



Written by [Luis Miguel](#) on March 20, 2022

The EU Wants to Scare You Away From Buying Crypto

The European Union's watchdogs for securities, banking, and insurance released a joint statement last week in which they warned the public against investing in cryptocurrencies, saying consumers could lose all their money.

The [statement](#), made by The European Supervisory Authorities (EBA, ESMA, and EIOPA — the ESAs), cautions that “Consumers face the very real possibility of losing all their invested money if they buy these assets. Consumers should be alert to the risks of misleading advertisements, including via social media and influencers. Consumers should be particularly wary of promised fast or high returns, especially those that look too good to be true.”

The regulators stressed that consumers have no protections or recourse to compensation under existing EU financial-services law.

They also argued that consumers are purchasing thousands of different cryptocurrencies, including bitcoin (BTC) and ether (ETH), which make up 60 percent of the market, without fully understanding the risks.

According to the EU watchdogs, those who invest in crypto should know that not only may they lose all their money, but that prices can rise and fall quickly over short periods, they may fall victim to scams and cyberattacks, and they are “unlikely to have any rights to protection or compensation if things go wrong.”

Specifically, the regulators list seven types of risks consumers should be aware of when investing in cryptocurrencies:

Extreme price movements; misleading information; absence of protection; product complexity; fraud and malicious activities; market manipulation, lack of price transparency, and low liquidity; and hacks, operational risks, and security issues.

That regulators warn that “many crypto-assets are subject to sudden and extreme price movements and are speculative, because their price often relies solely on consumer demand (i.e., there may be no backing assets or other tangible value)... The extreme price movements also mean that many crypto-assets are unsuitable as a store of value, and as a means of exchange or payment.”

They go on to state that “how crypto-assets prices are determined and the execution of transactions at exchanges is often not transparent. The holding of certain crypto-assets is also highly concentrated, which may impact prices or liquidity. You may therefore not get a fair price or treatment when buying or selling crypto-assets, or not be able to sell your crypto-assets as quickly as you would want in the absence of a potential buyer.”



Vertigo3d/iStock/Getty Images Plus



Written by [Luis Miguel](#) on March 20, 2022

Crypto-assets are here defined as “a digital representation of value or rights which may be transferred and stored electronically, using distributed ledger technology or similar technology.”

While the joint statement lists what the EU watchdogs perceive as the risks of crypto, it does not mention whether there have been increased consumer complaints about dealings with cryptocurrencies or if there is heightened demand for regulatory protections.

The statement closes with a warning about the alleged environmental impact of crypto-assets: “The energy consumption of some crypto-assets is high, e.g., from mining and validation processes, and consumers should be aware of their environmental impact.”

The Russia-Ukraine conflict has put cryptocurrencies’ libertarian principles [to the test](#), as major exchanges have complied with sanctions on Russia despite rhetoric claiming they would not interfere with the ostensibly free, borderless digital financial system.

Last month, Ukraine asked exchanges to freeze any accounts belonging to Russians. Major exchanges defiantly refused. But despite the public declarations, the exchanges have been quietly implementing the sanctions.

And earlier this month, Joe Biden [signed an executive order](#) on government oversight of cryptocurrency that urges the Federal Reserve to determine whether it should make its own digital currency.

Treasury Secretary Janet Yellen said the effort would “promote a fairer, more inclusive, and more efficient financial system” while countering illicit finance and preventing risks to financial stability and national security.

The Federal Reserve in January [issued a paper](#) in which it said digital currency “would best serve the needs” of the country through a model in which banks or payment firms create accounts or digital wallets.

“History has shown that, without adequate safeguards, forms of private money have the potential to pose risks to consumers and the financial system,” said Nellie Liang, undersecretary for domestic finance.

If regulators gain greater control of crypto under the guise of protecting consumers, will it turn what was once thought of as a means of monetary freedom into merely another instrument by which governments can control your money?



Subscribe to the New American

Get exclusive digital access to the most informative, non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



What's Included?

- 24 Issues Per Year
- Optional Print Edition
- Digital Edition Access
- Exclusive Subscriber Content
- Audio provided for all articles
- Unlimited access to past issues
- Coming Soon! Ad FREE
- 60-Day money back guarantee!
- Cancel anytime.

Subscribe