

C L I E N T A D V I C E

for clients of OTP Bank JSC on the risks inherent in virtual currencies

The European Banking Authority (EBA) and the Financial Action Task Force (FATF) creating the rules for combat against money laundering and financing of terrorism and coordinating the execution of these rules, as well as the National Bank of Ukraine also draw the attention of the financial service providers to the high risks inherent in virtual currencies. Both the EBA and the FATF **recommend that banks do not buy, sell or register virtual currencies for their own or their clients' benefit and practice increased caution in relation to them.** Such virtual currencies are for example bitcoin, onecoin and other, so called "cryptocurrencies".

Virtual currencies were created concurrently with the world-scale financial crisis in 2008 with the purpose of eliminating certain risks existing in international financial systems.

On the basis of the previous years' experience, virtual currencies **involve the following threats for their holders:**

- the issuers of virtual currencies are usually not supervised (they do not fall under the scope of any country's supervisory authority, therefore they are not subject to any rules or sanctions), the person or registered seat of the issuer is not known, if a problem arises in relation to the currency, there is no forum to submit a claim to (there are no rules for guarantee);
- its exchange rate is highly volatile, it reaches extreme heights from its low initial exchange rate then it drops sharply again, therefore anyone investing in such kinds of currency basically takes part in some kind of gambling. Moreover, since these "currencies" can be bought from a platform specialised to this end, crediting the buyer's account with the virtual currency is not guaranteed either.
- since the information units holding the currencies used for issuing and transferring the currency are anonymous, there is a high risk of money laundering and financing of terrorism (and the risk of laundering money generating from other kinds of criminal activity), the route of the money cannot be traced. Several financial institutions notified that they received messages from blackmailers demanding "ransom" in virtual currencies, in bitcoin.

OTP Bank JSC warns its clients that virtual currencies involve a high level of risk, its issuers are not subject to the supervision of central banks and if they default, there is no one to compensate the clients.

We draw our clients' attention to the fact that neither the Bank, nor members of the OTP Group buy, register or sell virtual currencies and accept orders for transferring

virtual currencies. OTP Bank JSC, pursuant to the provisions of its general terms and conditions, undertakes to execute only those transactions compliant with its business policy and the relevant legislation, while reserving the right to suspend or deny executing transactions incompatible with any of the above in any stage of their processing.

At the same time, OTP Bank JSC acknowledges and applies – to the extent possible – any new technological solution serving the clients' and the Bank's interest (e.g. blockchain technologies), making the clients' orders and their execution faster, unambiguous and traceable and contributing to digital innovations in banking solutions.