

## ANNOUNCEMENT

### **ESMA and the EBA warn investors about contracts for difference**

The Cyprus Securities and Exchange Commission would like to draw the attention of the investing public to the investor warning of the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA) about the dangers of investing in contracts for difference (CFDs) ([ESMA/2013/267 Investor Warning – Contracts for Difference - CFDs](#)).

The two authorities are concerned that during the current period of low investment returns, inexperienced retail investors across the EU are 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.

### **Investors trading CFDs should protect themselves**

Investors should only consider trading in CFDs if they have extensive experience of trading in volatile markets, if they fully understand how these operate and have sufficient time to manage their investment on an active and continuous basis.

Investors, before making a trading decision, should carefully read their agreement or contract with the CFD provider. They should make sure that they at least understand the following:

- the costs of trading CFDs with the CFD provider,
- whether the CFD provider will disclose the margins it makes on their trades,
- how the prices of the CFDs are determined by the CFD provider,
- what happens if they hold their position open overnight,
- whether the CFD provider can change or re-quote the price once an investor places an order,
- whether the CFD provider will execute investor's orders even if the underlying market is closed,
- whether there is an investor or deposit protection scheme in place in the event of counterparty or client asset issues.

If investors do not understand what's on offer, they should not trade.

### **Further information**

Always check if the CFD provider is authorised to do investment business in Cyprus. You can check this on the website of the CFD provider's national regulator as well as that

of CySEC at [http://www.cysec.gov.cy/licence\\_members\\_1\\_en.aspx](http://www.cysec.gov.cy/licence_members_1_en.aspx). A list of all the national regulatory authorities, and their websites, is also available from:

- ESMA at <http://www.esma.europa.eu/investor-corner>; and
- EBA at <http://www.eba.europa.eu/Publications/Consumer-Protection-Issues.aspx>.

For more information, please refer to the ESMA and EBA warning which is available on the website of the Cyprus Securities and Exchange Commission, in Investors section, under Warnings label, or at the following link:

[http://www.cysec.gov.cy/warnings\\_en.aspx](http://www.cysec.gov.cy/warnings_en.aspx)

**Nicosia, 29 April 2013**

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### **Notes for editors**

1. ESMA is an independent EU Authority that was established on 1 January 2011 and works closely with the other European Supervisory Authorities responsible for banking (EBA), and insurance and occupational pensions (EIOPA). ESMA's mission is to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). As an independent institution, ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity.

2. The EBA has a broad remit in the areas of banking, payments and e-money regulation, as well as on issues related to corporate governance, auditing and financial reporting. Its tasks include the protection of consumers and depositors, preventing regulatory arbitrage, guaranteeing a level playing field (especially by building a single rule book for the European banking system) strengthening international supervisory coordination, promoting supervisory convergence and providing advice to EU institutions.