

## **LEGAL ALERT**

# **PROVISION OF VIRTUAL ASSET AND DIGITAL BANKING SERVICES**

## **REGULATION AND INCORPORATION**

Law no. 30/X/2023 of 21 June, which regulates the provision of services with virtual assets and the incorporation of virtual banks, came into force on 22 June 2023.

Rapid technological progress has transformed various aspects of society. The economic and financial scenario could not lag behind. These are two sectors that have been strongly transformed by technology, insofar as the use of technology has fostered the appearance of new services and new business models, but also the emergence of new risks.

### **Virtual assets**

Entities that intend to engage in activities with assets in Cape Verde have not been regulated or supervised, up to now, by any regulatory and supervisory authority of the national financial system. They have also not been obliged to identify suspicious transactions or to implement programmes to prevent and combat money laundering and to combat terrorist financing, which increases the risks to the integrity of the financial system.

It is therefore extremely necessary to make entities that engage in activities involving assets *(i)* subject to the legislation that establishes measures to prevent and curb the crime of laundering money, assets, rights and securities, and *(ii)* subject to the legislation that establishes measures of a preventive and repressive nature against terrorism and its financing. It is also necessary to designate

a competent authority to regulate and supervise compliance with the preventive duties laid down in the aforementioned legislation, without, however, inhibiting technological progress.

In this way, and also taking into account Recommendation 15 of the Financial Action Task Force, which establishes that the risks associated with new technologies should be identified and assessed, entities that engage in activities with virtual assets on national territory are now subject to compliance with the duties to prevent money laundering and terrorist financing.

Banco de Cabo Verde is the national authority responsible for ensuring that these entities comply with the duties and obligations laid down in the laws and regulations regarding the prevention of money laundering and terrorist financing.

Engaging in business activities with virtual assets will, from now on, be subject to prior registration with Banco de Cabo Verde. This obligation includes cases where the applicant engages in another profession or activity covered by the legislation that establishes the duties to prevent money laundering, even if subject to authorisation or qualification, in accordance with the conditions Banco de Cabo Verde may establish by Notice.

## **Digital banks**

Technology has also made it possible to provide banking services by completely digital means, through digital banks.

Digital banks are financial institutions that make most of their products and services available online, eliminating the need for a physical branch.

The Cape Verdean government, in line with technological developments, believes that the implementation of the digital banking model in Cape Verde could bring numerous benefits, such as: *(i)* increasing competition in the system by expanding the range of products and services offered, due to the use of more advanced and specialised technological resources; *(ii)* increasing access to financing for small and medium-sized companies, as technology reduces information asymmetries; *(iii)* making financing processes faster and more efficient; and *(iv)* reducing the interest rates applicable to credit operations.

Thus, digital banks will initially be subject to the same authorisation and operating framework as conventional banks. However, Banco de Cabo Verde may regulate market access conditions by notice. It will continuously monitor and evaluate this digital business model, issuing, when appropriate, standards that are specific to the business model, without, however, hindering technological innovation.

[Vera Patrícia Querido \[+info\]](#)

[Júnia Luiza Delgado \[+info\]](#)

This publication is purely for information purposes and is not meant to be a source of legal advice, nor does it contain a comprehensive review of all aspects of the law and legal frameworks it refers to. The information contained herein refers to the date of first publication. Readers must seek legal advice before applying it to specific issues or transactions. The contents of this publication may not be copied, disclosed or distributed, fully or in part, without prior consent. Please contact us if you require more information. Contact us at [com.pr@mlgts.pt](mailto:com.pr@mlgts.pt) for more information.