

The Supreme Court of Estonia's decision on bitcoin

The Supreme Court of Estonia decided today in its decision 3-2-1-75-15 that bitcoin is currently regarded as an alternative means of payment and that its mediation falls under the anti-money laundering regulation. This means that bitcoin mediators must observe the AML & KYC measures arising from the Money Laundering and Terrorist Financing Prevention Act which are considered to be too harsh by bitcoin mediators and are thus the reason for the drought in bitcoin mediation service providers in Estonia.

Interestingly the Supreme Court also gave pointers to the Estonian legislator hinting that the current regulation is insufficient. The Supreme Court saw that the current regulation has its shortcomings in its application to virtual currencies and found that this may lead to the regulation being disproportionate. The Supreme Court stated that the application of the AML & KYC requirements on verification of persons, collection and retention of data on bitcoin mediation is overlooking the influence these procedures have on that business. The Court also noted that the current regulation imposes AML & KYC requirements on physical persons who are mediating bitcoin but not on foundations or non-profit organisations. It can be concluded then that the Supreme Court considers the current requirement of AML & KYC procedures to be too harsh on bitcoin mediators, however, the Supreme Court still did not take the mediator's side in the current case.

The Supreme Court thus gave a strong signal to the Estonian legislator that the trading and mediation of bitcoin requires more accurate and flexible regulation so that Estonia's e-state economy could benefit from virtual-currency businesses.