



RESERVE BANK VANUATU

PRESS RELEASE

PRESS RELEASE No: 15/2017

Telephone: (678) 23333

Facsimile: (678) 24231

Date: October 19, 2017

Public Notice

Use of Bitcoin as a Form of Payment in Vanuatu

Given the recent article on bitcoin, the Reserve Bank of Vanuatu (RBV) as the regulatory authority and issuer of Vatu currency as the sole legal tender in the country, wishes to clarify the followings:

1. Bitcoin is a form of a cryptocurrency and is a new product that operates without a central repository or single administrator or regulator like central banks and regulatory authorities. Cryptocurrency is a digital asset designed to work as a medium of exchange using cryptography to secure the transactions and to control the creation of additional units of the currency. Bitcoin and its derivatives use decentralized control as opposed to centralized electronic money/centralized banking systems. Because cryptocurrency trades operate outside of the banking system, it creates a risk for central banks to regulate it.
2. The price of bitcoin can unpredictably increase or decrease over a short period of time due to its young economy, novel nature and sometimes illiquid markets as compared to normal currencies trading. Consequently, maintaining savings with Bitcoin is not safe. Bitcoin is therefore considered a high-risk asset and residents and/or investors carrying on international transactions with Vanuatu are kindly asked to refrain from accepting any payments in the form of bitcoins.
3. Bitcoin payments are irreversible in that any transaction issued with Bitcoin cannot be reversed; they can only be refunded by the person receiving the funds. This implies that you should take care to do business with people and organization you know and trust, or who have an established reputation. For their part, businesses need to keep control of the payment requests they are displaying to their customers.
4. Bitcoin is not anonymous in that some efforts are required to protect your privacy with Bitcoin. All Bitcoin transactions are stored publicly and permanently on the network, which means anyone can see the balance and transactions of any Bitcoin address. However, the identity of the user behind an address remains unknown until information is revealed during a purchase or in other circumstances.

5. As transactions between users (peer to peer) are carried out directly between themselves, there are no checks on the source of funds, as there are no intermediaries, which stand the risk of further undermining our anti-money laundering and counter-terrorist financing (AML/CTF) compliance with international obligations currently taking place. These pose challenges and risks to Know Your Customer (KYC) requirements.
6. Sections 14-15 of the RBV Act provides, among other things, that....the currency unit of Vanuatu shall be the Vatu, and its value in terms of other currencies shall be determined by the Reserve Bank of Vanuatu...

The Act further sets out that ... should there be any currencies in which RBV is obliged to deal with must be approved by the Minister in consultation with the RBV.... The Bank as a responsible monetary authority has the discretion to choosing what trading currencies to be included in the reserve of its external assets. Bitcoins in their present forms are not compatible with normal central banking currency business, and are therefore considered illegal in Vanuatu under the RBV Act.

7. Bitcoin jeopardizes the principles of the proposed national payment system legislation which is intended to promote a central depository for securities / transactions / settlement, and so forth that will be monitored and carried out daily by a central bank once the law becomes effective.
8. The RBV is very concerned of its reputational risks on Vanuatu's image as a whole, itself as the sole authority responsible for the issuance of Vatu currencies and in terms of "Know Your Customer" requirements.
9. The RBV as the sole monetary authority maintains that the Vatu currency remains the only legal tender that trades with other international recognized currencies. Bitcoins are not recognized medium of exchange in Vanuatu. It is not recommended as it poses more risk for Vanuatu than benefits as aforesaid described.
10. RBV therefore strongly advises that all corporate, financial institutions, public enterprises, and individual customers and public at large are to refrain from involving themselves in Bitcoins trading with bitcoins or other forms of cryptocurrency with immediate effect.

RESERVE BANK OF VANUATU