

PRESS RELEASE

ESMA consults on potential CFD and binary options measures to protect retail investors

The European Securities and Markets Authority (ESMA) has published a [call for evidence](#) on potential product intervention measures relating to the provision of contracts for differences (CFDs), including rolling spot forex, and binary options to retail investors.

ESMA published a statement on 15 December 2017 explaining that it was considering the possible use of its product intervention powers under Article 40 of MiFIR to address investor protection concerns posed by the marketing, distribution and sale of CFDs and binary options to retail investors.

It is now seeking evidence from stakeholders on the impact of the following proposed measures:

Contracts for Difference

The specific potential measures under consideration are:

- i. Leverage limits on the opening of a position by a retail client. These would range from 30:1 to 5:1 to reflect the historical price behaviour of different classes of underlying assets;
- ii. A margin close out rule on a position by position basis. This would standardise the percentage of margin at which providers are required to close out a retail client's open CFD;
- iii. Negative balance protection on a per account basis. This would provide an overall guaranteed limit on retail client losses;
- iv. A restriction on the incentivisation of trading provided by a CFD provider; and
- v. A standardised risk warning by CFD providers. This would include an indication of the range of losses on retail investor accounts.



ESMA is also considering whether CFDs in cryptocurrencies should be addressed in the measures.

Binary Options

The potential measure under consideration is a prohibition on the marketing, distribution or sale of binary options to retail investors.

Next Steps

The submission period for [responses](#) will close at 23.59 Paris time on 5 February.

Notes for editors

1. [ESMA35-43-904 Call for Evidence – Potential product intervention measures on contracts for differences and binary options to retail clients](#)
2. [ESMA77-99-910 PI Statement December 2017](#) 15 December 2017.
3. [ESMA35-36-885 Statement on preparatory work of the European Securities and Markets Authority in relation to CFDs, binary options and other speculative products](#) 29 June 2017.
4. [ESMA35-36-794 Q&A - Relating to the provision of CFDs and other speculative products to retail investors under MiFID](#) 31 March 2017.
5. [ESMA/2016/1166 Warning about CFDs, binary options and other speculative products](#) 25 July 2016.
6. Any product intervention measure adopted by ESMA under Article 40 of MiFIR can have an initial duration of up to three months and is renewable.
7. [MiFIR Product Intervention Powers.](#)
8. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets.

It achieves these objectives through four activities:

- i. assessing risks to investors, markets and financial stability;
 - ii. completing a single rulebook for EU financial markets;
 - iii. promoting supervisory convergence; and
 - iv. directly supervising specific financial entities.
9. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).



Further information:

David Cliffe

Team Leader - Communications

Tel: +33 (0)1 58 36 43 24

Mob: +33 (0)6 42 48 29 06

Email: press@esma.europa.eu