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Press and Communications

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## Press release

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### EBA warns consumers on virtual currencies

**The European Banking Authority (EBA) issued today a warning on a series of risks deriving from buying, holding or trading virtual currencies such as Bitcoins. The EBA said that consumers are not protected through regulation when using virtual currencies as a means of payment and may be at risk of losing their money. It also added that there is no guarantee that currency values remain stable. The warning was issued while the Authority assesses further all relevant aspects associated with virtual currencies, in order to identify whether virtual currencies can and should be regulated and supervised.**

According to the EBA, while virtual currencies continue to hit the headlines and are enjoying increasing popularity, consumers need to remain aware of the risks associated with them. In particular, consumers should be aware that exchange platforms tend to be unregulated and are not banks that hold their virtual currency as a deposit. Currently, no specific regulatory protections exist in the EU that would protect consumers from financial losses if a platform that exchanges or holds virtual currencies fails or goes out of business.

The EBA added that the 'digital wallets' containing consumers' virtual currency stored on computers, laptops or smart phones, are not impervious to hackers. Cases have been reported of consumers losing significant amounts of virtual currency, with little prospect of having it returned. Also, when using virtual currency for commercial transactions, consumers are not protected by any refund rights under EU law.

The EBA also reminded that as transactions in virtual currency provide a high degree of anonymity, they may be misused for criminal activities, including money laundering. This misuse could lead law enforcement agencies to close exchange platforms at short notice and prevent consumers from accessing or retrieving any funds that the platforms may be holding for them.

Consumers should also remain mindful that holding virtual currencies may have tax implications, and should make sure that they give due consideration to whether tax liabilities apply in their country when using virtual currencies.

The EBA recommended that, if consumers buy virtual currencies, they should fully understand their specific characteristics and not use 'real' money that they cannot afford to lose.

## Background

### About virtual currencies

A virtual currency is a form of unregulated digital money, not issued or guaranteed by a central bank, which can act as means of payment. Virtual currencies have come in many forms, beginning as currencies within online computer gaming environments and social networks, and developing into means of payment accepted 'offline' or in 'real life'. It is now increasingly possible to use virtual currencies as a means to pay for goods and services with retailers, restaurants and entertainment venues. These transactions often do not incur any fees or charges, and do not involve a bank.

More recently, the virtual currency 'Bitcoin' has set the scene for a new generation of decentralised, peer-to-peer virtual currencies - often also referred to as crypto-currencies.

Virtual currencies can be bought at an exchange platform using conventional currency. They are then transferred to a personalised account known as a 'digital wallet'. Using this wallet, consumers can send virtual currencies online to anyone else willing to accept them, or convert them back into a conventional fiat currency (such as the Euro, Pound or Dollar).

### About the EBA

The European Banking Authority (EBA) is a regulatory agency of the European Union, it provides advice to EU institutions in the areas of banking, payments and e-money regulation, as well as on issues related to corporate governance, auditing and financial reporting. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.

The EBA also promotes a transparent, simple and fair internal market for EU consumers in financial products and services. The EBA seeks to foster consumer protection in financial services across the EU by identifying and addressing detriment consumers may experience, or are at risk of experiencing, in their dealings with financial firms.

The EBA was established on 1 January 2011 as part of the European System of Financial Supervision (ESFS) and took over all existing responsibilities and tasks of the Committee of European Banking Supervisors.