

PRESS RELEASE

ESMA adopts final product intervention measures on CFDs and binary options

The European Securities and Markets Authority (ESMA) has [formally adopted](#) new measures on the provision of [contracts for differences](#) (CFDs) and [binary options](#) to retail investors.

The measures have been published in the Official Journal of the European Union (OJ) today. They will start to apply from 2 July 2018 for binary options and from 1 August 2018 for CFDs and will apply as follows:

1. **Binary Options (from 2 July 2018)** - a prohibition on the marketing, distribution or sale of binary options to retail investors; and
2. **Contracts for Differences (from 1 August 2018)** - a restriction on the marketing, distribution or sale of CFDs to retail investors. This restriction consists of: leverage limits on opening positions; a margin close out rule on a per account basis; a negative balance protection on a per account basis; preventing the use of incentives by a CFD provider; and a firm specific risk warning delivered in a standardised way.

ESMA has adopted these measures in the official languages of the EU and they will remain in force for a period of three months from the date of application.

Steven Maijoor, Chair, said:

“The measures ESMA has taken today are a significant step towards greater investor protection in the EU. The new measures on CFDs will, for the first time, ensure that investors cannot lose more money than they put in, restrict the use of leverage and incentives, and provide understandable risk warnings for investors.

“ESMA’s prohibition on the marketing, distribution or sale of binary options to retail investors addresses the significant investor protection concerns caused by the characteristics of this product.

“This pan-EU approach is the most appropriate way to address this major

investor protection issue. NCAs will monitor the impact of these measures during their application and will assess, with ESMA, what next steps are required.”

CFDs – measures from 1 August 2018

The product intervention measures ESMA has adopted under Article 40 of the Markets in Financial Instruments Regulation include:

1. Leverage limits on the opening of a position by a retail client from 30:1 to 2:1, which vary according to the volatility of the underlying:
 - 30:1 for major currency pairs;
 - 20:1 for non-major currency pairs, gold and major indices;
 - 10:1 for commodities other than gold and non-major equity indices;
 - 5:1 for individual equities and other reference values;
 - 2:1 for cryptocurrencies;
2. A margin close out rule on a per account basis. This will standardise the percentage of margin (at 50% of minimum required margin) at which providers are required to close out one or more retail client's open CFDs;
3. Negative balance protection on a per account basis. This will provide an overall guaranteed limit on retail client losses;
4. A restriction on the incentives offered to trade CFDs; and
5. A standardised risk warning, including the percentage of losses on a CFD provider's retail investor accounts.

Next steps

MiFIR gives ESMA the power to introduce temporary intervention measures on a three monthly basis. Before the end of the three months, ESMA will review the product intervention measures and consider the need to extend them for a further three months.

Notes for editors

1. [ESMA35-43-1135 Notice of PI Decisions on CFDs and binary options.](#)
2. [European Securities and Markets Authority Decision \(EU\) 2018/796 of 22 May 2018 to temporarily restrict contracts for differences in the Union in accordance with Article 40 of Regulation \(EU\) No 600/2014 of the European Parliament and of the Council.](#)
3. [European Securities and Markets Authority Decision \(EU\) 2018/795 of 22 May 2018 to temporarily prohibit the marketing, distribution or sale of binary options to retail clients in the Union in accordance with Article 40 of Regulation \(EU\) No 600/2014 of the European Parliament and of the Council.](#)
4. [ESMA50-162-215 Product Intervention Analysis CFD.](#)
5. [ESMA50-162-214 Product Intervention Analysis Binary Options.](#)
6. Regulation (EU) No 600/2014 (the Markets in Financial Instruments Regulation)
7. [ESMA35-43-1000 Additional information on the agreed product intervention measures relating to binary options and CFDs, 27 March 2018](#)
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).

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