

ANNOUNCEMENT

ESMA, EBA and EIOPA warn consumers on the risks of Virtual Currencies

Further to the Cyprus Securities and Exchange Commission ('CySEC') [Warning](#) dated 13 October 2017 regarding the risks emanating from investments in virtual currencies and the [Announcement](#) dated 15 November 2017 in relation to the European Securities and Markets Authority's ('ESMA') Warning on ICO risks for investors and firms, CySEC wishes to draw the attention of consumers to a joint pan-European Warning of the ESMA, the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) ('the three ESAs') on the high risks of buying and/or holding so-called Virtual Currencies ('VCs').

As per the Warning, the VCs currently available are a digital representation of value that is neither issued nor guaranteed by a central bank or public authority and does not have the legal status of currency or money. They are highly risky, generally not backed by any tangible assets and unregulated under EU law, and do not, therefore, offer any legal protection to consumers.

The three ESAs warn consumers that VCs can be extremely risky and are usually highly speculative. The Warning refers to the high risk that the consumer will lose a large amount, or even all, of the money invested. A number of the risks that consumers are exposed to, include the following:

- Extreme volatility and bubble risk,
- Absence of protection,
- Lack of exit options,
- Lack of price transparency,
- Operational disruptions,
- Misleading information,
- Unsuitability of VCs for most purposes, including investment or retirement planning.

The three ESAs also highlight actions that consumers can do to protect themselves if they decide to buy VCs or financial products giving direct exposure to VCs.

For more details, the full text of the ESAs Warning is available [here](#).

Nicosia, 14 February 2018