FIA EPTA
EUROPEAN PRINCIPAL TRADERS ASSOCIATION

Bundesanstalt für Finanzdienstleistungsaufsicht
Via e-mail: Anhoerung-Produktintervention@bafin.de

2 July 2025

Support for BaFin product intervention for turbo certificates and call for extension to include warrants

Dear Madam/Sir,

We are writing in support of your proposed product intervention measures for turbo certificates. The findings from you market survey – highlighting that 74.2% of German retail investors incurred losses averaging €6,358 each, amounting to €3.4 billion in total losses over five years – clearly demonstrate the urgent need for regulatory action.

The European Principal Traders Association (FIA EPTA) represents Europe's leading Principal Trading Firms. Our members are independent market makers and providers of liquidity and risk-transfer for markets and end-investors across Europe. FIA EPTA works constructively with policymakers, regulators and other market stakeholders to ensure efficient, resilient and trusted financial markets in Europe.

As the most significant liquidity providers in EU Exchange Traded Derivatives (ETD) markets and amongst an increasingly diverse environment of market participants providing liquidity in an openly competitive manner in OTC derivatives, our members are deeply invested in the growth of EU derivatives markets and ensuring that retail investors obtain best outcomes to ensure trust and continued participation in the EU capital markets.

Our members share BaFin's concerns about the significant losses being incurred by investors and agree this relates to the practices used to market and sell these products. These instruments are often marketed in ways that obscure their risks, and the data shows that they are unsuitable for the vast majority of retail investors. The proposed measures, including mandatory risk warnings, prohibition of incentive bonuses, and enhanced appropriateness assessments, are necessary steps to protect retail investors.

In addition, as pointed out in BaFin's conclusions to its 2019 review of investor complaints about price determination related to leverage products such as factor certificates, warrants, turbo certificates and knock-out certificates, issuers are under no legal obligation to quote prices and do not undertake to provide market-making at all times during the term of the security. Price is determined at the sole discretion of the issuer or market maker and not on the basis of supply and demand through the order book. Our members believe this inherent market structure which

allows for a single market maker/issuer to have complete autonomy over setting the prices of these products is also a root problem resulting in retail investor detriment.

In a recent study of the listed warrants versus options markets, which reviewed warrant trades conducted in 2024 against their comparable listed options in terms of strike, put/call and expiration date, the results showed that on average investors trading warrants were paying,

- 2 to 5 times the amount of premium (over the mid-price) where the underlying was single stocks
- Over 10 times the amount of premium (over the mid-price) where the underlying was the DAX index;
- Only 22% of DAX warrants were traded within the options spread at the time of the trade i.e. 78% of the time it is more expensive to buy warrants than options.

We would, therefore, urge BaFin to extend the product intervention measures to warrants, which share many of the same characteristics and risks as turbo certificates. Like turbos, warrants are leveraged products with the issuer exercising sole discretion over pricing and can result in rapid and substantial losses, particularly when misunderstood or misused by retail investors. They are also frequently marketed with insufficient transparency regarding their risk profile, and often without adequate suitability assessments.

Given the parallels in structure, risk, and marketing practices between turbo certificates and warrants, it would be inconsistent to regulate one without addressing the other. A comprehensive approach that includes both product types would better align with BaFin's investor protection mandate under Article 42 of MiFIR and §15 of the WpHG.

In addition, we would call on BaFin to caution against trading warrants where comparable listed options contracts exist offering greater transparency and more competitive pricing. Retail investors should be made aware of the difference in market structure and impact of this on pricing and liquidity in order to be able to make an informed decision on how to trade instruments with the same risk/reward profile.

In our members opinion, there ultimately needs to be a change in market structure to allow for independent liquidity provision. From an investor protection point of view, warrants investors are receiving disadvantageous pricing for these instruments which we strongly believe needs to be addressed.

FIA EPTA members traditionally advocate for freedom of product choice and are generally critical of product intervention measures. However, given the impact seen on retail investors and the core market structural issue of a lack of competition and no obligation to continuously price these instruments, in this case we believe these steps are justified.

We commend BaFin for taking decisive action and encourage you to continue expanding these protections to ensure a safer and more transparent financial market for all retail investors.

FIA EPTA
EUROPEAN PRINCIPAL TRADERS ASSOCIATION

Yours faithfully



Piebe Teeboom
Secretary General
FIA EPTA