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CONSOB communications for investor protection on risks associated with investments in CFDs and binary options

The Commission has published a communication for investor protection on the risks associated with new highly-speculative, risky and complex forms of financial investment such as **contracts for difference (CFDs), rolling spot forex and binary options** which, over the last few years, have spread more widely in the various European Union countries, including Italy.

The communication describes the characteristics of these products and their forms of placing, which usually occurs through particularly aggressive commercial practices and misleading advertising messages. It follows that investors end up, almost always, accepting them without a real understanding and assessment in advance of the effective scope of the risks that this entails.

The Commission stressed that almost all the subjects offering these products in our country are (a) EU investment firms or banks that operate in Italy under the freedom to provide services (that is directly from the country in which they have their registered office and on the basis of the authorisation granted by the Supervisory Authority of the home country) or (b) EU or non-EU investment firms or banks operating through a secondary office established in Italy (branch).

On the basis of current EU legislation, CONSOB has limited direct powers of supervision and/or intervention in relation to these community intermediaries. It should also be considered by the investor that disputes on the subject of CFDs, rolling spot forex and binary options between Italian clients and EU investment firms without a branch in Italy cannot be taken to the new Arbitrator for Financial Disputes (AFD), set up recently at CONSOB.

In Italy, it must be added, the sector is characterised by the presence of numerous abusive subjects, subjects that do not have authorisation to operate, that offer contracts over the Internet without however being subject to administrative supervision by the Supervisory Authorities.

In brief, in its warning CONSOB tells investors to take care stressing that:

- **investment in CFDs, rolling spot forex and binary options, is not suitable for most investors;**
- **this form of investment can entail losses even much greater than the capital initially invested;**
- **it is necessary to proceed to begin operations only after effectively understanding and assessing all the risks connected with the investment in question;**
- **it is necessary to ascertain always that the offering subject is authorised to operate in Italy, consulting the specific lists maintained by CONSOB (as regards investment firms) and by the Bank of Italy (as regards banks), which can be found on the respective institutional websites. To this end it is opportune to consult also the section "Warnings for investors" present on the CONSOB institutional website, containing the reports, coming from foreign supervisory authorities, as well as from CONSOB itself, of financial activities carried out abusively and of the subjects responsible for them.**

(in "Consob Informa" no. 5/2017 - 13 February 2017)

Data: 13/02/2017

Coinspace Ltd. - www.smartbotpro.com

The National Commission for Companies and the Stock Exchange (CONSOB) has suspended for a period of 90 days, as a precautionary measure, the advertising activity carried out through the website www.coinspace1.com relating to the public offering promoted by **Coinspace Ltd** regarding "cryptocurrency extraction packages" (**resolution 19866 of 1 February 2017**).

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The National Commission for Companies and the Stock Exchange reports that the site **www.smartbotpro.com** cannot be traced to subjects authorised to provide investments services and activities in Italy.

(in "Consob Informa" no. 5/2017 - 13 February 2017)
