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1. Defining virtual “currencies”
2. Bitcoin - a meaningful payment innovation?
3. Regulating “virtual currencies”
4. Conclusion

## From unauthorised e-money to “digital assets”

### **Payments:**

- centralized virtual “currencies” (e-gold)
- decentralized virtual “currencies” / cryptocurrencies (Bitcoin & altcoins)
- central bank digital currencies (no “”!)

### **Initial coin offerings (“ICOs”):**

- crypto tokens
- crypto assets

### Duration

- BTC transaction takes minutes, card or cash transaction takes seconds
- BTC average trn fee ~1 USD (20-50 USD in Dec 2017 – Jan 2018)

### Throughput

- Worldwide ~200 000 BTC trns daily
- BTC max 8 trn/sec, in reality ~**4 trn/sec**
- **CNB's CERTIS RTGS** averages 2 400 000 transactions daily (**416 trn/sec**)

### Bitcoin in the Czech Republic

- ~200 accepting merchants (coinmap.org)
- 21 BTC ATMs
- HW & SW development
  - the first VC mining pool
  - BTC „vault“
  - VC ATMs - local manufacturer delivered over 400 units worldwide
  - VC POS terminal
- a few VC exchanges
- 9 year jail sentence for 600 000 EUR fraud (2013 darkweb market robbery)



## **CNB is skeptical about more cryptocurrency regulation at the moment**

- difficulties of defining cryptocurrencies, designing appropriate rules and enforcing them
- no need, apart from AML/CFT rules
- danger of legitimizing cryptocurrencies and creating a (false) sense of safety (e.g. Japan)
- might limit innovation

## Initial coin offerings (“ICOs”) on the rise worldwide and in the Czech Republic

- “digital way of raising funds from the public using a virtual currency” (UK FCA)
- almost 9 billion USD raised
- clarity on ICOs should be provided on national and European levels, as was the case with early VCs designed for payments
- Bitcoins et al are not securities, but this might not be the case with other digital tokens

- Bitcoin and other cryptocurrencies based on it do not seem as meaningful innovation in payments
- More VC regulation at the moment, apart from AML/CFT rules, is not needed
- Central banks and regulators should continue to monitor virtual “currencies” and act if necessary (ICOs)



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## Czech National Bank's communication

- macro-economically marginal phenomenon
- BTC trading FAQ published on CNB's website in Feb 2014
  - **BTCs not *funds*** (banknotes, coins, scriptural money or electronic money) as defined in Payment System Act / Payment Services Directive
  - buying or selling of BTCs, including accepting them as payments, **not supervised by the CNB and does not require CNB's authorization**

## **BTC trading FAQ (continued):**

- BTCs are neither securities nor derivatives
- authorization might be required for trading BTC derivatives, BTC investment funds, or providing payment services related to operating an exchange platform
- **credit institutions cannot trade BTCs**
- other CNB regulated entities may engage in BTC trading as a part of their non-financial activity, but **must clearly distinguish these** from CNB regulated activities

## Anti-Money Laundering and Counter-Terrorist Financing (AML)

- AML rules apply to „persons providing services in connection with virtual currency“ from January 2017 in the Czech Republic
- AML rules are enforced **by the FIU**, not CNB
- In the EU as a whole, subjecting VC exchanges to AML / CFT regime is being proposed in the currently debated 5th AML directive (5AMLD)