

THE EUROPEAN SECURITIES AND MARKETS AUTHORITY BOARD OF SUPERVISORS HAS ADOPTED THIS OPINION:

1. Introduction and legal basis

(1) National competent authorities (NCAs) may take product intervention measures in accordance with Article 42 of Regulation (EU) No 600/2014. At least one month before a measure is intended to take effect, an NCA must notify all other NCAs and the European Securities and Markets Authority (ESMA) of the details of its proposed measure and the related evidence, unless there is an exceptional case where it is necessary to take urgent action.

(2) In accordance with Article 43 of Regulation (EU) No 600/2014, ESMA performs a facilitation and coordination role in relation to such product intervention measures taken by NCAs. In particular, after receiving notification from an NCA of its proposed measure, ESMA must adopt an opinion on whether it is justified and proportionate. If ESMA considers that the taking of a measure by other NCAs is necessary, it must state this in its opinion.

(3) The Autorité des Marchés Financiers of France (AMF) notified ESMA on 27 May 2019 of its intention to take a product intervention measure under Article 42 of that Regulation.


Upon request from ESMA, the AMF provided further information on the content of its notification.

(4) The national measure consists of a permanent prohibition on the marketing, distribution or sale of binary options to retail clients in or from France.

(5) ESMA has taken product intervention measures prohibiting the marketing, distribution or sale to retail clients of binary options in Decisions (EU) 2018/795 (3), (EU) 2018/1466 (4), (EU) 2018/2064 (5) and (EU) 2019/509 (6).

(6) The first of these Decisions took effect on 2 July 2018. In accordance with Article 40(6) of Regulation (EU) No 600/2014, ESMA must review a temporary product intervention measure at appropriate intervals and at least every three months. These measures have been amended once and renewed three times. If they are not renewed again, the currently applicable measure in ESMA Decision (EU) 2019/509 (ESMA’s measure) will automatically expire at the end of the day on 1 July 2019.

(7) The AMF notified ESMA that the national measure is the same as ESMA’s measure at national level. The national measure is expected to take effect on 2 July 2019.

(8) The AMF notified ESMA that it has complied with the conditions in Article 42 of Regulation (EU) No 600/2014, including that it has assessed the relevance of all the factors and criteria listed in Article 21 of Commission Delegated Regulation (EU) 2017/567 (7) and taken into consideration all those that are relevant. In particular, the AMF notified ESMA that it shares the reasoning given in ESMA’s measure on the existence of a significant investor protection concern, as relevant to France and the conditions in Article 42 of Regulation (EU) No 600/2014.

(9) Furthermore, the AMF shares the reasons given in ESMA’s measure that the existing applicable regulatory requirements under Union law, which have not changed since the adoption of ESMA’s measure, do not address the concern. The AMF also considers that improved supervision or enforcement of the existing requirements would not better address the concern identified. In particular, the AMF informed ESMA that it has taken

---

6 European Securities and Markets Authority Decision (EU) 2019/509 of 22 March 2019 renewing the temporary prohibition on the marketing, distribution or sale of binary options to retail clients (OJ L 85, 27.3.2019, p. 19).
into account the supervisory and enforcement experiences of other NCAs as referred to in ESMA’s measure and that its supervisory practices take into account the relevant guidance provided by ESMA, including the ‘Opinion on MiFID practices for firms selling complex products’ (8), the ‘Opinion on structured complex products – good practices for product governance arrangements’ (9) and the ‘Joint Position of the European Supervisory Authorities on manufacturers’ product oversight and governance processes’ (10). Nonetheless, the AMF considers that the significant investor protection concern continues to exist.

Moreover, the AMF shares the analysis on proportionality in ESMA’s measure and, in particular, has concluded that the national measure is proportionate taking into account the nature of the risks identified, the level of sophistication of investors or market participants concerned and the likely effect of the action on investors and market participants. In the case of one-off costs, the AMF considers that, as the national measure is the same as ESMA’s measure, any one-off costs that may be incurred by product providers to comply with the national measure are likely to be minimal.

The AMF considers that the national measure does not have a discriminatory effect on services or activities provided from another Member State as the measure provides for equal treatment of the marketing, distribution or sale of the products regardless of the Member State from which those services or activities are carried out.

The AMF notified ESMA that it has consulted NCAs in four other Member States(11) that may be significantly affected by its national measure due to the number of product providers authorised in those Member States, which, prior to ESMA’s temporary product intervention measures, actively marketed binary options in France. None of the NCAs consulted raised any objections.

The AMF considers that the national measure does not pose a serious threat to the orderly functioning and integrity of the national physical agricultural market. In particular, the AMF considers that the national measure is the same as ESMA’s measure and that ESMA consulted the national public bodies competent for the oversight, administration and regulation of physical agricultural markets under Council Regulation (EC) No 1234/2007 (12). None of those bodies raised any objections to ESMA Decisions (EU) 2018/795, (EU) 2018/1466, (EU) 2018/2064 or (EU) 2019/509. Nonetheless, the AMF informed the domestic body responsible for the orderly functioning and integrity of the physical agricultural market of the national measure.

---

8 ESMA/2014/146.
9 ESMA/2014/332.
10 JC-2013-77.
11 The Financial Conduct Authority (FCA) in the United Kingdom, the Cyprus Securities and Exchange Commission (CySec) in Cyprus, the Financial Services and Markets Authority (FSMA) in Belgium and Finanšu un kapitāla tirgus komisija (FKTK) in Latvia.
2. Whether the national measure is justified and proportionate

(14) The significant investor protection concern raised by the offer of binary options to retail clients led to the adoption of ESMAdDecisions (EU) 2018/795, (EU) 2018/1466, (EU) 2018/2064 and (EU) 2019/509. However, ESMA’s measures are temporary. According to the information provided by the AMF, the significant investor protection concern raised by these products continues to exist at national level and needs to be addressed on a longer-term basis to avoid the detrimental consequences that would arise from their unrestricted offer to retail clients.

(15) As the national measure is the same as ESMA’s measure, ESMA has taken into account the reasons for ESMA’s measure referred to by the AMF as well as the additional information and reasons given by the AMF. Based on this information, ESMA is satisfied that the national measure is justified and proportionate.

3. Whether the taking of a measure by other competent authorities is necessary

(16) For the reasons explained in ESMA’s measures, the significant investor protection concern raised by the offer of binary options to retail clients is a cross-border issue. As evidenced by practices to date, product providers are able to offer these products through online trading accounts and passport their services throughout the Union. To effectively address the significant investor protection concern and avoid the risk of regulatory arbitrage, it is essential that product providers cannot exploit differences in treatment by NCAs across Member States. On the expiry of ESMA’s measure, product providers may again seek to offer such products in or from a Member State that has not taken a measure at least as stringent as ESMA’s measure. Therefore, it is essential that NCAs take concerted action to address this risk.
4. Conclusion

(17) In conclusion, ESMA is of the opinion that:

(a) the national measure is justified and proportionate; and

(b) it is necessary for the NCAs of other Member States to take product intervention measures that are at least as stringent as ESMA’s measure.

This opinion will be published on ESMA’s website in accordance with Article 43(2) of Regulation (EU) No 600/2014.

Done at Paris, 28 June 2019

For the Board of Supervisors
Steven Maijoor
The Chair