

# 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://link.europa.eu/BRv4Gn>).

## 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](https://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/](https://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](https://shorturl.at/7ns3I)).
  - Avoid accessing your crypto accounts over public or unsecured Wi-Fi networks.

# What are the key risks you may face?

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## **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.

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## 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](https://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](https://shorturl.at/Cs49L)).

# CRYPTO-ASSETS EXPLAINED

## WHAT MiCA MEANS FOR YOU AS A CONSUMER



### What is a crypto-asset?

A crypto asset is a digital representation of a value or a right that can be transferred and stored electronically, using a distributed ledger <sup>1</sup> or other similar technology.

Well-known examples of crypto assets are BTC (Bitcoin) and ETH (Ethereum), but the crypto market encompasses a wide range of other assets such as so-called stablecoins <sup>2</sup>, meme coins <sup>3</sup> and non-fungible tokens (NFTs) <sup>4</sup>.

In the EU, the Markets in Crypto-Assets Regulation (MiCA) regulates activities involving certain crypto-assets. One of the objectives of MiCA is to have harmonised rules for crypto-assets and services across the EU, including to better protect consumers (e.g. access comprehensive information, transparent complaints-handling procedures etc.).

Depending on the type of crypto-asset or crypto-asset services (regulated, unregulated) and the provider (e.g. unauthorised, based outside the EU), you might face higher risks and varying levels of protection. Understanding the risks to which you might be exposed is key before buying any type of crypto-asset or using any crypto-asset services.

See the Joint European Supervisory Authorities warning to learn more about the risks (<https://link.europa.eu/hcFpGj>).

#### <sup>1</sup> DISTRIBUTED LEDGER TECHNOLOGY (DLT):

A distributed ledger is a record of information, or database, that is shared across a network.

The best-known type of distributed ledger is a blockchain, so named because it stores individual transactions in groups, or blocks, attached to each other in chronological order to form a chain. Distributed ledger technology has been used to transfer different types of assets between buyer and seller.

#### <sup>2</sup> STABLECOINS:

A so called 'stablecoin' is a crypto-asset that purports to maintain a stable value by reference to one asset (e.g. a fiat currency) or several assets. Stablecoins may not be so stable overtime, especially in stressed market conditions.

#### <sup>3</sup> MEME COINS:

Meme coins are crypto assets named after trends, humorous or fun topics. They are usually created to engage a community and can be used in peer-to-peer payments, speculative investing, or trading. In many cases, they are accompanied by websites with comical themes, sometimes nonsensical terms, and their creators and fans market a sense of community to attract others.

#### <sup>4</sup> NON-FUNGIBLE TOKENS (NFTs):

They are unique and not fungible digital assets stored on a distributed ledger network, including digital art and collectibles.

Products that are interchangeable and marketed to consumers as NFT, but which are part of series or collection, might not be NFTs and might therefore be regulated under MiCA.

### What crypto-asset is regulated under MiCA and what is not

#### MiCA covers three types of crypto-assets:

- ✓ **Electronic money tokens (EMTs) <sup>5</sup>:** crypto-assets that purport to maintain a stable value by referencing the value of one official currency e.g. Euro, Dollar. If you hold an EMT, you have the right to get your money back from the issuer at its full-face value, in the currency to which it references.
- ✓ **Asset-referenced tokens (ARTs) <sup>6</sup>:** crypto-assets that purport to maintain a stable value by referencing another value or right or a combination thereof (e.g. official currency, commodities, other assets). You can redeem ART at the market value of the asset(s) it references.
- ✓ **Crypto-assets other than EMTs and ARTs:** utility tokens <sup>7</sup> and 'other' crypto-assets that are not EMTs nor ARTs or otherwise excluded from MiCA.

#### <sup>5</sup> E-MONEY TOKENS:

- types of crypto-asset that purports to maintain a stable value by referencing the value of an official currency (e.g. Euro, dollars etc.)
- only credit institutions or e-money institutions can offer to the public or seek admission to trading of EMTs in the EU
- do not grant interests to holders.

#### <sup>6</sup> ASSET REFERENCED TOKENS:

- crypto-assets that are not EMTs
- only credit institutions or MiCA authorized issuers can offer to the public or seek admission to trading of ARTs in the EU
- can be referenced to another asset, including one or more official currencies, other crypto-assets or their combination;
- do not grant interests to holders

#### <sup>7</sup> UTILITY TOKENS:

They are a type of crypto-assets whose sole purpose is to provide access to a good or service offered by the issuer of this token.

## MiCA does not apply to the following types of crypto-assets:

- X** **Crypto-assets that are unique and non-fungible.** These are not readily interchangeable and their relative value in relation to another crypto-asset cannot be easily identified by means of comparison to an existing market or equivalent assets (e.g. virtual real estate, domain names and items requiring authenticity verification). So-called non-fungible token (NFTs) that are part of a series or collection may, however, still fall within the scope of MiCA.
- X** **Tokens that are non-transferable** (such as points from loyalty schemes).
- X** **Crypto-assets that already fall under existing financial services legislation** such as crypto-assets that qualify as MiFID financial instruments (e.g. derivatives contracts, transferable securities). When investing in these assets, you will benefit from consumer/investor protection rules applicable to tokenised traditional financial assets.

**!** *If you buy or sell crypto-assets, or use crypto-asset services, not regulated under MiCA or other EU financial services legislation, you may be exposed to significant risks and receive limited or no consumer protection.*



## Providers of crypto-assets you may encounter



### Crypto-assets and crypto-asset service providers regulated in the EU:

These firms offer products and services to consumers regulated under MiCA, including ARTs, EMTs, custody and administration of crypto-assets, and the operation of crypto-asset trading platforms and exchanges (to fiat<sup>8</sup> or other crypto). To be able to provide services to consumers in the EU, crypto-asset service providers must be authorised, meaning meeting specific requirements related to governance, capital, conduct, and consumer protection.



*You can check if a provider is an EU authorised provider by checking the ESMA register ([shorturl.at/zZwVI](https://shorturl.at/zZwVI)) and the national financial regulator's website.*

*For more details take a look at 'What you should know and check before investing' in the Joint ESAs warning ([short URL comes here](#)).*

#### <sup>8</sup> FIAT:

Fiat currency is declared legal tender and issued by a central bank such as the U.S. Dollar, Euro, etc.,

Crypto-asset to fiat currency trading: it refers to the purchase, sale or trading of cryptocurrencies with fiat currency.



### Crypto-assets and crypto-asset service providers unauthorised<sup>9</sup> in the EU:

Even with MiCA in place, you might come across crypto-assets and crypto-asset services provided by firms unauthorised in the EU. Those firms may not be subject to any consumer protection rules, may lack proper governance, capital, or transparent operational practices and safeguards. Risks of fraud, mismanagement of assets, or insolvency might therefore be increased. This includes crypto-assets and services offered by firms based outside the EU.



*If you choose to engage with unauthorised providers, be aware that you may be exposing yourself to significant risks and have limited or no consumer protection rights at all. You may face losses, have limited or no possibility to recover any assets, and be left without any remedy in the event of disputes.*

#### <sup>9</sup> UNAUTHORISED FIRM:

All firms operating in the EU without a valid license under MiCA are unauthorised. But not all unauthorised firms providing services are necessarily illegal (e.g. reverse solicitation, fully decentralised and other out of MiCAR scope).