

ANNOUNCEMENT

ESMA warns investors the risks of investing in complex products

The Cyprus Securities and Exchange Commission (CySEC) would like to draw the attention of the investing public to the investor warning of the European Securities and Markets Authority (ESMA¹) regarding [the risks of investing in complex products](#).

ESMA is concerned that during the current period of low investment returns, investment firms have responded to the search for higher returns by offering complex investment products causing inexperienced retail investors across the EU being tempted to invest in complex financial products, which they may not fully understand and which can end up costing them money they cannot afford to lose.

According to the warning, “complex products are often aggressively marketed. Advertisements sometimes use enticing slogans such as ‘absolute return’, ‘guaranteed’, and ‘hedged growth’, or advertise returns far in excess of deposit account returns that are currently available from banks. These headline promises often turn out to be misleading, or mean something different to what you may have understood. Investors often do not understand how these complex products work. More specifically, the associated risks, costs, and expected returns are in many cases not immediately apparent or easy to understand.”

The key messages of the warning underline to investors that if they do not understand the key features of the product being offered, or the key risks involved, they should not invest.

The public is advised to always check if the company with which it is in contact or intends to cooperate with is authorized to provide investment services in its country. The public can check by visiting the website of the national supervisory Authority in its country of residence.

If the company is not authorized or regulated, it is more likely that it does not comply with investor protection regulations and there is an increased possibility that the people who intend to cooperate with the said company may not have access to complaint procedures or compensation schemes.

Further Information

¹ The European Securities and Markets Authority (ESMA) is an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection. In particular, ESMA fosters supervisory convergence both amongst securities regulators, and across financial sectors by working closely with the other European Supervisory Authorities competent in the field of banking (European Banking Authority - EBA), and insurance and occupational pensions (European Insurance and Occupational Pensions Authority - EIOPA). More information at www.esma.europa.eu

To check whether if a company is authorized to provide investment services in Cyprus, you can do it by visiting CySEC's website at the following link www.cysec.gov.cy/licence_members_1_en.aspx (for the CySEC authorised – CIFs) or at www.cysec.gov.cy/licence_members_6_en.aspx (for companies from EU member-states and offer cross-border services in Cyprus) or at www.cysec.gov.cy/licence_members_21_en.aspx (for companies from other EU member-states that offer their services through a branch). The list of all national supervisory Authorities and their websites are available on ESMA's website at the following link www.esma.europa.eu/investor-corner

The full text of ESMA's warning can be accessed at its website at www.esma.europa.eu/system/files/investor_warning_-_complex_products_20140207_-_en_0.pdf

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