

Marketing FX services in Russia's regulatory environment

In light of recent news regarding Forex regulation in Russia there is a certain level of uncertainty for companies that either do not have a broker-dealer license yet or simply do not wish for one. Below we'll try to explain the current state of marketing Forex services in Russia.

Current situation:

Ever since the law to regulate the FX industry in Russia was passed in late 2014, the market has been on a path to building a regulatory structure and a set of standards for the market. Today, we have eight companies who have obtained licenses from the Bank of Russia (Russia's central bank, aka the "mega regulator"). Furthermore, 4 companies have formed agreements with the SRO AFD ("Association of Forex Dealers") and can now legally onboard Russian residents as clients.

It's important to note that the rules and standards outlined in the current regulations pertain directly to brokers, rather than retail Forex clients. In other words, Russian residents have the right to open a trading account with any broker they choose, including foreign brokers outside of Russia. We believe that the Bank of Russia and AFD will try and educate the public and investors about the risks of working with unlicensed brokers through media campaigns and other channels, but it will be difficult to ensure that the majority of Russia's forex investors trade only with licensed brokers.

As such, foreign brokers and those that have not obtained a license from the Central Bank are still free to open accounts for Russian residents, so long as the customer was not solicited by any advertising on the part of the broker.

Antimonopoly proposal:

Several weeks ago it was reported that a "roadmap" of the Federal Antimonopoly Service in conjunction with the Central Bank calls for the introduction of measures to halt marketing activities by unlicensed brokers, including the promotion of the broker's services and the on-boarding of customers through "educational centers". In our view, the proposal is to block the websites of unlicensed brokers via ISPs in Russia. This is similar in some ways to the previous blocking of LinkedIn.

It's important to understand though, that the number of unlicensed brokers that "solicit" customers in Russia is in the hundreds, especially if taking into account foreign brokers who simply have their websites and trading platform translated into Russian. Likewise, it's interesting to note that blocking a broker's website does not necessarily mean blocking access to their trading platforms.

In other words, the blocking of broker websites by ISPs will be difficult and will not always prevent the customer from trading on the broker's server. Moreover, international brokers have every right to conduct business and maintain their website in the languages they choose, including Russian.

How to continue to market FX services:

It has become apparent that the days of advertising FX on Russia's biggest online channels (Yandex, Mail.ru, RBK, etc.) without a broker-dealer license are long gone. At the same time, brokers either forget or don't know that a growing number of Russian speakers are now using online channels outside of Russia, on the periphery and even in faraway jurisdictions.

Our analysis indicates that Russian-speaking investors living outside of Russia itself, including in Western Europe have a higher average CLV (customer lifetime value) than those that live in Russia proper. Moreover, the unit advertising costs for marketing channels outside of Russia are often times less than they are on the popular mainstream networks and sites.

Many large and medium size brokers over the years have gotten used to competing on large, well-known search portals, like Yandex.Direct. Yet during this same time new and robust online advertising technologies have emerged, with new channels of targeted audiences, massive amounts of user traffic and a higher SOV (share of voice) for the FX advertiser.

Legal implications:

Given the fact that FX regulations have been on paper for a few years and they are namely amendments to the existing law ("On securities markets), many publisher compliance departments interpret the rules on advertising FX services in their own way. It's important to understand, that many publishers do not know about the latest amendments and additions to the existing rules.

As such, we recommend that you share your relevant corporate or regulatory documents with the publisher during the planning stages in order to confirm that you are allowed to solicit customers in the jurisdiction. Moreover, it is good practice to be careful with the promotional materials – clearly provide a risk warning if one is required.

Where to get help:

Our specialists have assisted brokers in marketing their services for several years now in different regulatory regimes and can provide you with options irrespective of any licenses you may have in a particular country. Our advertising network offers flexible marketing formats and diverse audience targeting.