Published on (https://bnm.md)

10.07.2017

Virtual currency and its associated risks

In the context of increasingly frequent use of virtual currency schemes (Bitcoin, Litecoin, Ethereum, and others) both on the international market and payment services market of the Republic of Moldova, the National Bank of Moldova brings some explanations on its related risks:

Virtual currency is a digital representation of value that is not issued or guaranteed by a central bank or a public authority. It is not mandatory attached to a fit currency, but is used by individuals or legal entities as an alternative means of payment. This may be transferred, stored or traded electronically.

The use of virtual currencies is not regulated in the Republic of Moldova. They do not represent a form of electronic money within the meaning of the Law on payment services and electronic money no.114 of 18 May 2012 and the activity on their issuance and transaction is not subject to the competent authority's supervision. For these reasons, the users of virtual currencies are exposed to a range of risks, such as:

Risks associated to users' interests:

- conversion transactions fraud, commissions or unfavorable exchange rate when carrying out conversion operations, freezing of amount by the exchange platform when converting the virtual currency into simple currency, loss of amount in case of the exchange platform bankruptcy, high exchange rate volatility at which virtual currencies may be exchanged etc.;
- there is no guarantee that the virtual currency will be accepted by traders, the amount may be incorrectly debited, in certain cases the user may not convert the virtual currency or may not access the wallet in case of private key loss;

Risks to financial system integrity:

- risks of money laundering and terrorist financing;
- risks related to financial crimes: use of virtual currencies for selling prohibited goods, etc.

The National Bank of Moldova warns the payment service users on the fact that virtual currencies and related exchange methods are not subject to regulation on the territory of the Republic of Moldova. Respectively, the users' funds are not protected.

The National Bank will further monitor the development of international practices in this field.

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