

Contracts for differences: enhancing the conduct of business regime

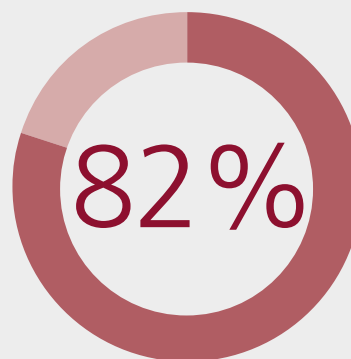
Over the past six years our supervision work has identified instances of poor conduct across the CFD sector

About the market



It is estimated that the number of CFD firms in the UK has **doubled** since 2010

CFD firms hold around **£3.5 billion** in clients money



of investors **lose money** according to our sample data



ESMA are looking in to this sector and other European countries are taking action including **France, Belgium, Poland and Cyprus**



Contracts for differences, including spread bets and rolling spot forex products, are complex leveraged financial instruments offered by investment firms, often through online platforms.



We have serious concerns that an increasing number of retail clients are trading in CFD products without an adequate understanding of the risks involved.

Proposals

We want to improve standards and ensure consumers are appropriately protected.

Standardised risk warnings and mandatory disclosure of profit-loss ratios on client accounts to illustrate the risks.

Setting lower leverage limits for inexperienced retail clients (at a maximum of 25:1).

Capping leverage at a maximum level of 50:1 for experienced retail clients.

Preventing CFD providers from using any form of bonus or benefit to promote their products.

Considering a range of policy measures for binary bets to complement existing conduct of business rules.



Next steps

We want to hear your feedback – visit our CP on contracts for differences for further detail www.fca.org.uk/publication/consultation/cp16-40.pdf.

Consultation closes on 7 March 2017.