

## Bitcoin in Ethiopia and the Legal Regime

### Description

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## Introduction

Bitcoin is the first decentralized digital currency that allows peer-to-peer transfers without any intermediaries such as banks, governments, agents, or brokers, using the underlying technology of blockchain. Anyone around the world on the network can transfer Bitcoins to someone else on the network regardless of geographic location; you just need to just open an account on the Bitcoin network and have some Bitcoins in it, and then you can transfer those Bitcoins. Bitcoin can be used for online purchases and or as an investment instrument. Primarily it's used to buy goods and services. On the other hand, Bitcoin mining refers to the process of validating and recording transactions on the Bitcoin network. The primary purpose of Bitcoin mining is twofold: validating transactions to prevent fraud and adding new blocks to the blockchain, thereby creating new Bitcoins in a decentralized manner.

Trading of Bitcoins and other cryptocurrencies remains mostly as an unregulated activity. Cryptocurrencies have three core characteristics: decentralized, unregulated, and quasi-anonymity. However, this does not mean that cryptocurrencies do not have self-regulation protocols. Cryptocurrencies such as Bitcoin have their own self-regulating protocol. Bitcoin is an internet-based cryptocurrency. Individuals can earn Bitcoin by trading, mining, and payment for services. As of January 2020, over 160 international branded companies accept Bitcoin for their services and products. This indicates that cryptocurrencies are becoming the payment system of future generations.

## Advantages of Bitcoin

Both Bitcoin and traditional currency are similar in that both are a store of value, they differ in many ways. First things first, Bitcoin is the first and most recognized cryptocurrency, a digital currency that is secured by cryptography. Bitcoin has several advantages as compared to traditional fiat currencies, assets can be transferred faster on the bitcoin network. The system also has lower transaction fees, because it's decentralized and there are no intermediaries, and it is cryptographically secure; the identities of the sender and the receiver are kept hidden, and it is impossible to counterfeit or hack the transactions. Plus, all the information is available on a public ledger, so anyone can view the transactions. Hence, Bitcoin plays a significant role in attracting investors from different countries by facilitating financial transactions.

## Bitcoin in Ethiopia

Bitcoin is a simple and secure way to enter crypto mining. Ethiopia has now seen Bitcoin networks and clubs, such as Bit Club and AWS Mining, across the country, and more and more people are investing in them. In February 2024, it has been reported that the Ethiopian Government's investment arm, Ethiopia Investment Holding (EIH) signed a Memorandum of Understanding with Honk-Kong-based West Data Group's Center Service PLC to commence mining bitcoin. Moreover, according to the Reporter, in May, 2018, a Memorandum of Understanding (MoU) was signed between the Ethiopian Ministry of Science and Technology (MoST) and Input Output Hong Kong (IOHK) for the use of blockchain application platform called Cardano, a type of blockchain record management platform used in Ada cryptocurrency.

## Bitcoin Mining

According to data from Bitcoin mining services company Luxor Technologies, in 2023, Ethiopia ranked

fourth behind the USA, Hong Kong, and Asia as one of the top destinations for Bitcoin mining rigs. Russian bitcoin mining company Bitcluster has already built the first bitcoin mining facility, and companies such as Hashlabs Mining have started building bitcoin mines in Ethiopia for their global clients. Ethiopia is positioning itself as a leader in the data center space in Africa, which is estimated to grow to \$5.4 billion by 2027, according to Aritzon Advisory and Intelligence. The economic benefits of Ethiopia strategically leveraging its abundant energy resources for Bitcoin mining are vast and far-reaching. It is only a matter of time before other African nations join the bandwagon.

## **Regulating Bitcoin**

In order to determine the legal status of bitcoin under the current Ethiopian legal framework, it is important to review the proclamation that establish the NBE ,the National Payment System Proclamation and proclamation that establish Information Network Security Administration (INSA). According to the National Bank of Ethiopia Establishment Proclamation, Proclamation No. 591/2008, Article 5(1), the NBE has the power and duties to coin, print, or cause to be coined, printed, and circulated the legal tender currency. This provision does not talk about bitcoin and other cryptocurrencies .The NBE also made a statement regarding cryptocurrencies in 2022, which states that the use of Bitcoin and other digital currencies for transactions is illegal in Ethiopia, warning that violators will face strict action. The National Bank of Ethiopia (NBE) also added that it will take “legal measures” against anyone found to be using cryptocurrencies for transactions in the country. “Birr is the only legal currency in Ethiopia, and all financial transactions shall be effected through it” said NBE. The NBE stressed that there is still no officially recognized cryptocurrency exchange in Ethiopia.

The Information Network Security Administration (INSA) stated on August 24, 2022, that “individuals and entities” involved in “crypto operations” must register with the authority within 10 days. The “urgent notice” comes after parliament amended INSA’s mandate to “regulate and control cryptographic products and their transactions”. Proclamation No. 808/2013, which established INSA, under Article 6(9), provides that the agency shall have the powers and duties to regulate cryptographic products and their transactions, set necessary criteria and develop operating procedures, and develop and implement cryptography infrastructure.

The other legal framework is the Ethiopian National Payment System Proclamation (Amendment) Proclamation No. 1282/2022. Under Article 2(20), the Proclamation defines a payment instrument as any instrument, whether tangible or intangible, that is issued against the receipt of a fund equivalent in Ethiopian Birr that enables a person to obtain money, goods, or services or to otherwise make payments, which include electronic money and cards. This definition is based on traditional currencies rather than emerging cryptocurrencies like bitcoin. Article 5 of this Proclamation also states that no person except the National Bank may be an operator or issuer of payment instruments unless such person is licensed or authorized by the National Bank.

## **Conclusion**

There are strategic deficiencies in the country’s legal norms to govern Bitcoin. Ethiopia has not enacted a law that allows the use of cryptocurrencies. However, Bitcoiners are engaged in expanding the business in the country. Bitcoiners inspire Ethiopians to partake in the Bitcoin business either by buying Bitcoin or through engagement in mining. Signing a memorandum of understanding with different organs is not enough; providing an effective, efficient, and adequate legal and institutional framework for the implementation and regulation of the agreement is very important. Thus, the

Ethiopian government should consider enacting a law that comprehensively governs bitcoin. Along with this, improving the capabilities of financial institutions, law enforcement agencies, and regulatory authorities is crucial to deal with the bitcoin system.

For any related inquiries, you may contact us at [info@dmethiolawyers.com](mailto:info@dmethiolawyers.com)

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## **RESPONDING TO CHILD ABUSE AND NEGLECT**

By Dagnachew Tesfaye, Partner at DMLF The Alternative Child Care and Support Directive Number 976/2023 by Ministry of Women and Social Affairs, October 2023, incorporates a section namely Responding to Child Abuse and Neglect. The State is given the responsibility to respond to child abuse and neglect. The procedure of reporting, assessment, court approval, emergency...

June 30, 2024

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## **Gold Purchase Price Adjustment**

By DMLF The National Bank of Ethiopia has introduced an amendment Directive namely NBE Amendment Procedure on Price of Gold Purchase No 1/2024, effective as of June 17/2024. This Directive is an amendment to a similar Directive number 3/2023. The amendment Directive encompasses price adjustment for provision of gold in terms of its weight and...

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By DMLF The House of Peoples' Representative in its session on June 11/2024 enacted the Proclamation to Determine Public Holidays and Celebration of Public Holiday Proclamation Number 1334/2024. The Proclamation identifies 12 celebrated public holidays that governmental and non-governmental institutions shall be closed for public

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June 9, 2024

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## **The Madrid System for the International Registration of Marks**

By DMLF The Madrid System for the International Registration of Marks is a centralized system that simplifies the process of registering trademarks in multiple countries. It's administered by the World Intellectual Property Organization (WIPO). Under this system, trademark owners can file a single application with WIPO to protect their mark in multiple member countries. This...

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## Ethiopian National Dialogue

By DMLF The Ethiopian National Dialogue Commission (hereafter the Commission) was established by Proclamation 1265 /2021( hereafter the Proclamation). The Proclamation was done as of 13th of January 2022. The term of office of the Commission is three (3) years. The term of the Commission shall begin from the time Commissioners have been appointed in accordance...

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