

US Treasury presents guidelines to virtual money transmitters

March 25 2013, by Nancy Owano



(Phys.org) —Money launderers thinking virtual currency provides an easy way to towel-off have had a rude awakening this month with the U.S. Treasury announcing that virtual currencies, like real currencies, must abide by the same rules regarding what's legal and illegal.

The new currency traffic rules clarify virtual currency definitions. They are intended to ensure that businesses engaged in virtual currencies are aware of their regulatory responsibilities. FinCEN stands for Financial Crimes Enforcement Network, which is an arm of the Treasury

Department. FinCEN is intended to support the safeguarding of the U.S. financial system from abuse by criminals and money laundering.

The announcement relayed the news that standard federal banking rules aimed at suspicious dollar transfers also apply to firms that issue or exchange the kind of money that stands free of any governments and exists only online—virtual currencies.

The guideline presentation does not mean that virtual currency is outlawed but that virtual currencies will be open to the same examination applied to "real" money. Specifically, any firms that issue or exchange online cash will need to get in step with [bookkeeping](#) requirements and will need to report transactions exceeding \$10,000. Virtual currency is a mode of exchange that operates like currency but lacks legal tender status in many jurisdictions.

Issued March 18, [the notice](#) was titled "Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies," and it said that the FinCEN was issuing this "interpretive guidance to clarify the applicability of the regulations implementing the Bank Secrecy Act ['BSA'] to persons creating, obtaining, distributing, exchanging, accepting, or transmitting virtual currencies."

The Bank Secrecy Act is a comprehensive federal anti-money laundering statute. The announcement follows concerns over the possibility that Internet cash models may provide safe haven for some illicit activities, where criminals may be drawn to doing business in virtual currencies so that they avoid being traced.

With this month's announcement, virtual-currency watchers have frequently referred to Bitcoin, a digital peer-to-peer currency created in 2009. Although it is not the only act in town offering virtual currency alternatives to real cash, Bitcoin is popular and widely used as an

alternative model not backed by a central bank or controlled by a central administrator.

Recently, there was news from Canada that a home-owner in Alberta listed his two-bedroom residence for \$395,000 and was accepting bitcoins as a portion of the purchase price or covering the entire purchase price. In Spain, a [BGR](#) report indicated residents of Spain were interested in Bitcoin to protect their savings. According to a posting earlier this month, Bitcoin-related apps started spiking on the Spanish iPhone market.

The [Geekosystem](#) take on the news and its ramifications for Bitcoin is pragmatic. The comment from the site was that "Just because some criminals use Bitcoin, does not mean it's a criminal empire." The rules will just make it tougher for the use of Bitcoin for illicit ends. Besides, "having the Treasury department regulating it should make supporters of [virtual currency](#) happy to see that it's getting a level of legitimacy it didn't have before."

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