



**BANCO CENTRAL DO BRASIL**

***SPB (Sistema de Pagamentos Brasileiro)***  
**The Brazilian Payments System**

**POLICY STATEMENT Nr. 25,306, OF FEBRUARY 19<sup>th</sup>, 2014**

Policy Statement on the risks related to the acquisition of the so-called “virtual currencies” or “encrypted currencies” and to the transactions carried out with these currencies.

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February 2014



## **BANCO CENTRAL DO BRASIL**

POLICY STATEMENT Nr. 25,306, OF FEBRUARY 19<sup>th</sup>, 2014

Policy Statement on the risks related to the acquisition of the so-called “virtual currencies” or “encrypted currencies” and to the transactions carried out with these currencies.

Initially, Banco Central do Brasil would like to clarify that the so-called virtual currencies should not be confused with “electronic money” as defined in Law nr. 12,865, of October 9<sup>th</sup>, 2013, and its regulations. E-money, as defined in these normative acts, is a resource stored in a device or electronic system, which allows the final user to make payment transactions in national currency. Virtual currencies, on the other hand, are denominated in a different unit of account from the currencies issued by sovereign governments, and they are not stored in a device or electronic system in national currency (Brazilian *Real*).

2. The usage of virtual currencies and whether the regulation applicable to financial and payments systems applies to them have been the theme of international debate and public announcements by monetary authorities and other public institutions, with few concrete conclusions thus far.

3. The so-called virtual currencies are not issued nor guaranteed by a monetary authority. Some are issued and intermediated by non-financial institutions, while others do not even have a single entity who is responsible for their issuance. In any case, the institutions and people who issue or act as financial intermediaries of these virtual assets are not regulated nor supervised by monetary authorities of any country.

4. Virtual currencies do not have guaranteed conversion to official currency, nor are they guaranteed by real assets of any nature. The conversion value of an asset known as a virtual currency to a currency issued by monetary authorities depends on the credibility and trust that the market agents have regarding its acceptability as a means of exchange, as well as their expectations regarding its appreciation. Therefore, there is no government mechanism that guarantees the value in official currency of those instruments known as virtual currencies, which means that all the risk of their acceptance is left in the users’ hands.

5. Due to the low volume of transactions, low acceptance as a means of exchange, and lack of a clear perception about their reliability, the price variation of virtual currencies can be very wide and fast, leading even to total value loss.

6. Along similar lines, possible prudential, coercive, or punitive measures that might be taken by monetary authorities of any nation regarding the use of these assets could significantly affect their price or even the capacity of their negotiation.



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7. Furthermore, these virtual instruments can be used in illicit activities, which could lead to investigation by public authorities. Thus, even users that carry out transactions in good faith could be potentially involved in such investigations.

8. Finally, the storage of the so-called virtual currencies in the denominated electronic wallets presents the risk of financial loss to their holders, due to criminal attacks in the world wide web.

9. In Brazil, though the use of the so-called virtual currencies does not yet seem to offer risks to the National Financial System, particularly to retail payment transactions (article 6, paragraph 4 of Law nr. 12,865/2013), Banco Central do Brasil is monitoring the evolution of the usage of these instruments, as well as the related discussions in international forums – especially regarding their nature, ownership, and functioning -, in order to possibly adopt measures in its sphere of legal competency, if necessary.

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