

BITCOINS ARE NOT MONEY

Recently the virtual currency bitcoin has attracted considerable attention. Bitcoins are not money in a proper sense as there is no issuer behind them. Instead, bitcoins display the characteristics of a commodity to which users attach value. Unlike precious metals such as gold and silver, bitcoins have no actual utility value, bearing closer resemblance to glass beads.

"Bitcoin is a virtual currency without any value anchor and hence it may rise sharply or fall very suddenly. A core property of money is that its value is stable so that its purchasing power does not change markedly from day to day," says Governor Hugo Frey Jensen, Danmarks Nationalbank.

The value of the bitcoin fluctuates strongly, and recent events such as hacking of the largest exchange for purchase and sale of bitcoins show that there are risks linked to using bitcoins. Moreover, bitcoins are neither protected by a depositor guarantee nor by consumer protection legislation.

"In spite of the considerable focus, use of bitcoins as a means of payment remains very limited. Against that background, the risks linked to their use are currently assessed to be limited to the individual user," says Hugo Frey Jensen, adding: "The European authorities are analysing the need to regulate such virtual currencies."

