Warning with regard to purchasing, storing and investing in virtual currencies

The Financial Stability Board press release

Public interest in virtual currencies, particularly as a form of investment asset, has recently increased markedly. The Financial Stability Board (FSB), which consists of delegates from the Securities Market Agency, the Insurance Supervision Agency, the Bank of Slovenia and the Ministry of Finance, is therefore warning users of the risks to which they expose themselves if they purchase, store or invest in virtual currencies.

Virtual currencies, including cryptocurrencies, the most prominent of which is Bitcoin, are a form of unregulated digital representation of value that is neither issued nor backed by a central bank or a public authority. Because virtual currencies are not legal tender, their acceptability is rather limited, while the price volatility of virtual currencies means that their usefulness as a means of exchange is also limited. Stakeholders in virtual currency schemes that facilitate the purchase (e.g. trading platforms), storage (e.g. digital wallet providers) and trading of virtual currencies in Slovenia are not systemically regulated and supervised.

Crowdfunding by means of an initial coin offering (ICO) is becoming increasingly frequent, where purchases can most often be made with cryptocurrencies. This type of crowdfunding and project execution is most often based on blockchain technology, where the rights of holders of coin and the attributes of the latter generally differ greatly. The amount and credibility of information about the project, the process of crowdfunding via an ICO and the issuance of coin are also not regulated or supervised systemically.

Technological innovations, including blockchain technology, are welcome from the perspective of the development of the economy. Investors in virtual currencies and other forms of coin that are the subject of an ICO should nevertheless be aware of the specifics of this type of investment, and should weigh up whether the risks taken up align with their personal preferences and investment objectives. Even if a well-informed consumer decides in favour of such a transaction, it is recommended that the amount of funds invested should not constitute an excessive exposure.