

## PRESS RELEASE

### ESAs warn consumers of risks in buying virtual currencies

The European Supervisory Authorities (ESAs) for securities (ESMA), banking (EBA), and insurance and pensions (EIOPA) have today issued a pan-EU warning to consumers regarding the risks of buying Virtual Currencies (VCs). The ESAs warn consumers that VCs are highly risky and unregulated products and are unsuitable as investment, savings or retirement planning products.

The ESAs are concerned that an increasing number of consumers are buying VCs unaware of the risks involved. VCs such as Bitcoin, are subject to extreme price volatility and have shown clear signs of a pricing bubble and consumers buying VCs should be aware that there is a high risk that they will lose a large amount, or even all, of the money invested.

#### Non-regulated products and exchanges

Additionally, VCs and exchanges where consumers can trade are not regulated under EU law, which means that consumers buying VCs do not benefit from any protection associated with regulated financial services. For example, if a VC exchange goes out of business or consumers have their money stolen because their VC account is subject to a cyber-attack; there is no EU law that would cover their losses.

#### Operational problems

Some VC exchanges have been subject to severe operational problems in the past. During these disruptions, consumers have been unable to buy and sell VCs when they wanted to and have suffered losses due to price fluctuations during the period of disruption.

#### Background information

This Warning is based on Article 9(3) of the three ESAs' founding Regulations and follows the publication of two statements by ESMA on Initial Coin Offerings in November 2017 and an earlier Warning to consumers and two Opinions on VCs published by EBA in December 2013, July 2014 and August 2016, respectively.

VCs come in many forms. The first VC was Bitcoin, launched in 2009 and since then many other VCs have emerged. Most of them leverage on the distributed ledger technology, commonly referred to as *Blockchain*.

## Notes for editors

1. Virtual Currencies Warning
2. [ESMA50-157-828 ESMA ICO Statement to Firms](#) 13 November 2017
3. [ESMA50-157-829 ESMA ICO Statement to Investors](#) 13 November 2017
4. [EBA-Op-2016-07 Opinion of the European Banking Authority on the EU Commission's proposal to bring Virtual Currencies into the scope of Directive \(EU\) 2015/849 \(4AMLD\)](#) 11 August 2016
5. [EBA/Op/2014/08 EBA Opinion on Virtual Currencies](#) 4 July 2014
6. [EBA/WRG/2013/01 Warning to consumers on virtual currencies](#) 12 December 2013
7. The Joint Committee is a forum for cooperation that was established on 1st January 2011, with the goal of strengthening cooperation between the European Banking Authority (EBA), European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EIOPA), collectively known as the three European Supervisory Authorities (ESAs).
8. Through the Joint Committee, the three ESAs cooperate regularly and closely and ensure consistency in their practices. In particular, the Joint Committee works in the areas of supervision of financial conglomerates, accounting and auditing, micro-prudential analyses of cross-sectoral developments, risks and vulnerabilities for financial stability, retail investment products and measures combating money laundering. In addition to being a forum for cooperation, the Joint Committee also plays an important role in the exchange of information with the European Systemic Risk Board (ESRB).
9. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets.

It achieves these objectives through four activities:

- i. assessing risks to investors, markets and financial stability;
  - ii. completing a single rulebook for EU financial markets;
  - iii. promoting supervisory convergence; and
  - iv. directly supervising specific financial entities.
10. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

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