



INVESTOR DECALOGUE

Tip 5: Alert against high returns without risk and complex products. Do not invest in something you do not understand

- Beware of the unique investment opportunities offered to you
- The profitability of an investment is usually related to the level of risk assumed
- Learn about the inherent risks of complex and speculative products, such as CFDs, binary options and forex products.
- It is essential to understand the characteristics and risks of the product before acquiring it

Alert signals:

1. *"Beware of unique investment opportunities, with promises of high returns and with little or no risk".*

"Boiler rooms" sometimes offer investment products with guaranteed above-average returns and a limited period to accept them, on the basis of special information not available to the general public.

Offers of investment with little or no risk (according to the "boiler room" itself), with the assurance of significantly greater benefits than conventional products, are indications of fraud: beware the offers which assure you that "you cannot lose" or that "it is a guaranteed product, with no risk".

2. *“ Beware of promises of high profitability with little or no risk. Profitability must be related to risk.”*

The profitability of an investment is usually related to the level of risk assumed: beware of promises of high returns that do not entail a high risk of loss of the amount invested.

3. *“Inform yourself of the risks inherent in trading contracts for differences (CFDs), binary options, forex products and other speculative products and trade them only through registered entities”.*

These instruments are **risky, complex and speculative products** and, on numerous occasions, are advertised for retail clients through online platforms **managed by unauthorised and unregulated entities**. In this regard, studies conducted at international level have shown that in most cases clients who trade these types of products lose the investment made.

CFDs, forex products and binary options and their risks are difficult to understand for most retail investors. Furthermore, according to studies conducted by CNMV and other securities market regulators, **the vast majority of retail clients that trade these products lose money**. According to the data disclosed in the last study carried out by CNMV between 1 January 2015 and 30 September 2016, **82% of the clients that performed transactions with CFDs suffered losses**.

In March 2017, CNMV implemented some measures to strengthen the protection of retail investors in Spain when investing in CFDs, forex products and binary options:

CNMV has requested intermediaries that trade CFDs or forex products with a leverage of more than ten times the amount traded (10:1) or that trade binary options between established retail clients in our country, and that do so outside the scope of advice on investment matters, to do the following:

- Expressly warn clients that CNMV considers that, due to their complexity and the degree of risk they involve, the acquisition of these products is not suitable for retail clients.
- In addition, ensure that clients are informed of the cost they would have to assume if they decided to close their position upon purchasing such products and, in the case of CFDs and forex products, **that they are advised that, due to the leverage, the losses could be greater than the amount paid initially to acquire the product.**
- Obtain from the client a handwritten or recorded verbal statement that allows them to prove that they are aware that the product they are going to acquire is particularly complex and that CNMV considers that it is not suitable for retail investors.
- Ensure that the advertising elements used by the entities to promote CFDs, forex products and binary options **always contain a warning about the difficulty in understanding these products** and regarding the fact that CNMV considers that they are not suitable for retail investors because of their complexity and the level of risk they involve.

The entities to which the request has been addressed must adapt their procedures and systems to be able to issue warnings and obtain the handwritten or recorded verbal statement as soon as possible and in any case within one month from the date of receipt thereof.

4. *“Do not invest in products and services that you are not able to understand”.*

La creciente gama de productos financieros proporciona alternativas para cualquier perfil de inversión. **Es imprescindible comprender las características y los riesgos del producto antes de su adquisición.** No es aconsejable que se invierta en productos que no se entienden. **El grado de complejidad de los productos financieros suele ir en relación al riesgo que conllevan.** La entidad financiera debe explicarle las características (y riesgos) del producto que le ofrece o que usted solicita. Debe proporcionarle información escrita con anterioridad a su decisión de inversión para que se pueda tomar esta con conocimiento de causa.

And always remember, should you have any doubts, to consult CNMV's investor assistance office (900 535 015) or send a query via the [form](#) found in CNMV's Investor Section.

Go to the complete [Investor Decalogue](#).

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