

ANNOUNCEMENT

ESMA MEASURES IN RELATION TO CFDS AND BINARY OPTIONS

The Cyprus Securities and Exchange Commission (“CySEC”) draws the attention of the Cyprus Investment Firms (“CIFs”) to the [ESMA Press Release](#) in relation to the product intervention measures on contracts for differences and binary options, issued by the European Securities and Markets Authority (“ESMA”) on 27 March 2018. The Press Release has been published in all of the official languages of the European Union (“EU”).

ESMA has agreed to use the powers vested in it pursuant to Article 40 of Regulation 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (“MiFIR”), in order to take measures for the retail investors’ protection. The measures will have an initial duration of up to three months, after which the measures may be renewed.

In particular, ESMA has agreed on the following measures:

1. prohibiting the marketing, distribution or sale to retail clients of binary options; and
2. restricting the marketing, distribution or sale to retail clients of CFDs (including rolling spot forex).

The restrictions on CFDs include:

- leverage limits on the opening of a position between 30:1 and 2:1¹, whose limit vary according to the volatility of the underlying asset;
- a 50% margin close-out rule on a per account basis;
- negative balance protection to provide a guaranteed limit on client losses on a per account basis;

¹ The leverage restriction of 2:1 applies in relation to CFDs on Virtual Currencies. The aforementioned ESMA decision is, ipso facto, rendering CFDs on Virtual Currencies as financial instruments under the Investment Services and Activities and Regulated Markets Law of 2017 (transposing Directive 2014/65/EE of the European Parliament and of the Council of 15 May 2018). Therefore CySEC approach on this issue, will be revisited.

- prohibiting the direct or indirect provision of monetary or non-monetary benefits (excluding information and research tools) to retail investors;
- a standardised risk warning, including figures relating to the respective CFD provider, on the percentage of retail client accounts that have lost money.

ESMA will publish an official notice on its website once the measures are adopted in the official languages of the EU. The measures will be published in the Official Journal of the EU (OJ). The prohibition on binary options will be applicable one month after the publication of the measures in the OJ, and the restrictions on CFDs will be applicable two months following the OJ publication.

CySEC would like to remind the Cyprus Investment Firms (“CIFs”) who provide investment services in CFDs and binary options that the ESMA product intervention measures supersede any national measures taken in relation to the same topic.

The national measures that relate to topics other than those referred to in the ESMA decision remain in force.

Nicosia, March 28, 2018