FMA

Financial Market Authority
Liechtenstein

Fact Sheet on Virtual Currencies

Virtual currencies are commonly defined as the digital representation of a (quasi-monetary) value that is issued neither by a central bank nor by any other official authority. Virtual currencies do not constitute an official currency. They do have some parallels to traditional currencies, however. For instance, they are used in payment transactions and traded on markets. Virtual currencies do entail certain risks. This fact sheet provides an overview of these risks and of the applicable legal provisions.

Bitcoin

A well-known example of a virtual currency is bitcoin. Bitcoin is produced by end users themselves in a decentralized fashion using special software on a computer network. Individual bitcoins are saved in a digital wallet and can be used as a means of payment. For instance, several locations in Liechtenstein already provide services in exchange for payment in bitcoin. Every transaction carried out in bitcoin is recorded in a centralized location on the internet (a blockchain) and is thus in principle traceable. As a rule, however, the end user remains anonymous.

Risks

The fact that a certain degree of anonymity is inherent to virtual currencies and that trading is conducted through neither public nor private institutions entails a certain risk when market participants use them. Additionally, there are considerable fluctuations as well as the risk that exchange platforms and virtual wallets can be hacked.

It is therefore recommended that individual investors exchange only a small part of their assets into virtual currencies and obtain comprehensive information about virtual currencies before using them. (See also the Opinion on Virtual Currencies of 4 July 2014 by the European Banking Authority (EBA).

Licensing requirement

As of now, neither the production nor the use of virtual currencies as means of payment are subject to any licensing requirement governed by specialized legislation. In individual cases, however, there may be a licensing requirement depending on the specific design of the business model. For each individual business model, it must be ascertained which licensing requirements must be complied with. It is also important to note that the Law on Professional Due Diligence to Combat Money Laundering, Organized Crime, and Terrorist Financing (Due Diligence Act; DDA) may apply. Here again, the determination of possible due diligence obligations is ascertained individually by the Financial Market Authority (FMA) Liechtenstein.

Interested persons are therefore advised to contact the FMA before taking up a business activity in the field of virtual currencies and to clarify licensing and due diligence requirements in order to avoid any violations of the law.

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