



Frequently Asked Questions - Virtual currencies

Utilization

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

Utilization

1. Are transactions using virtual currencies prohibited?

No, the activity of issuing and trading virtual currencies is not illegal or prohibited, but it is not regulated or supervised.

2. Are transactions in virtual currencies supervised by Banco de Portugal?

The activity of issuing and trading virtual currencies is not regulated or supervised by Banco de Portugal or by any other financial system authority, either domestic or European, including the European Central Bank. Therefore, the entities that issue or trade virtual currencies are not required to have authorisation from or be registered with Banco de Portugal, and as a result their activity is not subject to any type of prudential or conduct supervision.

3. Can banks prohibit funds transfers from and to virtual currency trading platforms?

Financial institutions are obliged to evaluate all the funds transfers in the light of the rules to prevent money laundering and counter terrorist financing, which stipulate evaluation of the legality of the origin and destination of the funds being transferred. Where there are suspicions that the funds originate from or are destined for the financing of illicit activities, the financial institutions must block these transactions.

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

In an opinion issued in 2014, the European Banking Authority (EBA) identified over 70 risks related to virtual currency transactions, both for their users and for all market participants. In line with the EBA alerts, Banco de Portugal highlights the following risks: Virtual currencies 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 rights of redemption for a consumer using virtual currencies to make payments, unlike regulated payment instruments; Where virtual currencies depreciate partially or totally, there is no fund to cover any losses borne by their users, who have to take on all the risk associated with transactions using these instruments; The virtual currency users may lose their money on the trading platform; Virtual currency transactions may be used unlawfully, in criminal activity, including for money laundering and for terrorist financing.