



BANCO CENTRAL DO BRASIL

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Warns about the risks derived from storing and negotiating virtual currencies.

Considering the growing interest from economic agents (individuals and firms) in the so-called virtual currencies, the Central Bank of Brazil warns that they are neither issued nor guaranteed by any monetary authority. Therefore, there is no guarantee that they can be converted to a sovereign currency and they are not backed by any kind of real asset. As a result, their holders run all the ensuing risks. Their value derives exclusively from the public's confidence in their issuers.

2. Buying and storing the so-called virtual currencies for speculative purposes can lead to imponderable risks, including the possibility of losing all invested resources and other consequences from the distinctive price fluctuations those currencies are subject to. Storing virtual currencies also poses risks that might lead to patrimonial losses.

3. If employed in illegal activities, virtual currencies might expose their owners to investigations conducted by public authorities in order to assess criminal and administrative responsibilities.

4. Firms that negotiate or store the so-called virtual currencies on behalf of their owners, be they natural or legal persons, are neither regulated, licensed to operate, nor supervised by the Central Bank of Brazil. There is no specific provision disciplining virtual currencies in the legal and regulatory frameworks associated with the National Financial System. The Central Bank of Brazil, in particular, neither regulates nor supervises transactions involving virtual currencies.

5. The so-called virtual currencies are not to be confused with e-money, which is defined in accordance with Law nº 12,865 of October 9, 2013, and with the Central Bank of Brazil's regulation approved under the National Monetary Council's guidelines. More specifically, e-money is defined as the resources in Brazilian Real (BRL) that are stored in electronic devices or systems that allow end users to perform payment transactions. Hence, e-money refers to a form of asset denominated in BRL. The so-called virtual currencies, in turn, are not denominated in BRL or in any other sovereign currency.

6. It is worth noting that carrying out international wire transfers referenced in foreign currencies through the use of virtual currencies and related instruments does not exempt firms from the obligation to comply with foreign exchange rules - especially with the rule that establishes that this type of transaction may only be performed by institutions authorized by the Central Bank of Brazil to operate in the foreign exchange market.

7. Although virtual currencies have been the subject of international debate and statements from both monetary and other public authorities, international organizations have



found no need so far to regulate those assets. In Brazil, for the time being, no relevant risks to the National Financial System have been observed. Nevertheless, the Central Bank of Brazil remains alert to the use of virtual currencies and continues to follow international discussions on this matter in order to adopt the required measures, if necessary, while observing other bodies' and entities' mandates.

8. The Central Bank of Brazil is committed to support financial innovations, including the technology-based ones that make the financial system safer and more efficient.

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This Communiqué represents our best effort to provide an English version of the official Communiqué in Portuguese. In case of any inconsistency, the original version in Portuguese prevails.