

Product Intervention Measures relating to Contracts for Difference (CFDs) by the European Securities and Markets Authority

Introduction

The European Securities and Markets Authority (ESMA) has agreed on temporary [product intervention measures](#) on the provision of contracts for differences (CFDs) and binary options to retail investors in the European Union (EU).

What is the background to the new rules?

On 1st June 2018, the European Securities and Markets Authority (ESMA) [announced](#) its final product intervention measures on CFDs. These included limits on the amount of leverage that providers could offer to retail traders, along with a 50% margin close-out rule.

As a result, a range of changes for retail traders took place – the most significant being that minimum margins on all CFD instruments increased across the industry.

The changes don't apply to traders that fulfil certain wealth and experience criteria, allowing them to be classified as **'professional'**.

How do ESMA's new rules affect you?

- a. **The following leverage restrictions are now in place for retail traders, resulting in increased margins across all our markets:**

ASSET CLASS	NEW MINIMUM MARGIN RATE
CFDs on currency pairs	5%
CFDs on Cryptocurrencies	100%
CFDs on Metals	10%
CFDs on Equities	20%
CFDs on Energy Resources	10%
CFDs on Indices	20%
CFDs on Bonds	100%

b. **Negative balance protection**

ESMA introduced a new rule to ensure that retail traders can never lose more than the money available on their account. If a retail client's balance does go negative, we are obligated to bring the balance back up to zero at our own cost.

c. **Margin close-out**

ESMA has brought in a 50% margin close-out rule, at an account level. This means that when the profit and loss on your positions falls below 50% of the equity on your account, your positions will start to be automatically closed until the requisite funds are available.

How are professional clients' margins affected?

Professional clients will not be affected by these changes. **These changes only affect retail clients, and do not apply to professional clients.**