Recent key developments in the area of Spanish financial regulation

Prepared by the Regulation and Research Department of the Spanish Confederation of Savings Banks (CECA)

CNMV Resolution on product intervention measures in respect to binary options and contracts for differences (Resolution of June 27th, 2019, published in the *Official State Journal* on June 29th)

Spain's National Securities Market Commission, the CNMV for its acronym in Spanish, has introduced product intervention measures with respect to: (i) binary options; and, (ii) contracts for differences (CFDs), which took effect on July 2nd and August 1st, respectively. The restrictions apply to all entities marketing these products in Spain.

The key measures adopted by the CNMV, which are applicable to the provision of services in Spain and coincide with those adopted by the European Securities and Markets Authority (ESMA), are the following:

- *A prohibition on the marketing, distribution or sale of binary options* to retail investors.
- *Restrictions on the marketing, distribution or sale of CFDs* to retail investors.
  - *Leverage limits* on the opening of a position between 30:1 for major currency pairs and 2:1 for cryptocurrencies, according to the volatility of the underlying asset.
  - A *margin close-out rule* on a per account basis.
  - A *negative balance protection* measure on a per account basis.
  - A *restriction on the incentives* offered to trade CFDs.
  - A *standardised risk warning*, including the percentage of losses on a CFD provider's retail investor accounts.

The Resolution also reiterates the requirement to *collect written acknowledgement* of the particular complexity of CFDs from retail investors. The CNMV deems it *good practice* for entities to establish appropriate procedures for requesting *additional collateral* before the margin close-out threshold is reached.