



Gibraltar Association of Compliance Officers

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January 26, 2015

Hon. Minister Albert Isola
Minister for Financial Services and Gaming
H.M. Government of Gibraltar
Suite 771, Europort
Gibraltar

Comments from GACO on the proposed regulatory approach on Virtual Currencies (VC)

Dear Hon. Minister Isola,

The Gibraltar Association of Compliance Officers welcomes the opportunity to comment and provide its views on the recently produced document on Virtual Currencies (VC) by the VC Working Group.

Our Association and its members highly welcome the possibility of our Jurisdiction to be at the forefront of innovative developments in the Financial Industry and to take the profits such financial innovation might bring to our jurisdiction including the potential creation of new jobs and further wealth for our economy.

We understand that the present high level document being analysed does not go into much detail with regards to the required legislative, legal and regulatory framework required to provide an adequate supervision of the transactions to be performed in relation to VC.

Very recently the European Banking Authority (EBA) has issued a document entitled EBA Opinion on 'virtual currencies' (<http://www.eba.europa.eu/documents/10180/657547/EBA-Op-2014-08+Opinion+on+Virtual+Currencies.pdf>) on which 70 different risks linked to VC's are identified and different risk grades are allocated to each of the risks in question. Additionally on page 38 of said document a summary of the risk drivers linked to those risks is provided accordingly. Said identification of the respective risk drivers allows to understand how those risks can be mitigated accordingly.

Whilst GACO is not suggesting or implying that we fully support and/or endorse the report produced by EBA, we feel that the above mentioned report clearly outlines very important and relevant risk factors and risk drivers that will require full contemplation and should be given appropriate consideration prior to any legal and/or regulatory framework being implemented accordingly. Said report may also influence any view taken by European Regulators including the local FSC.

GACO considers that at present the biggest risks that would need to be mitigated would be the following:



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- Payer and Payee are anonymous raising the risk for Money Laundering proceeds of criminal and/or terrorist activity
- VC's do not respect national boundaries increasing the risk of circumvention of international Sanctions or asset freezes
- Lack of definition and generally accepted international standards
- Inadequate IT Safety exposing the clients to theft of the VC and the jurisdiction to international Hackers and Cyber Attacks
- High potential for fraud and losses to the clients if systems, e-wallets and exchanges are hacked accordingly

If all the different risk parameters can be addressed and mitigated successfully, VC's could become a new success story for Gibraltar.

Gibraltar has the advantage to be able to use the knowledge and experience acquired by being home of the world's leading Gaming companies and its advance IT technologies as well as being home of the most important eMoney Companies in Europe. This certainly constitutes a good starting point for this new project.

GACO offers you and the working group its cooperation to continue to provide our opinion on this new business venture as well as to assist in finding solutions on how to mitigate the risks inherent to this project.

Best regards,


Carlos M. Martins
GACO Chairman
on behalf of the GACO Exec