

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

Update - Circular addressed to Investment Firms and/or Applicants for an Investment Services Licence offering or intending to offer Financial Contracts for Difference (CFDs) and other speculative products

Background

Reference is made to MFSA circulars as issued respectively on [13 April 2016](#), [14 June 2016](#) and [29 July 2016](#) wherein the attention of investment firms and/or applicants for an Investment Services Licence offering or intending to offer Financial Contracts for Difference (CFDs) and other speculative products was drawn to ESMA's first, second and third batch of Q&As. These Q&As are dedicated to the topic of the provision of services to retail clients, under MIFID, in relation to CFDs, binary options and rolling spot forex (referred to as 'other speculative products').

ESMA has now published an updated version of its [Q&A document](#), building on the first, second and third batches of the Q&A referred to above. This document includes five (5) new questions and answers in sections 6 to 9, and address the following topics:

- The use of trading benefits when offering CFDs or other speculative products;
- The withdrawal of funds from trading accounts;
- The use of leverage when offering CFDs or other leveraged products to retail clients; and
- Best execution obligations for firms offering CFDs or other speculative products to retail clients.

ESMA notes that the complexity of CFDs and other speculative products means that it may be difficult for the majority of retail investors to understand the risks involved notwithstanding that the referred financial products are widely advertised to the retail mass market by a number of firms, often via online platforms. European regulatory authorities are seriously concerned about the protection of retail investors.

Target Audience

The Q&A document is primarily aimed at regulatory authorities. Nonetheless, this document is being circulated to investment firms offering or intending to offer CFDs and other speculative products to retail investors so that these become aware of the regulatory expectations in their regard.

Next Steps

In addition to these Q&As, ESMA will also consider the need for any further work in light of MiFID II requirements that will enter into application into 2018.

Contacts

Should you have any queries regarding the above, please do not hesitate to contact: Dr Sarah Pulis, Senior Manager – Conduct Supervisory Unit, Tel 25485232; spulis@mfsa.com.mt or Ms Sara Antonia Borg, Analyst – Conduct Supervisory Unit, Tel: 25485250; saborg@mfsa.com.mt.

**Communications Unit
Malta Financial Services Authority
13th October 2016**