
FROM : Cyprus Securities and Exchange Commission
TO : Cyprus Investment Firms
DATE : June 18, 2015
CIRCULAR NO : C073
SUBJECT : Risks of investing in complex products

The Cyprus Securities and Exchange Commission ('CySEC') wishes to remind the Cyprus Investment Firms ('CIFs') the content of the [Circular](#) with number CI144-2014-09 in relation to the above subject.

In particular, CIFs that are trading in complex products, including forex and binary options, for their clients, on both an advised and non-advised basis, must have in place adequate procedures, policies and arrangements to ensure, among others, that are in compliance, **at all times**, with the following requirements:

1. A CIF must apply a high level of due diligence to evaluate the complex products it offers and must assess whether these are appropriate/suitable for its clients before their distribution.
2. The information used to advertise or disseminate such products must be fair, clear and not misleading. A clear and specific warning on the risk characteristics of the product must always be provided.

Sales persons (including service providers used by CIFs to communicate with clients, e.g. call centers, IBs) must not use aggressive language and exercise pressure to clients in order to invest (deposit more funds) and/or trade.

3. A CIF's staff must be adequately trained, possess the skills, knowledge and expertise necessary to assess the needs and circumstances of the client, and have sufficient expertise in financial markets to understand the financial instruments to be sold and to determine when the features of the product match the needs and circumstances of the client.
4. A CIF must make sure that the trading in/sale of any complex product meets the CIF's best execution obligations.
5. A CIF's compliance function must closely monitor the above on an on-going basis. The trading in/sale of complex products requires close scrutiny.

All the above requirements emanated by Chapter C, Part V of the Investment Services and Activities and Regulated Markets Law, as in force ('the Law') and Directive DI144-2007-02 of 2012 for the professional competence of CIFs.

CIFs must always act in the best interests of their clients and within the provisions of the Law.

Yours sincerely

Demetra Kalogerou
Chairman
Cyprus Securities and Exchange Commission