



External Relations Department

ERD/M&PRD/PR/01/2018-31

April 6, 2018

CAUTION REGARDING RISKS OF VIRTUAL CURRENCIES

General Public is advised that Virtual Currencies/Coins/Tokens (like Bitcoin, Litecoin, Pakcoin, OneCoin, DasCoin, Pay Diamond etc.) are **neither recognized as a Legal Tender nor has SBP authorized or licensed any individual or entity for the issuance, sale, purchase, exchange or investment in any such Virtual Currencies/Coins/Tokens** in Pakistan. Further, Banks/ DFIs/ Microfinance Banks and Payment System Operators (PSOs)/ Payment Service Providers (PSPs) have been advised not to facilitate their customers/account holders to transact in Virtual Currencies/ Initial Coin Offerings (ICOs) /Tokens vide BPRD's Circular No. 03 of 2018.

Virtual Currencies/Coins/Tokens provide high degree of anonymity and potentially can be used for facilitating illegal activities. Also due to the ambiguous nature of Virtual Currencies, no legal protection or recourse is available to any individual in the event of a loss incurred due to any or all of the following risks:

- a) High price volatility as investments tied to Virtual Currencies are highly unstable and are primarily based on speculations;
- b) Failure/closure of Virtual Currency exchanges/businesses due to any reason including action by law enforcement agencies; and
- c) Hacking/security compromises of crypto currency exchanges and wallet businesses as a number of instances have been recorded around the world where huge amount of funds have been lost due to the exchange/wallet operations being hacked/compromised.

Further, Fraudsters are also offering pyramid style investment schemes and coins and promising high returns (similar to Ponzi schemes) to the general public in Pakistan. This can cause significant loss to the General Public.

General Public is advised that domestic and international payment and money transfer services in Pakistan are regulated by SBP under the applicable laws. In this regard, no entity is currently licensed or authorized by SBP to offer money remittance services and products in Pakistan using Virtual Currencies/ Coins/Tokens. Persons using Virtual Currencies/ Coins/Tokens for the purpose of transferring value outside Pakistan are subject to prosecution as per the applicable laws.

In view of the above, the General Public in their own interest is advised to be cautious of and refrain from indulging in activities relating to mining, trading, exchanging, transferring value, promoting and investing of Virtual Currencies/Coins/Tokens to avoid any potential financial loss and legal implications.
