

Publications and press releases

Press release 1 November 2019 – 23/2019

The Financial Supervisory Authority granted five registrations as virtual currency provider – scope of supervision is the prevention of money laundering

The Financial Supervisory Authority (FIN-FSA) has granted LocalBitcoins Oy, NorthCrypto Oy, Prasos Oy, Prasos Cash Management O and Tesseract Group Oy registration as virtual currency providers. Registration and supervision bring virtual currency providers under the scope of anti-money laundering regulation.

From 1 November 2019, only virtual currency providers who fulfil the requirements provided by legislation may practice activities in Finland. Compliance with requirements is ensured in the form of an obligation to register, and virtual currency providers that complete the registration process are entered in the FIN-FSA's register. The registration process requires significant effort from the applicants, for example concerning customer due diligence and written documentation of activities.

“Registration that is based on anti-money laundering regulation is the first step in the regulation of virtual currency providers. Despite the registration obligation and the regulation that has now entered into force, virtual currencies are still, in many ways, high-risk investments,” notes Hanna Heiskanen, Senior Digitalisation Specialist.

During the registration process, the FIN-FSA assesses whether the applicant has adequate procedures for the prevention of money laundering and terrorist financing, the adequacy of the holding and safeguarding of client assets and whether the applicant's management and key staff fulfil the fitness and propriety criteria. The applicants submit to the FIN-FSA written statements in which they describe their compliance with the requirements. After the FIN-FSA has granted the registration, it will monitor compliance with the requirements, for example by requesting clarifications and performing inspections.

Unauthorised provision of virtual currencies is prohibited in Finland and subject to a fine

The FIN-FSA supervises that only registered virtual currency providers provide such services in Finland. New providers of virtual currencies may not start the provision of services in Finland before their registration application has been approved. If the virtual currency provider does not comply with the requirements, its activities will be prohibited and the FIN-FSA will impose a fine on the provider.

Virtual currencies are still high-risk investments despite the registration obligation

Supervision and registration do not affect the characteristics of virtual currencies and the risks associated with investing in virtual currencies. The risks include extreme and abrupt price volatility, information security threats on exchange platforms and wallet providers and the fact that many virtual currencies are used as speculative investments.

Virtual currency providers are not subject to statutory risk management and capital adequacy requirements. The regulation and supervision of virtual currency providers is not as comprehensive as that of other financial sector entities.

The provision of virtual currencies is international and cross-border activity. Finnish investors in virtual currencies may therefore use services provided by a virtual currency provider operating from another country.

“Those considering investing in virtual currencies should find out whether the service provider is supervised by a national competent authority. It is advisable to study the risks carefully. Potential investors should also examine the contract terms thoroughly,” says Heiskanen.

Act on Virtual Currency Providers is based on the EU’s anti-money laundering legislation

It is an internationally recognised fact that virtual currencies and related services entail a high risk of money laundering and terrorist financing. The directive on the prevention of money laundering and terrorist financing has now been extended to cover virtual currency providers throughout the EU. This enhances authorities’ powers and access to information in the prevention, detection and investigation of money laundering and terrorist financing.

Even though the requirement for the registration and supervision of virtual currencies is based on EU regulations, registration granted by a national competent authority of a Member State does not give the service provider authorisation to provide services in other EU Member States.

For further information, please contact:

Hanna Heiskanen Senior Digitalisation Specialist. **Requests for interviews** are coordinated by FIN-FSA Communications, tel. +358 9 183 503 weekdays 9.00–16.00.

See also

- Registering as a virtual currency provider
- Financial Supervisory Authority warning: cryptocurrencies and ICOs (Initial Coin Offering) are high-risk investments