



## Frequently Asked Questions - Virtual assets

### Utilization

1. Are transactions in virtual assets prohibited?
2. Are transactions in virtual assets supervised by the Banco de Portugal?
3. Can banks prohibit fund transfers from and to virtual asset trading platforms?
4. What are the main risks associated with transactions in virtual assets?

### Utilization

#### 1. Are transactions in virtual assets prohibited?

No, the activity of issuing and trading virtual currencies is not illegal or prohibited. However, it is only regulated and supervised for the prevention of money laundering and terrorist financing (ML/TF).

#### 2. Are transactions in virtual assets supervised by the Banco de Portugal?

Law No 83/2017 of 18 August 2017, which establishes measures to prevent and fight ML/TF, as amended by Law No 58/2020 of 31 August 2020, includes as entities required to comply with the respective provisions, those entities that carry out at least one of the following activities involving virtual assets: Exchange services between virtual assets and fiat money; Exchange services between one or more virtual assets; Services through which one virtual asset is moved from one address or wallet to another (virtual asset transfer); or Services of safekeeping, or safekeeping and administration of virtual assets or of instruments that enable the control, ownership, storage or transfer of such assets, including private encrypted keys. In line with this regime, the Banco de Portugal has been the competent authority in registering and verifying compliance with ML/TF prevention obligations by these entities since 1 September 2020. However, we reiterate that the responsibility of the Banco de Portugal relative to the entities that carry out activities involving virtual assets mentioned above is restricted to ML/TF prevention, not covering domains of a prudential, banking conduct or any other nature.

#### 3. Can banks prohibit fund transfers from and to virtual asset trading platforms?

Financial entities are obliged to assess all fund transfers in the light of ML/TF prevention rules, which require an assessment of the legality of the origin and destination of the funds transferred. In cases of suspicious transactions where funds originate from or are destined to financing illicit activities, the financial entities shall prevent such transactions.

#### 4. What are the main risks associated with transactions in virtual assets?

Transactions in virtual assets have associated risks for their users as well as for all market participants. In line with the warnings by the European supervisory authorities and the National Council of Financial Supervisors, the Banco de Portugal draws your attention to the following risks: Virtual assets are not legal tender in Portugal, meaning that it is not compulsory to accept them at face value; There is no legal protection of any kind guaranteeing the rights of redemption for consumers using virtual assets to make payments, unlike regulated payment instruments; In the event of virtual assets depreciating in whole or in part, there is no fund to cover any losses borne by their users, who will have to take on all the risks associated with transactions using these instruments; Virtual asset users may lose their money on the trading platform; Transactions in virtual assets may be used unlawfully, in criminal activity, including for ML/TF.