

# **ESMA 1Q18 RISK DASHBOARD SEES COMPLEX PRODUCTS AND VOLATILITY AS KEY RISKS**

## **Consumer risks posed by complex products key concern**

ESMA remains concerned about risks posed to investors, which have been mounting across a range of products. Therefore, ESMA has, following its earlier risk alert on Initial Coin Offerings (ICOs), issued a pan-EU warning to consumers regarding the risks of buying Virtual Currencies. To protect investors from undue risk-taking, ESMA also brought in a temporary prohibition of Binary Options and leverage restrictions on Contracts for Difference (CFDs) using its new product intervention powers under the Market in Financial Instruments Regulation (MiFIR).

## **Overall high levels of risk persist**

In 1Q18, equity markets in the EU and elsewhere saw significant price corrections, with a 6% drop in EU stock prices in the week of 5 February alone, and the return of market volatility. ESMA's Risk Dashboard also raises concerns about persisting very high market risks. These risks result from asset over-valuations in equities as well as market uncertainty as the period of ultra-low interest rates draws to a close.

ESMA's outlook for liquidity, contagion and credit risk remains unchanged at high. Operational risk continues to be elevated, with a deteriorating outlook, as Brexit-related risks to business operations and vulnerabilities to cyber-attacks rise.