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Virtual assets: For the CSSF, education is key

The *Commission de Surveillance du Secteur Financier* (the "CSSF"), the Luxembourg financial supervisory authority, has always been known as an innovation and business-friendly regulator. With the rapid rise of virtual assets, the CSSF has now also published consumer-focused guidance regarding said virtual assets (the "Guidance"). The Guidance, in furtherance to the CSSF's first guidance on virtual assets published on 29 November 2021, is yet another recommendation in support of the European Supervisory Authorities' (EBA, ESMA and EIOPA) previous announcements[1].

Like other financial markets, Luxembourg has recently seen a strongly growing interest from consumers towards what the CSSF calls "easy" investments in virtual assets, most of the time encouraged by social media content creators. As a reminder, virtual assets are defined by Luxembourg law as digital representations of value that can be digitally traded or transferred, and can be used for payment or investment purposes.

The advice provided by the CSSF in the Guidance includes (1) the education of consumers and (2) the choice of regulated entities' crypto assets.

1 E.g. European Supervisory Authorities' joint warning of February 2018

I. Education is key

The first advice of the CSSF, when it comes to investing in virtual assets, is for consumers to educate themselves. They should fully understand the virtual assets, products or activities they wish to invest into. Gaining more knowledge on this topic is possible through different existing means such as (i) financial education platforms (e.g. https://www.letzfin.lu/), (ii) investor education pages from the websites of serious professionals (e.g. regulated entities), (iii) contracts and general terms and conditions proposed to them or (iv) white papers accompanying the virtual assets, if any. Consumers should also seek information on topics such as underlying distributed ledger technology, characteristics of the assets and inherent risks related to investing in them.

Therefore, the CSSF reminds that the responsibility to gather relevant information lies with consumers themselves.

II. The choice of crypto assets provided by regulated entities

The CSSF further advises consumers to prefer dealing with regulated or partially regulated entities when it comes to investing in crypto assets, in order to benefit from some insurance on major risks related to fraud, manipulation and money laundering as well as terrorist financing. The advice from the CSSF is to first ensure that the company exists and then crosscheck with the information given by the website of the relevant entity.

As part of the Guidance, the CSSF also provides a short video entitled "*What to do before investing in virtual assets?*" and which generally repeats the same warnings as the ones outlined in the Guidance.

If you are interested in investing in virtual assets and would like further information on the legal scope of these instruments, do not hesitate to get in touch with our Banking, Finance and Capital Markets Team.

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