

PRESS RELEASE

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The Statement of the Central Bank of Armenia on “crypto-assets”

In recent years, the so-called “cryptocurrencies” (e.g. Bitcoin, Ethereum, etc.) have been increasingly popular in the world, and people, businesses, mass media, as well as regulatory authorities and international organizations give attention to.

The Central Bank of Armenia keeps a watchful eye on the developments in the cryptocurrencies. After having examined international experience and relevant studies, the Central Bank of Armenia finds it reasonable to warn that regardless of type, prevalence and other characteristics, cryptocurrencies and transactions executed with them are highly risky for the following reasons:

- Cryptocurrencies are lacking security and are extremely unstable,
- In most schemes that use cryptocurrencies, there are no legally responsible entities,
- Transactions executed with cryptocurrencies can often be part of the money laundering and terrorist financing schemes, as they allow anonymous and cross-border transactions, the return of which cannot be secured,
- In cases of fraud, criminal distortions in information security, authentic mechanisms to protect the legitimate interests of clients or to compensate for their losses are not in place, as a result of which the consumers’ interests may be violated.

At first glance, cryptocurrencies may appear very attractive, but given that the public interest is not absolutely protected, individuals trying to invest in or making transactions with them may suffer substantial financial losses or lose their investment amounts due to high volatility in cryptocurrency price, hacker attacks, and other risks mentioned above.

A number of prominent international organizations, such as the International Monetary Fund, the World Bank, and other financial sector regulators have also voiced their opinion about cryptocurrencies and have issued a number of warnings, according to which the cryptocurrencies are viewed as “crypto-assets” as they do not have all those features that would allow them to be classified as currencies (in this case, the term “currency” does not correspond to its content) and be used as a means of payment, and their application may, starting a certain moment, affect the financial stability as well. In addition, international institutions compare some schemes of investment in cryptocurrencies to financial pyramids, in which event the investors’ rights do remain unsecured, while they may lose their entire investment money.

The G20 countries’ statement on cryptocurrencies at the Argentina conference recently is particularly noteworthy. The conference participants have applauded technological innovations, but referred to a handful of issues related to the use of cryptocurrencies, protection of rights and interests of customers and investors, money laundering and terrorism financing. The G20 has called international organizations on taking action, within their mandates, to continue monitoring the cryptocurrencies and associated risks, with an adequate response when necessary.

The Central Bank of Armenia remains adhering to the position with regard to cryptocurrencies, which is consistent with the approach of the respected financial institutions mentioned above.

In view of what has been stated above, the Central Bank of Armenia warns about significant risks and encourages the people, including economic agents, to refrain from such practices as an exchange and/or trading of crypto-assets, payment with cryptocurrencies, investment in cryptocurrencies or other similar transactions.

The above does not refer to the creation and extraction (mining) of cryptocurrencies, which is beyond the regulatory and supervisory competence of the Central Bank of Armenia and is viewed as part of an IT industry.

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