

WARNING ON CRYPTO-ASSETS



Crypto-assets can be risky and your protection, if any, may be limited

Not all crypto-assets and crypto-asset services are equal nor are they regulated in the same way (if at all). While a new regulation known as MiCA (the Markets in Crypto-Assets Regulation) is now in place in the EU and regulates activities involving certain crypto-assets, most crypto-assets typically remain volatile and highly risky. As such, they may not be suitable for all consumers as a form of investment, payment or exchange.

Depending on the type of crypto-asset and the provider you might face higher risks and may have only limited or no

consumer protection rights (e.g. access to comprehensive information, transparent complaints-handling procedures.). This is especially the case if you use or invest in crypto-assets/crypto-asset services offered by firms established outside the EU, and by providers not regulated under MiCA.

To better understand the different types of crypto-assets and providers you may encounter take a look at the factsheet Crypto-assets explained: What MiCA means for you as a consumer (<https://www.cssf.lu/en/Document/crypto-assets-explained/>).

What you should ask yourself before investing in crypto-assets?

1

Am I aware of the risks I am taking when investing in or using crypto-assets?

- Before investing, take the time to learn about the products or services you are interested in.
- As with any investment, weigh up whether those risks are worth taking given your own objectives and financial circumstances.

2

Are the firms/parties I am considering dealing with authorised to provide crypto-asset services in the EU?

- You can check if a provider is authorised in the EU by:
 - Checking the ESMA register (shorturl.at/zZwVI)*. The national financial regulator may also provide a 'blacklist' of unauthorised crypto-asset firms, including service providers. So you can also check its website or the I-SCAN list (iosco.org/i-scan/).
 - Checking the firm's website, its regulatory status might be mentioned. Be aware that, in certain cases, firms may be authorised for only part of their activities (only some services not all). So, make sure to also check which services they are allowed to provide.

3

Are the devices I use to buy, store, or transfer crypto-assets and to hold my private keys, secure?

- Losing private keys to crypto-assets results in the permanent and irreversible loss of access and ownership.
- Keeping your devices and key storage secure is a critical step in protecting your crypto-assets, in particular:
 - Make sure your device and any crypto-related software are always updated to the latest version to reduce security vulnerabilities.
 - Use strong and unique passwords for each of your crypto accounts, keep your password secret and avoid reusing the same credentials on different platforms. See some password tips here (shorturl.at/7ns3I).
 - Avoid accessing your crypto accounts over public or unsecured Wi-Fi networks.

What are the key risks you may face?



Extreme price movements:

The value of most crypto-assets, including some that are regulated, can be very volatile, meaning that their price can fall and rise quickly over short periods of time. You may lose a lot, or even all, of the money invested.



Liquidity risks:

Crypto-asset markets may experience liquidity constraints, which could limit your ability to sell crypto-assets at the price or time you want.



Misleading information:

Some crypto-assets and related products are aggressively promoted, using information that is confusing, incomplete, inaccurate and at times deliberately misleading. Be alert to the risks of such advertisements, especially on social media where influencers can be incentivised to advertise certain crypto-assets.



Fraud, scams and hacks:

Numerous fake crypto-asset schemes, hacks and scams exist, and you should be aware that their sole purpose is to scam you out of your money using different techniques. Fraudsters may use phishing emails, social engineering and malicious links, promising unrealistically high returns or claiming to be authorised or regulated when they are not.



Limited protection:

MiCA provides some consumer protection when it comes to specific types of crypto-assets and services (e.g. access to comprehensive information, transparent complaints-handling procedures). However, they are not as extensive as those applicable to more traditional financial products (e.g. you will not benefit from compensation schemes). For crypto-assets or services offered by firms not regulated in the EU, if something goes wrong, you may not benefit from any consumer protection or protections that are less robust than those applicable in the EU.



Product complexity:

The features and risks of crypto-assets, and any products with a crypto-asset underlying, can be difficult to understand. Be careful when buying crypto-assets, or related investment products, especially if you are unsure how their value is determined and what risks are involved.

Legal basis and background

This warning is based on Article 9(3) of the Founding Regulations of the ESAs and follows previous warnings including the 2022 warning on risks of crypto-assets (shorturl.at/hD4se).

The term 'crypto-asset' refers to a digital representation of value or rights which may be transferred and stored electronically, using distributed ledger or similar technology.

The EU Regulation on Markets in Crypto-assets (MiCA) is fully applicable from 30 December 2024.

* You should be aware that only firms authorised and listed on the ESMA register are allowed to provide crypto-asset services in the EU under MiCA. However, a transitional period applies until July 2026 in some Member States, so some firms may operate under the national law until they obtain MiCA authorisation. This means you will not benefit from any MiCA protections when using services from such providers until the transitional period expires and the provider is authorised under MiCA.

See also the details of the transitional period per EU country (shorturl.at/Cs49L).