



Consumer warning about the risks of investing in cryptocurrency CFDs

Contracts for differences (CFDs), including financial spread bets, with cryptocurrencies as the underlying investment are increasingly being marketed to consumers. These products are extremely high-risk, speculative products. This warning is to inform consumers about the risks of buying them.

What are cryptocurrency CFDs?

CFDs are complex financial instruments which allow you to speculate on the price of an asset. They are often offered through online platforms.

CFDs are typically offered with leverage which means you only need to put down a portion of the investment's total value. However leverage also multiplies the impact of price changes on both profits and losses. This means you can lose money very rapidly.

Cryptocurrency CFDs allow investors to speculate on a change in price of a cryptocurrency such as Bitcoin or Ethereum.

A cryptocurrency is a virtual currency that is not issued or backed by a central bank or government. They have experienced significant price volatility in the past year which, in combination with leverage, places you at risk of suffering significant losses and potentially losing more than you have invested.

Cryptocurrency CFDs are an extremely high-risk, speculative investment. You should be aware of the risks involved and fully consider whether investing in cryptocurrency CFDs is appropriate for you.

What are the risks?

Our concerns about the product include:

- **Price volatility:** The value of cryptocurrencies, and therefore the value of CFDs linked to them, is extremely volatile. They are vulnerable to sharp changes in price due to unexpected events or changes in market sentiment. The value of some cryptocurrencies recently fell by more than 30% in a single day.
- **Leverage:** Some firms are offering leverage of up to 50:1. Leverage multiplies your losses and potential profits, and can have a significant impact on fees. It also places you at risk of losing more than your initial investment, meaning you could end up owing money to the firm.
- **Charges and funding costs:** Charges tend to be significantly higher than for other CFD products. Fees can include the spread (the difference between the prices at which a firm offers to buy or sell a CFD position), funding charges, and commissions. You should consider the impact of these fees, which may vary significantly between firms, on your likelihood of making a profit.
- **Price transparency:** When compared with currencies, there can be more significant variations in the pricing of cryptocurrencies used to determine the value of your CFD position. There is a greater risk you will not receive a fair and accurate price for the underlying cryptocurrency when trading.

You should only invest if you are an experienced investor with sophisticated knowledge of financial markets and you fully understand the risks associated with CFDs and cryptocurrencies.

Are cryptocurrency CFDs regulated by the FCA?

The FCA regulates CFDs which means that when you trade cryptocurrency CFDs you have the protections offered by the UK's financial services regulatory framework. This means that:

- firms offering CFDs must be authorised and supervised by us
- individual complaints can be referred to [The Financial Ombudsman Service \(FOS\)](#) [1]
- consumers have access to [the Financial Services Compensation Scheme \(FSCS\)](#) [2]

However, these protections will not compensate you for any losses from trading. You should still be careful and consider whether these products are right for you.

Cryptocurrency CFDs may be offered by firms which are established and authorised in the European Economic Area (EEA). If you trade with a firm in another EEA jurisdiction, any individual complaints will need to be referred to the relevant authority in that jurisdiction. You should check what rules and protections apply in other EEA jurisdictions before investing.

Protect yourself from scams

Be wary if you're contacted out of the blue, pressured to invest quickly or promised returns that sound too good to be true.

Check the FCA [Register of financial services firms](#) [3]. If a firm does not appear on the register then it is best not to trade with that firm, transfer funds, or provide any banking details.

We strongly advise you to take independent professional advice before making any investment.

Visit our [ScamSmart](#) [4] pages for more information on how to protect yourself from fraud.

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