three-month period i.e. from 2 October 2018 to 2 January 2019.

In the context of the renewal, ESMA has also agreed on the exclusion of a limited number of binary options from the scope of the measures. These are the following:

- a binary option for which the lower of the two predetermined fixed amounts is at least equal to the total payment made by a retail client for the binary option, including any commissions, transaction fees and other related costs; and
- a binary option that meets cumulatively the following three (3) conditions:
 - (a) the term from issuance to maturity is at least ninety (90) calendar days;

(b) a prospectus drawn up and approved in accordance with the Prospectus Directive (2003/71/EC) is available to the public; and

(c) the binary option does not expose the provider to market risk throughout the term of the binary option and the provider or any of its group entities do not make a profit or loss from the binary option, other than previously disclosed commissions, transaction fees or other related charges.

Yours sincerely

Demetra Kalogerou
Chairwoman of the Cyprus Securities and Exchange Commission