

# FOREX REGULATIONS

When choosing a trading broker, there are some fundamentals to keep in mind – low spread, commissions, swap. But the single most important thing to be aware of is the regulation of the broker.

Under which regulatory body is your broker governed?

The Forex regulator should be clearly displayed on the broker's website. Usually, you will find it at the bottom of their homepage

To save you time, and simplify the process, we have prepared a list with the Top 5 Regulatory bodies:



## COMMODITIES FUTURES TRADE COMMISSION (CFTC)

This is a US based regulator. The United States is the biggest global financial market and the US regulations are the strictest in the Forex market.

The US over-leveraged FX trading activities are under the control of the US Commodity Futures Trading Commission (CFTC).

## NATIONAL FUTURES ASSOCIATION (NFA)

The NFA too, is an American organization that oversees regulatory compliance in the US.

The activities of the NFA are monitored by the Commodity Futures Trading Commission (CFTC), which is the government agency in charge of the US futures industry.

The National Futures Association (NFA) acts as an extension of the CFTC and oversees the strict compliance of forex brokers to financial standards.

## FINANCIAL CONDUCT AUTHORITY (UK) (FCA) OR FSA (THE FINANCIAL SERVICES AUTHORITY)

Although there are now stricter regulations in the European market, Europe is still the preferred trading region and is friendly to Forex brokers keeping traders' funds safe.

The UK's Financial Conduct Authority (FCA) is responsible for regulating, investigating, supervising, and enforcing regulations that guide the financial market, which includes the FX industry.

MiFID stands for the Markets in Financial Instruments Directive.

The MiFID is a show of the European Union's commitment to a 'free market' for financial services, which makes it easy for brokers in one country to conduct business in EU member countries.

Since 1 August 2018 All FCA regulated brokers must comply with new ESMA regulations:

The ESMA measures restrict the marketing or sale of CFDs to retail traders.

The leverage is now more limited:

- 30:1 for major currency pairs
- 20:1 for non-major currency pairs, gold
- 10:1 for commodities excluding gold
- 5:1 for individual equities
- 2:1 for cryptocurrencies

## THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY (FINMA)

The Swiss financial system is one of the most trusted worldwide.

FINMA in Switzerland coordinates closely with regulatory bodies of other countries and functions as multiple banks around the globe.

## CYSEC- CYPRUS SECURITIES AND EXCHANGE COMMISSION (CY SEC)

Cyprus is still a preferable trading location for Forex brokers. It is a gateway into Europe as it is easier for brokers to gain their regulatory licenses.

CySEC, the financial regulatory agency of Cyprus, functions under the umbrella of the European MiFID regulations. However, it is an attractive option to many foreign Forex companies that wish to take advantage of light regulations.

All CySec regulated brokers must also comply with new ESMA regulations.

