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PRESS RELEASE

Reminder of the warning by NBB and FSMA against risks attached to virtual money

Some media have recently reported on an event promoting the use of bitcoins for payments in shops of the city of Ghent. In that framework, NBB and FSMA want to remind of the warning they jointly issued in January 2014¹ and highlight the fact that the risks attached to the use and the holding of virtual money like bitcoin which are mentioned in that warning, are still relevant. The most important risks are the following:

- 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. Those variations can take place in a very short time (one day). There is no authorities' government supervision of the virtual money exchange rate. Since December 2013, the bitcoin has lost about 80% of its exchange value in euro ;
- 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.
- 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.

Since the publication of the warning, several incidents have confirmed the materiality of those risks. In particular, the sudden disappearance of Mt Gox, one of the biggest bitcoins exchange platforms, led to the loss of bitcoins belonging to its users for a value of several hundred millions of euros.

Other authorities, in particular the European Banking Authority, also issued similar warnings about virtual money².

¹The press release can be found on the web site of the NBB as well as on the website of the FSMA

² The text of the EBA warning can be found at the following location: <https://www.eba.europa.eu/-/eba-warns-consumers-on-virtual-currencies>