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Answer given by Vice-President Dombrovskis
on behalf of the Commission
(16.3.2018)

The Commission is monitoring developments in the area of blockchain, virtual currencies and initial coin offerings (ICO) closely. Compared to the US and Asia, European trading in Bitcoin, is considered to be limited at about 4-5% of global trading suggesting that European investors' exposure to global cryptocurrency trading and volatility is also relatively limited.

As regards ICO, the market has experienced a very significant growth in 2017. The issuance and trading of tokens offered through an ICO may already be subject to EU and Member State financial services legislation, to the extent it takes place within the EU or is targeted at EU investors. While the tokens may appreciate in value and provide a strong return, they also expose investors to substantial risks of losing their entire investment. It is for this reason that on 13 November 2017, the European Securities and Markets Authority published two statements on ICO¹, one to highlight the risks for investors, and one on the rules applicable to firms involved in ICO. Several national authorities have also issued similar statements.

The Commission and the national and European Supervisory Authorities continue to assess developments in this area with a view to determine whether clarifications or amendments to EU regulation may be necessary. The changes to the 4th Anti-Money Laundering Directive will reduce anonymity and increase traceability of transactions by requiring cryptocurrency exchanges and custodial wallet providers in the European Economic Area to carry out customer identification and due diligence requirements.

The aim is to ensure a fair and transparent framework in order to make Europe a leading actor in developing new ways to fund rapidly growing enterprises.

¹ <https://www.esma.europa.eu/press-news/esma-news/esma-highlights-ico-risks-investors-and-firms>