

Publications and press releases

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Virtual currency providers to be covered by supervision of anti-money laundering – Supervision will not extend investor protection to virtual currencies

The registration and supervision of virtual currency providers and related services brings sector participants within the scope of regulation of anti-money laundering. Regulation will not, however, introduce virtual currencies into the scope of investor protection the risks associated with investing in virtual currencies will therefore remain unchanged. The Financial Supervisory Authority (FIN-FSA) continues to encourage investors to carefully assess the risks related to virtual currencies before making an investment decision.

“It is good that virtual currency providers are brought within the scope of anti-money laundering regulation. Virtual currencies are, in any case, high-risk investments. Activities related to virtual currencies are of a cross-border nature, and it is therefore important to develop European-wide regulatory solutions in order to improve relevant investor protection,” says **Anneli Tuominen**, Director General of the FIN-FSA.

From the beginning of November 2019, only those virtual currency providers that fulfil statutory requirements will be able to practise their activities in Finland. If a provider fails to meet the set requirements, its activities will be prohibited, and the prohibition shall be enforced by a conditional fine. Inclusion within the scope of regulation will require significant efforts from providers, in particular, to guarantee adequate customer identification and appropriate holding and protecting of client money.

Providers of virtual currency exchanges, issuers of virtual currencies and custodian wallet providers which were operating in the market prior to the entry into force of the Act will have to file an application for registration at the FIN-FSA by 18 August 2019. Providers considering the launch of business after the entry into force of the Act may only provide services to customers after their registration application has been processed and approved.

The change is based on the Act on Virtual Currency Providers, which entered into force on 1 May 2019. The registration obligation will ensure that providers comply with their statutory requirements concerning, among other things, compliance with AML/CFT regulation, reliability of the provider as well as the holding and protecting of client money.

The Act is based on EU’s anti-money laundering legislation

It is internationally acknowledged that virtual currencies and services related to these involve a high risk of money laundering and terrorist

financing. The Anti-Money Laundering Directive will now be amended across the whole EU area to also be applicable to virtual currency providers. This will improve authorities' possibilities to act and obtain information to prevent, investigate and uncover money laundering and terrorist financing.

Although the requirement to register and supervise virtual currencies is drawn from the EU level, national registration will not entail the right to provide services in other EU member states on the basis of registration granted in one member state.

Regulation will not bring virtual currencies within the scope of investor protection

Irrespective of supervision and registration, the characteristics of virtual currencies and the risks related to virtual currency investments remain unchanged. These risks include sudden major fluctuations in value, data security threats pertaining to exchange services and custodian wallet service providers, and the fact that a number of virtual currencies are speculative investments by nature.

Legislation does not lay down requirements concerning risk management for virtual currency providers nor impose capital requirements on them. The regulation and supervision of virtual currency providers are in general much narrower in scope compared to other financial market participants.

The FIN-FSA urges investors to carefully assess the risks related to virtual currencies before making an investment decision.

For further information, please contact

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See also

[Registering as a virtual currency provider](#)