



AML/CFT Circular No. 01/11 /2015

Date: 16 November 2015

**To all financial institutions**

### **WARNING AGAINST USE OF VIRTUAL CURRENCIES IN ZIMBABWE**

1. Virtual currencies, such as Bitcoin, are increasingly finding favour with money launderers the world over, because of the secrecy of and anonymity which they offer to transacting parties. Virtual currencies provide a powerful new tool for money launderers, terrorism financiers and other criminals to move and store illicit funds out of the reach of law enforcement and regulatory authorities.
2. Virtual currency is defined by the Financial Action Task Force (FATF), as ***“a digital representation of value, that can be digitally traded and functions as (1) a medium of exchange; and /or (2) a unit of account; and / or (3) a store of value, but does not have legal tender status.”*** (FATF Publication of June 2014, titled: *Virtual Currencies: Key Definitions and Potential AML/CFT Risks*, page 26)

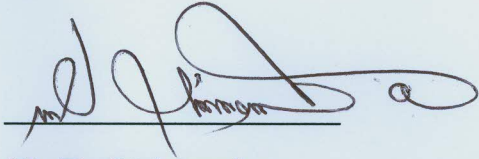
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3. Virtual currency is neither issued nor guaranteed by any jurisdiction and fulfils the above functions only by agreement within the community of users of the virtual currency. Virtual currency is distinguished from **fiat currency** (also known as **real currency**, **real money** or **national currency**) which is the coin and paper money of a country that is designated as its legal tender. Virtual currency is also distinct from **e-money**, which is a digital representation of fiat currency used to electronically transfer value denominated in fiat currency.
4. Over the last two decades, various virtual currencies including *Beenz*, *Flooz*, *Internetcash.com*, *E-gold*, *Digicash* and *CyberCash*, were established around the world and all collapsed for various reasons, ranging from regulatory problems with authorities and losing credibility with users.
5. There are currently a number of virtual currencies in circulation around the world, with Bitcoin currently being the most popular.
6. Virtual currencies are attractive to money launderers and other criminals because of the ease and supposed anonymity with which transactions can be conducted on the internet and across borders, using cryptography technology.
7. Because of the high money laundering and terrorism financing risks and the unregulated nature of virtual currencies, this circular serves to warn financial institutions, including banks, money remittance agencies and bureaux de change, against getting involved in schemes or transactions involving virtual currencies.
8. In June, 2015, the Financial Action Task Force (FATF) issued guidance titled: **Guidance for a Risk Based Approach to Virtual Currencies**, warning of the

money laundering and terrorist financing risks posed by virtual currencies and urging countries to take appropriate measures to guard against the risk.

9. The Unit will continue to monitor the evolving risks posed by virtual currencies both nationally as well as globally, and to put in place commensurate measures to address the risks.

A handwritten signature in dark ink, appearing to read 'M. E. Chiremba', is written over a horizontal line. The signature is stylized and cursive.

**M. E. Chiremba**

Director: Bank Use Promotion and Suppression of Money Laundering Unit