FSMA

FINANCIAL SERVICES AND MARKETS AUTHORITY

NationalBank OF BELGIUM

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PRESS RELEASE

Be careful with virtual money, such as bitcoin

The NBB and the FSMA are monitoring developments concerning virtual currency units, such as Bitcoin and Litecoin.

They warn against the risks of virtual money. They point out that virtual currencies are not legal tender and are not a form of electronic money. There is no financial supervision or oversight on virtual money. For that reason, and because these products are risky, they advise taking extra care with them.

What is virtual money?[1]

One can obtain virtual money on the internet and keep it in a digital wallet. Virtual money only exists on the internet.

Virtual currencies such as Bitcoin are becoming (relatively) popular and are increasingly attracting media attention. It is already possible to pay for some goods and services with virtual money. At first, one could only use virtual money to pay for some services and products on the internet (online), but now it is possible in some (rare) cases to use virtual money to pay for services and products outside the internet, if the seller accepts virtual money.

Some people buy and sell virtual money by way of speculation. They hope that virtual money will appreciate against the euro, yielding exchange gains.

What risks are there for people buying virtual money?

Virtual money is not issued by a central bank or a licensed issuer of electronic money. There is currently no regulation, supervision or oversight on virtual money. The same applies to issuers of virtual money, barter sites, internet platforms where virtual money is used for payment, and digital wallets.

There are serious risks attached to virtual money. Here are just a few examples of those risks:

- The internet environment where virtual money is held and traded entails various risks: for instance, there is the risk that a trading platform or digital wallet may be hacked and the owner may lose his virtual money.
- The operational reliability of such systems, particularly the risk of fraud, has not yet been formally assessed by the regulators.
- In contrast to the situation for electronic money, fluctuations in the virtual money exchange rate can result in substantial financial losses. Virtual money therefore entails a serious exchange rate risk: the rate at which virtual money can be exchanged for official currencies (such as the euro) is highly variable. It is quite common for prices to fluctuate by more than 30 % in a single day. There is no authorities´ government supervision of the virtual money exchange rate.
- In contrast to the situation for electronic money, there is no legal guarantee that virtual money can be exchanged at any time for the original value.

[1] Also known as virtual means of payment, virtual currency, digital money or cryptocurrency.

- Virtual money is not legal tender: no-one is obliged to accept payment with virtual money.
- In principle, money held in a savings account or invested in savings notes or deposit accounts is protected by the government guarantee up to € 100,000 per financial institution and per person. That protection does not apply to investments in virtual money.

Detailed information on virtual money and the associated risks is available on the European Central Bank website and on the European Banking Authority website.

If you want to check in general whether proposed transactions are covered by supervision and comply with the regulations, consult the search function (only available in French or Dutch) on the FSMA website. You can also contact the FSMA (tel.: +32 2 220 59 10; e-mail address: info@fsma.be).

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