

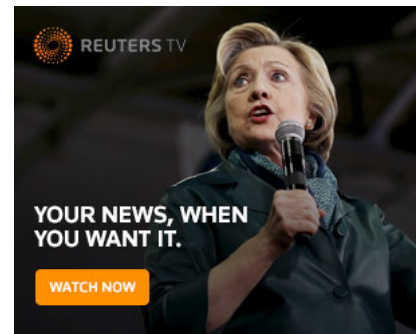
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# EU banking watchdog warns of risks from Bitcoin

LONDON | BY HUW JONES



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People using Bitcoins are on their own when it comes to losses, the European Union's

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The European Banking Authority said there was no protection or compensation for people whose "digital wallets" are hacked, a transfer of virtual money goes wrong or a platform is shut.

The warning follows similar announcements from the Bank of France and the Chinese central bank.

The EBA stopped short of telling consumers not to use online currency markets but said if they end up out of pocket there won't be a safety net like the compensation given to deposit holders when a mainstream EU bank goes bust.

"Currently, no specific regulatory protections exist in the EU that would protect consumers from financial losses if a platform that exchanges or holds virtual currencies fails or goes out of business," EBA said in a statement.

Bitcoin is not backed by any central bank or government, or by physical assets. Its value depends on people's confidence in the currency.

It has been gaining acceptance by the general public and investment community but has yet to become an accepted form of payment on websites of major retailers such as Amazon.com ([AMZN.O](#)).

"Cases have been reported of consumers losing significant amounts of virtual currency, with little prospect of having it returned. Also, when using virtual currency for commercial transactions, consumers are not protected by any refund rights under EU law," said the EBA.

The watchdog has been studying virtual currencies for three months and is still considering



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whether they can or ought to be regulated. It has powers to ban them, though questions remain over how this could be done in practice.

There are about 100 virtual currencies, with new ones appearing every week. Bitcoin is by far the best known.

The price of the bitcoin rose above \$1,000 last month for the first time, extending a 400 percent surge in less than a month and fuelling concerns of a bubble.

EU regulatory officials doubt such published estimates as the currency and the platforms that trade it are not regulated.

Some platforms have been closed down amid concerns there could be a risk of money laundering, leaving those who held money on them nursing temporary or permanent losses.

The EBA said there could also be potential tax liabilities for users of virtual currencies.

(Editing by Tom Pfeiffer)



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A Bitcoin logo is seen at the window of Sake Zone, a restaurant that accepts Bitcoin, as payment in San Francisco, California October 9, 2013.

REUTERS/STEPHEN LAM

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30-Year Fixed	3.74%	3.58%	
15-Year Fixed	2.72%	2.70%	
10-Year Fixed	2.76%	2.70%	
5/1-Year ARM	2.86%	2.95%	
30-Year Fixed Refi	3.61%	3.62%	
15-Year Fixed Refi	2.74%	2.74%	
5/1 ARM Refi	3.09%	2.94%	
30-Year Fixed Jumbo	4.17%	4.15%	

Rates may include points.

SOURCE: BANKRATE.COM

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