



## **RESERVE BANK OF MALAWI**

### **PUBLIC STATEMENT ON CRYPTOCURRENCIES**

The Reserve Bank of Malawi (RBM) has noted with concern increased public interest in cryptocurrencies, also known as virtual or digital currencies, as observed through the growing number of enquiries on the subject received from the general public and other stakeholders. Similarly, activities on cryptocurrencies trade in the country have also been reported in the public and other social media platforms. Examples of cryptocurrencies are Bitcoin (globally, the most widely-known and traded), Litecoin, Ethereum, Zcash, Dach, Ripple, among numerous other forms.

In this regard, Reserve Bank Malawi wishes to advise the general public that cryptocurrencies are not legal tender in Malawi. The RBM is however aware that they are used as a means of payment or medium of exchange, a store of value or invested assets online. In order to safeguard the interests of the members of the general public and the integrity of the Malawi's financial system, the RBM therefore wishes to state as follows;

- 1) Neither the RBM, nor any other public institution in Malawi, has oversight responsibility over cryptocurrency trade, systems or their intermediaries in this country. Consequently, the general public and business entities should be aware that any and all activities related to the buying, trading or usage of

cryptocurrencies are performed at own individual risk, as there are no legal consumer recourse channels available at the moment.

- 2) The RBM bears the exclusive mandate to issue legal tender, thus, bank notes and coins in Malawi, and to date, has not issued any form of cryptocurrency. To this end, cryptocurrencies are not legal tender in Malawi and should therefore not be used for the discharge of any obligations that suggests that they are a perfect substitute to the Malawi Kwacha.
- 3) The general public is encouraged to fully understand and be aware of the risks associated with the usage of cryptocurrencies and similar online trading schemes, which include money laundering, vulnerability to cybercrimes, hacking and other fraudulent activities. Other potential risks to users would emanate from loss or theft through a security breach, user error or a technological failure.
- 4) The RBM further wishes to urge any individual or entities currently investing or intending to invest in cryptocurrencies and related products/assets to exercise restraint or caution due to the aforementioned risks and unregulated status of such online schemes. Users risk losing their money since no regulatory protection exists that would compensate them should the cryptocurrency scheme fail.
- 5) The online and borderless nature of cryptocurrencies mean that most of the trading is conducted via systems and platforms that are based outside Malawi. Further, by their design, there is anonymity of the virtual account holders as physical identities of persons behind any of the transactions are not recorded. So far, there is no cryptocurrency exchange known to have been registered in Malawi, notwithstanding any trading by its citizenry or local entities on the foreign-based exchanges. These factors present another risk dimension as it

would make it particularly difficult to pursue perpetrators in the event of fraud or other forms of malpractices that may be encountered by users in Malawi.

- 6) The general public is further being informed that the RBM shall not approve nor recognise any inbound or outbound foreign investment in cryptocurrencies.
- 7) The RBM also wishes to advise and warn current and potential users to observe extreme caution when dealing with self-proclaimed cryptocurrency educators, trainers, advisors, entrepreneurs and firms as the credibility and validity of their claims is not certain. Members of the public should therefore guard against being exploited by ambiguous and unscrupulous schemes, and are further urged to deal with financial service providers licenced by the RBM, which is the sole regulatory authority for financial services in Malawi.
- 8) The RBM wishes to acknowledge that it is aware that underlying cryptocurrency concept is Blockchain Technology, which has proved to be so versatile that it has found beneficial application in various other areas of commercial activity in the business world. As such, the RBM wishes to underline that this public statement is against trading in cryptocurrencies and any related activities rather than the technology behind it.
- 9) The RBM wishes to assure the general public that it will continue to monitor domestic, regional and global developments regarding the subject matter and reserves the right to review its position regarding any regulatory intervention it may feel necessary to apply.

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