

# MEDIA RELEASE



International Organization of Securities Commissions  
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المنظمة الدولية لهيئات الأوراق المالية

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## **IOSCO consults on proposed policy measures to protect investors of OTC leveraged products**

The International Organization of Securities Commissions (IOSCO) has issued today a consultation report proposing policy measures for its members to consider when addressing the risks arising from the offer and sale of OTC leveraged products to retail clients.

The *Report on Retail OTC Leveraged Products* identifies various regulatory approaches aimed at enhancing the protection of retail investors who are offered OTC leveraged products, often on a cross-border basis. The report covers the offer and sale by intermediaries of *rolling-spot forex contracts*, *contracts for differences (CFDs)*, and *binary options*. Intermediaries market and sell these products to retail investors in most IOSCO member jurisdictions.

Retail investors use OTC leveraged products to speculate on the short-term price movements in a given financial underlying. The products are traded over the counter, and their pricing, settlement and trading terms are not standardized. Typically, the products are offered through online trading platforms, and often through aggressive or misleading marketing campaigns. Several studies show that a large majority of retail investors in these complex products lose money.

In its report, IOSCO encourages its members to improve the practices of licensed firms that offer OTC leveraged products, in an effort to better inform investors about the features and risks of these products and to more effectively combat illegal cross-border activity in this area.

IOSCO proposes the following policy measures in the report and offers guidance to regulators on how to apply each one:

- A licensing requirement for all firms that sell the relevant products to retail investors either domestically or on a cross-border basis;
- Leverage limits or minimum margin requirements;
- Measures to address the risk of investors losing more than their initial investment;
- Measures to enhance the disclosure of costs and charges of the products;
- Measures to improve the disclosure of risks of the products, including profit and loss ratios;
- Other focused requirements to enhance the quality of pricing and order execution; and,

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- Measures to restrict the sale, distribution and marketing of the products with a view to addressing mis-selling risk.

This consultation report is part of IOSCO’s ongoing work on retail investor protection. In December 2016, IOSCO published a fact-finding report titled *Retail OTC Leveraged Products* that describes the main risks, activities and participants in this retail OTC market segment. The current consultation is part of a wider IOSCO mandate, which will also include policy proposals and guidance regarding investor education material on relevant products and firms, and enforcement approaches and practices to address the risks posed by unlicensed firms operating in this area.

IOSCO is seeking feedback on the tools and measures proposed in this report. After reviewing comments received from the public, IOSCO will prepare a final report. Therefore, IOSCO asks that comments on this consultation report be submitted **on or before 27 March 2018**.

## NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission (SFC) of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Jamaica, Japan, Kenya, Korea, Malaysia, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Panama, Quebec, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America.
3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 11 of the G20 members. Mr. Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia and Vice Chair of the IOSCO Board, is the Chair of the GEM Committee. The Committee brings members from growth and emerging markets together and communicates members’ views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee’s strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.
4. IOSCO aims through its permanent structures:

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- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

## MEDIA ENQUIRIES

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