

Damage after splitting of a crypto currency

Topic: **Stock exchange and custody accounts** Case number: **2019/14**

The customer was invested in a crypto currency. He held the corresponding credit balance in a securities account at the bank. After the splitting of the crypto currency, the bank credited him only his share of one of the two parts of the split crypto currency. He could neither hold the other part at the bank, nor transfer it to a securities account with another provider and received no compensation for it. The bank justified this by stating that its partner exchange, which served as a liquidity provider for this business, only allowed to keep one part of the currency, and referred to the provisions of its contract on trading in crypto-currencies. No solution could be found in the ombudsman procedure.

Following disputes among the people involved in the respective network, the crypto currency Bitcoin Cash split into the new currencies Bitcoin Cash ABC and Bitcoin Cash Satoshi Vision. After this split, known as “hardfork”, the customer only found his share of Bitcoin Cash ABC in his securities account. He therefore asked the bank to credit him also his share of Bitcoin Cash Satoshi Vision. The bank claimed that such a credit was not possible because its partner exchange Bitstamp did not support the block chain Bitcoin Cash Satoshi Vision, but only Bitcoin Cash ABC, which had been taken over by the majority of the network participants. The Customer then asked the bank to compensate him for the equivalent of his share in Bitcoin Cash Satoshi Vision of approximately EUR 500 in EUR, as he could neither hold this share at the bank nor transfer it to another custody account with a third-party provider and had thus effectively lost it. The Bank refused to pay such compensation to the client, whereupon he submitted the case to the Ombudsman.

In its statement to the Ombudsman, the Bank confirmed its position. It referred to the contract concluded with the customer for trading in crypto-currencies. In this contract, the customers were informed in detail about the risks associated with crypto-currencies and pointed out that many questions relating to these new currencies were still unresolved. Among other things, the customers were also explicitly made aware of the possible negative consequences of a hardfork, as unfortunately occurred in this case. The contract stated that they might not always be credited with all versions of a crypto currency and that there was a risk that customers would lose the value of it after a hardfork. The customer had agreed to these contractual provisions and thus acknowledged that the bank would not always be able to provide him with new tokens that were created due to a hardfork. The Bank had neither the ability nor the intention to provide Bitcoin Cash Satoshi Vision Token to its customers. It also had no obligation to make new tokens or their equivalent available in another currency. According to its information, its liquidity provider Bitstamp did not intend to support Bitcoin Cash Satoshi Vision in the future. The bank expressed its regret about this situation, but claimed not to be able to meet the customer’s demands for the reasons mentioned.

The Ombudsman could well understand the customer’s lack of understanding and frustration with the consequences for him of the hardfork of the crypto currency in which he was invested. However, in his view, the contractual provisions were clear. It was probably a risk that was apparently inherent in trading crypto currencies and was clearly assigned to the customer under the title “Risks and Risk Allocation”. In view of the Bank’s statements and these contractual provisions, the Ombudsman considered further mediation efforts to be futile and had to discontinue the proceedings without result for the customer.

