



1. Backdrop

- 1.1. The Bank of Namibia (the Bank) issued a position paper on digital ledger technologies and virtual currencies (also known as cryptocurrencies) in September 2017. The aim of the position paper was to provide the Bank's position on distributed ledger technologies and cryptocurrencies and educate members of the public on these emerging financial technologies. The Bank has since reiterated its position through various platforms such as conferences, media briefings and social media.
- 1.2. A cryptocurrency is a form of digital currency that has two key differences which distinguishes it from traditional money (fiat currency). A fiat currency is a generally accepted form of money, including coins and banknotes, which is issued by a government and circulated within an economy. Cryptocurrencies, on the other hand, are not issued or regulated by any government or central authority, making them a currency only used on the internet (online currency).
- 1.3. The growing interest of buying and trading in cryptocurrencies continues to provide opportunities for investors seeking instant fortunes and higher than usual returns from investments. This state of affairs is likely fuelled by the challenging economic conditions and the apparent lack of understanding about cryptocurrencies by members of the public. In this regard, the Bank continues to emphasize that cryptocurrencies are prone to risks such as being used in criminal activity such as fraud, money laundering and pyramid schemes due to their unregulated and anonymous / secretive nature.

Below are the various known uses of cryptocurrencies that have been noted internationally and the Bank's stance on them:

2. Cryptocurrencies as Legal Tender

- 2.1. Section 19 and 20 of the Bank of Namibia Act, 1997 (Act No.15 of 1997), as amended (the BoN Act) provides the Bank with the sole mandate to issue notes and coins denominated in Namibia Dollar which are legal tender in Namibia. The BoN Act, under section 26, further recognises the South African Rand as the only additional form of legal tender in Namibia until such a date to be determined by the Namibian Minister of Finance.
- 2.2. **Given this legal environment, the Bank does not recognise the use and acceptance of cryptocurrencies as legal tender in Namibia. Additionally, the Bank is strongly against the use of cryptocurrencies as a method of payment for goods and services and the exchange to the Namibia Dollar.**

3. Cryptocurrencies as a Store of Value

- 3.1. Cryptocurrencies may be seen as a store of value, to those investing in them, which implies that they can be used to save monetary value which can be retrieved and exchanged at a later time and be predictably useful when retrieved. Cryptocurrency prices have been extremely unpredictable and volatile since their introduction. Overall, market analysis has shown that cryptocurrencies have been less effective than fiat currency at maintaining a relatively stable value to goods and services.
- 3.2. **The Bank does not support the use of cryptocurrencies as a store of value by the members of the public. The Bank therefore strongly recommends the public to refrain from storing wealth, savings or earnings in cryptocurrencies due to their unregulated and highly volatile nature.**

4. Cryptocurrencies as Tradable Commodities and Exchanges

- 4.1. Cryptocurrencies can be traded as commodities on international financial markets on the one hand while various cryptocurrency exchanges on the internet make it possible to buy and exchange cryptocurrencies for fiat currency. Unlike recognised commodities, the trading of cryptocurrencies as commodities may present unknown risks given its limited background and lack of historical performance on financial markets. Many platforms that allow the conversion of one type of cryptocurrency for another or into fiat currency, if offered, are not subject to supervision which applies to regulated exchanges. Cryptocurrency platforms may lack critical system safeguards and customer protection procedures, which may lead to people losing some or all of their money.
- 4.2. **The Bank does not currently recognise cryptocurrencies as a commodity nor support the trading of cryptocurrencies on any (domestic or international) financial market or currency exchange. The Bank therefore strongly advises the public to refrain from the trading and owning cryptocurrencies on international financial markets and cryptocurrency exchanges.**
- 4.3. **The Currency and Exchanges Act 9 of 1933 read in conjunction with the Exchange Control Regulations 1961 does not make provision for the establishment of cryptocurrencies exchanges or bureaus in Namibia. Thus any cryptocurrency exchanges established and operational in Namibia are illegal. The exchange of the Namibia Dollar for foreign currency is subject to approval by the Bank of Namibia.**
- 4.4. **In addition, seeing that cryptocurrencies are not foreign currencies, Authorised Dealers (ADs), Authorised Dealers with Limited Authority (ADLAs) and natural persons are not allowed to establish cryptocurrencies exchanges or engage in activities that provide or facilitate the conversion or exchanging of Namibia Dollar for cryptocurrencies.**

5. The use of Cryptocurrencies as a Payment Instrument

- 5.1. Cryptocurrencies may be used as a payment instrument to pay merchants on the internet for goods and services. The use of unregulated cryptocurrencies may increase liquidity and credit risks within the financial system in the event a counterparty or institution does not hold sufficient cryptocurrency (virtual currency units) to settle an outstanding obligation. In addition, cryptocurrencies cannot be easily sold or exchanged for cash without a substantial loss in value and the absence of a guaranteed settlement procedure exposes users to substantial credit and liquidity risk.

- 5.2. The definition of payment instruments in the Payment System Management Act, 2003 (Act No.18 of 2003), as amended does not extend to cryptocurrencies. In Namibia, cryptocurrencies may not be considered or used as payment instruments or electronic money similar to those authorised by the Bank. This means that a natural person (an individual or business) may not price goods and services in cryptocurrencies or accept them as a method of payment for goods and services offered in Namibia.

6. Online trading of cryptocurrencies

- 6.1. Any member of the public or entity in Namibia that engages in mining, online trading (buying and selling) and exchanging of cryptocurrencies are subject to the applicable provisions of the Financial Intelligence Act, 2012 (Act No. 13 of 2012), as amended (FIA). This is to ensure that any risks related to money laundering, financing of terrorism and proliferation are controlled. Failure to comply with the provisions of the FIA amounts to a criminal offence which may attract a fine not exceeding N\$100 million or to imprisonment for a period not exceeding 30 years, or to both such fine and such imprisonment.

7. Overall position

- 7.1. The overall position of the Bank is that it does not recognise, support and recommend the possessing, utilisation and trading of cryptocurrencies in Namibia and by members of the public. Members of the public who do so will have no recourse to the Bank in the event of financial loss or misfortune. As such, the Bank strongly discourages any engagements or activities related to unregulated currencies such as cryptocurrencies.
- 7.2. The Bank strongly discourages the practice of soliciting funds from the public to invest or trade in cryptocurrencies on their behalf. Any person found to be in contravention of the Banking Institution Act, 1998 (Act No.2 of 1998), as amended, with respect to conducting banking business, or illegal financial schemes will be prosecuted in accordance with the relevant laws and bylaws.
- 7.3. The public is reminded to refrain from cryptocurrencies and related activities, since cryptocurrencies could be used as a platform for illegal financial activities, like pyramid schemes, unauthorised banking business, money laundering, terrorist financing and proliferation activities, which may be in contravention of the Banking Institutions Act, 1998 (Act No. 2 of 1998), as amended, and the Financial Intelligence Act, 2012 (Act No. 13 of 2012), respectively.

- 8. The current position of the Bank may be amended and / or supplemented, should a need arise.**