

Canada enacts bitcoin regulations



Canada enacted legislation regulating bitcoin and other virtual currencies.

The provision of a budget law, which received royal assent last week, amended the country's anti-money laundering and counter-terrorist financing laws to, among other things, regulate virtual currencies.

It makes digital currencies subject to the same reporting requirements as other money-services businesses.

Cristine Duhaime, a barrister and solicitor at her boutique law firm Duhaime Law, wrote on her firm's website that the law may mark the first national regulations relating to bitcoin, and is "certainly" the first time a country dealt with bitcoin under national anti-money laundering law.

"Canada approving a national Bitcoin law as a matter of anti-money laundering law should not be discounted," she wrote.

"It is important not only because it may be the first Bitcoin national law but also because most countries may now follow suit because of their membership in the Financial Action Task Force."

The FATF, an international body that sets standards on anti-money laundering and counter-terrorist financing policy, is meeting this week in Paris.

Countries that fail to implement FATF standards risk being blacklisted as high-risk or uncooperative jurisdictions, making it more costly and difficult for them to do business with the banking systems of FATF member states.

In addition to the money services business treatment, digital-currency exchanges will have to register with the Financial Transactions and Reports Analysis Centre of Canada, or Fintrac.

With that registration comes requirements to report suspicious transactions, keep certain records, implement compliance programs and determine if any of their customers are politically exposed people.

And the law is extraterritorial: It captures foreign companies that have a place of business in Canada and those directing services at Canadians.

Ms. Duhaime noted, however, that legislation receiving royal assent does not put it into effect; parliament sets the date when laws are in force.

The next step, she wrote, is the regulatory process: drafting rules, a comment period for the rules, writing guidance for the regulations and a consultation period for the guidance; Ms. Duhaime predicted the regulatory process could take six months to a year.