

# MFSA

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## MALTA FINANCIAL SERVICES AUTHORITY

### **MFSA Circular on investment services provided in relation to binary options**

Following clarification by the European Commission of the relevant issues in terms of the Markets in Financial Instruments Directive, 2004/39/EC, (MiFID), it has been determined that binary options fall within scope of the Directive.

In the light of this interpretation and after taking into consideration the manner in which binary options are classified and regulated in other EU Member States, the Malta Financial Services Authority wishes to advise that binary options are considered to be instruments falling within the parameters of the Second Schedule of the Investment Services Act (Cap. 370) which is itself modelled on MiFID.

Accordingly, the MFSA hereby informs that any person carrying out or intending to carry out in Malta any investment service in relation to binary options requires a license in terms of the Investment Services Act.

For the avoidance of doubt, binary options are contracts based on the direction the price an underlying asset will take within a specified time frame. Binary options are therefore a type of derivative contract with only two possible outcomes that depend on whether the forecast price is correct or incorrect.

Further information on the regulatory framework applicable with regards to the provision of investment services in Malta may be found in the Guide to Investment Services which is available for download from the Publications Section on the Authority's website [[www.mfsa.com.mt](http://www.mfsa.com.mt)].

Any queries should be addressed to **The Director, Authorisation Unit**, by email on [au@mfsa.com.mt](mailto:au@mfsa.com.mt)

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