

ANNOUNCEMENT

ESMA STATEMENT ON CFDS AND BINARY OPTIONS

The Cyprus Securities and Exchange Commission (“CySEC”) notes the publication, on 15 December 2017, of the European Securities and Markets Authority’s (“ESMA”) updated statement on its work in relation to contracts for difference (“CFDs”), binary options and other speculative investment products, including rolling spot forex offered to retail investor clients in Europe.

ESMA is proposing measures to mitigate the risks associated with these products including considering the use of its product intervention powers under Article 40 of Markets in Financial Instruments Regulation (“MiFIR”).

In particular, ESMA is proposing measures that will:

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

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.

ESMA will conduct a brief public consultation in January 2018 on this matter.

CySEC would like to remind Cyprus Investment Firms (“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, inter alia, a default leverage restriction to 50:1¹; a negative balance protection per account basis²; a proposed ban on existing binary options³; performance of critical or important operational functions of Cyprus Investment Firms either from the head office of the CIF or from its branch situation in the Republic of Cyprus or in another Member State⁴; and a ban on offering bonuses designed to incentivize retail clients to trade in complex speculative products.⁵

ESMA's statement can be found [here](#).

Nicosia, December 21, 2017

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

² C168 and subsequent announcement
[<https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=25f9c324-d455-42b8-96e9-5da855b9aeb0>]

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

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

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