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BaFin Classifies Crypto as Financial Instrument

The regulator mandated licensing of all crypto custody by November.



Arnab Shome | News

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Germany's Federal Financial Supervisory Authority, popularly known as BaFin (https://www.financemagnates.com/tag/bafin/), released guidance on Monday, classifying digital assets as financial instruments.

Per the financial regulator, virtual currencies are "a digital representation of a value that has not been issued or guaranteed by any central bank or public body and is not necessarily linked to a currency specified by law and that does not have the legal status of a currency or money, but is accepted as a medium of exchange by natural or legal persons and can be transmitted, stored and traded electronically."

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The regulator also clarified that the definition of crypto by several entities including the Financial Action Task Force (FATF) overlaps, which formed the base of its classification.

The guidance also pointed out that the broad definition of crypto was prepared as previously digital assets that are not accounting units did not fall under any of its previous categorizations.

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Clarifying crypto regulations

This came after the regulator <u>updated</u> its existing anti-money laundering (AML) laws

(https://www.financemagnates.com/cryptocurrency/regulation/masbrings-new-aml-framework-for-crypto-businesses/), mandating companies offering crypto custody to obtain licenses. It also clarified

that it will not penalize any white entitivand parts of feithers why w.facebook.com/financemagnates) in (https://www.linkediri.com/company/2255766/) in (https://www.financemagnates.com/feed/) services. These firms only weed to show their autention to obtain such a MAGNATATA apply https://www.by.ullov.emberin.30/UCaMiOoCIu0Lb_bEO_V2kI_g/featured?view_as=public) According https://www.financemacharts.com/sontact us seeking BaFin's approval to offer digital asset custody services (https://www.financemacharts.com/all-news/) English

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(https://www.financemagnates.com/cryptocurrency/news/40-german-<u>banks-seek-bafins-nod-to-offer-bitcoin-custody/)</u> in the country.

"According to the wording of the regulation, it is not necessary that crypto values or private cryptographic keys that are used to hold, store or transfer crypto values are stored, managed and secured at the same time," BaFin stated (translated from German).

"For the purposes of this provision, custody means taking the crypto values into care as a service for third parties. This primarily includes service providers who store their customers' crypto values in a collective inventory without the customers themselves being aware of the cryptographic keys used."

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