

Central bank cautions of cryptocurrencies' high volatility and risk

The National Bank of Romania (BNR) notes that the public interest in virtual currencies (also called crypto-assets) is on a steady upward trend and cautions that, in its opinion, these remain highly volatile and extremely risky speculative assets that are highly likely to cause financial loss to the investors, BNR said in a statement on Thursday.

Despite the European Banking Authority's opinion that virtual currencies carry a high risk of illicit use, the premises have been created for the management of these assets.

Thus, starting with July 15, 2020, the providers of exchange services between virtual currencies and fiat currencies, and digital wallet providers are required to comply with the provisions of Law No. 129/2019 on preventing and combating money laundering and terrorist financing, which also amends and supplements specific regulatory acts, with all the subsequent amendments and completions, including the requirement to be authorized or registered by the Finance Ministry, through the Foreign Exchange Authorization Commission.

The process of regulating virtual currencies and related service providers has started in Europe, and negotiations are currently taking place between member states based on the European Commission's proposed Regulation on the cryptocurrency market.

The regulations of the National Bank of Romania do not include any provisions that would forbid credit institutions to offer account services to providers of exchange services between virtual currencies and fiat money and to digital wallet providers, the central bank's statement mentions.

Credit institutions are required to comply with the provisions of Law No. 129/2019, specifically to apply the customer knowledge and risk management measures regarding money laundering and terrorist financing, and to heed the risks they take following the provision of payment account services for these entities, by adapting in-company risk policies and their risk management capacity according to objective and proportionate criteria.

At this moment, the risks specific to the ownership and trading of virtual currencies and the significant price volatility of some of the traded virtual currencies do not represent a threat to financial stability in Romania, BNR concludes.