

## FCA Publishes Consultation Paper on Restricting CFD Products Sold to Retail Clients and on Product Intervention Measures for Retail Binary Options

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### FCA Publishes Consultation Paper on Restricting CFD Products Sold to Retail Clients

On December 7, the UK Financial Conduct Authority (FCA) published a consultation paper on restricting contract for difference (CFD) and other derivative products sold to retail consumers.

In its consultation paper, the FCA is proposing to intervene in the CFD market to address allegedly poor conduct by firms offering CFD products to retail customers, and to limit the sale of CFDs and similar products with excessive risk features that could result in harm to such customers. The FCA has proposed rules that will require firms to:

1. limit leverage depending on the volatility of the underlying asset;
2. close out a customer's position when their funds fall to 50 percent of the margin needed to maintain open positions on their CFD account;
3. provide protections that guarantee a client cannot lose more than the total funds in their CFD account;
4. stop offering monetary and non-monetary inducements to current and potential customers encouraging them to trade; and
5. provide a standardized risk warning, informing potential customers of the percentage of their retail client accounts that make losses.

The FCA also is asking for feedback on whether exchange-traded futures and related over-the-counter derivative products present similar risks of harm to retail customers and may therefore need similar rules. Additionally, the consultation paper includes the draft Conduct of Business (Contracts for Difference) Instrument 2019, which will make changes to the Conduct of Business sourcebook of the *FCA's Handbook*.

The consultation paper closes to comments for CFD proposals on February 7, 2019, and for other retail derivative products on March 7, 2019, after which the FCA will aim to publish its policy statement by March 2019. If the FCA decides to extend the scope of its rules for other retail derivative products, it will consult on this later in 2019.

The FCA will consult separately early next year on banning the sale, marketing and distribution of derivatives that references cryptoassets to customers treated as retail clients.

The FCA's consultation paper is available [here](#).

### FCA Publishes Consultation Paper on Product Intervention Measures for Retail Binary Options

On December 7, the UK Financial Conduct Authority (FCA) published a consultation paper on product intervention

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measures for retail binary options.

The FCA is proposing to prohibit the sale, marketing and distribution of binary options in or from the UK to retail consumers by creating new rules in its Conduct of Business sourcebook (COBS).

The FCA has expressed significant concerns regarding investor protection from the sale of binary options to UK retail consumers. The FCA has justified these concerns based on evidence of aggressive and/or misleading marketing of these products, their inherent complexity and lack of transparency, and the level (and speed) of retail consumer losses experienced when trading binary options.

The consultation closes to comments on February 7, 2019. The FCA will aim to publish a policy statement by March 2019. In the meantime, the FCA reminds firms that they need to continue to comply with similar intervention measures made by the European Securities and Markets Authority (ESMA), for as long as ESMA's decision notice in relation to such measures is in force in the UK.

The FCA's consultation paper is available [here](#).

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