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19/11/2018

Dear Steven,

I hope this email finds you well! I am contacting you with a serious concern regarding cross-border retail investor fraud in the area of CFD and Forex trading on online platforms. In my view, such practices pose a threat to the integrity of the single market and require a concerted European answer initiated by ESMA.

A German consumer protection organisation, Verbraucherzentrale Hessen, brought this issue to my attention with a report on widespread problems with internet trading platforms offering CFD and forex investments to retail clients. Retail investors in all 16 German Länder were faced with lacking disbursements or the investment platforms were not reachable anymore. In most cases, all invested capital was lost or capital gains were not disbursed as agreed, leading to considerable losses for affected investors.

The consumer protection organisation first contacted Bafin, who was unable to take actions against the online platforms as they provide their services cross-border and are located outside Germany. According to inquiries, some of them are located within the EU while others are located in foreign jurisdictions. In some member states such as the UK and France, competent authorities have banned single platforms or issued warnings. However, the overall picture is very heterogeneous and there are no concerted efforts to equally protect retail investors against these platforms across the single market.

I attach a table with information on the investment platforms that came to the attention of the consumer protection organisation through complaint reports in Germany. While the information from the complaint reports has been verified by the organisation, it was not possible to draw definitive conclusions on the platforms' seat, because they tend to belong to complex and intransparent company structures. Interestingly, some of the platforms have been known for trading with binary options before and seem to have shifted their business to CFD and forex trading since ESMA's intervention.

Given Bafin's inability to act due to the cross-border nature of the practices and given the ongoing harm to retail investors, I would like to ask ESMA to investigate the alleged cases and, if required, address a recommendation to national competent authorities in the member states where the trading platforms are registered, in line with Article 9(2) of the ESMA regulation. Additionally, I imagine it would be useful if ESMA contributed to enhance the cooperation between national competent authorities on the basis of Article 31 of the ESMA regulation in order to improve the exchange of information and warnings on dubious trading platforms that pose a threat to retail investors.

I'm looking forward to hearing from you!

In co-operation,
Sven Giegold