

PRESS RELEASE

ESMA issues warning on sale of speculative products to retail investors

The European Securities and Markets Authority (ESMA) has today issued a warning about the sale of contracts for differences (CFDs), binary options and other speculative products to retail investors who are unaware of the risks associated with these products, and also highlights the regulatory action taken in relation to several Cyprus-based investment firms.

The warning comes as ESMA and a number of national supervisors have observed an increase in the marketing of these products, often through aggressive practices, and at the same time, a rise in the number of complaints from retail investors who have suffered significant losses.

Steven Maijor, ESMA Chair, said:

“ESMA and national regulators still have serious concerns that firms are selling these products, which are inherently risky and speculative, to people who do not understand them.

“These products are often advertised to the retail mass market via online platforms and sold without investment advice. When these products are marketed and sold in an aggressive manner or when firms otherwise fail to comply with their regulatory obligations, this creates the conditions for retail investors to suffer significant detriment, including unexpected losses.

“ESMA and national regulators are committed to working together to ensure investors receive proper protection across the EU.”

Since mid-2015, ESMA has coordinated a group of national regulators focused on issues relating to a number of Cyprus-based investment firms that sell CFDs and binary options throughout Europe. The Cyprus Securities and Exchange Commission (CySEC) has imposed fines on, or reached settlement agreements with, eight firms - Depaho, Reliantco, IronFX Global, WGM Services, Pegase Capital, Rodeler, Banc de Binary and Ouroboros Derivatives Trading - totalling EUR 2,072,000. It has also suspended the license of Pegase Capital. CySEC's work is ongoing in this area.



ESMA is also promoting common supervisory approaches in relation to the sale of speculative products to retail investors so that the same standards are applied across the EU. It has recently published an updated Questions and Answers document, which clarifies how rules relating to these products should be implemented. The latest update provides guidance on the information to be provided to clients and potential clients about speculative products, and the appropriateness assessment required when firms offer these products to retail clients.



Notes for editors

ESMA published an [investor warning](#) on CFDs in February 2013.

In February 2014, ESMA also issued an [opinion](#) on MiFID¹ practices for firms selling complex products and an accompanying [investor warning](#) on the risks of investing in complex products.

ESMA published [questions and answers](#) on the provision of CFDs and other speculative products to retail clients.

ESMA's mission is to enhance investor protection and promote stable and orderly financial markets. It achieves these objectives through four activities:

- assessing risks to investors, markets and financial stability;
- completing a single rulebook for EU financial markets;
- promoting supervisory convergence; and
- directly supervising specific financial entities.

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:

Reemt Seibel

Senior Communications Officer

Tel: +33 (0)1 58 36 42 72

Email: press@esma.europa.eu

¹ Directive 2004/39/EC and its implementing measures.