

CBC Statement regarding cryptocurrencies / virtual currencies

Wednesday, 28 April 2021

In relation to questions submitted to the Central Bank of Cyprus (CBC) in connection with transactions in cryptocurrencies / virtual currencies, the CBC warns anew of the multiple risks involved in such transactions and calls on the public to take into account the high degree of risks.

The CBC also refers to the relevant warning issued by the European Supervisory Authorities (i.e. the European Banking Authority, the European Securities and Markets Authority and the European Insurance and Occupational Pension Authority - jointly the "ESAs") in March 2021, according to which some of the cryptoassets, including cryptocurrencies/virtual currencies, are extremely dangerous and speculative. The common warning issued by the ESAs in February 2018 focused on cryptocurrencies / virtual currencies and the high risks emanating from buying and/or owning these instruments, including the possibility of losing money.

Cryptocurrencies / virtual currencies are a digital representation of value that is not issued or guaranteed by either a central bank or a public authority, is not necessarily attached to a legally established currency and does not possess a legal status of currency or money.

The ESAs make a significant point that, due to the lack of a relevant regulatory framework in the EU, consumers who buy and/or hold cryptocurrencies do not benefit from the guarantees and safeguards associated with regulated financial services.

As mentioned in the ESAs announcement of February 2018, purchasers of cryptoassets are exposed to a number of risks including:

- extreme price volatility
- absence of legal protection due to lack of regulation
- lack of exit options from such transactions
- lack of price transparency
- operational disruptions exhibited in some virtual currency exchange platforms
- incomplete information made available to consumers wishing to buy virtual currencies.

Finally, it is noted that in September 2020, the European Commission presented a legislative proposal for a Regulation on cryptoasset markets. The proposal is still subject to the outcome of the legislative process and, as a result, consumers do not currently benefit from any of the safeguards provided for in this proposal, as it has not yet been enacted into EU law.

The public may refer to the above-mentioned ESA announcements, which can be found at the following links:

Crypto-assets: ESAs remind consumers about risks | European Banking Authority (europa.eu)

esma50-164-1284_joint_esas_warning_on_virtual_currenciesl.pdf (europa.eu)