**INSOL EUROPE**

**DIGITAL ASSETS CASE SUMMARIES**

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| **Overview** |
| **Case Citation** | XIX GU 989/1 |
| **Date of judgment** | 10 March 2020 |
| **Country** | Poland  |
| **Original Language of Judgment** | Polish  |
| **Court** | District Court for the Capital City of Warsaw in Warsaw, XIX Commercial Insolvency and Restructuring Division |
| **Subject matter/catchwords** | cryptocurrency exchange — cryptocurrency — users of the platform — stakeholders — bankruptcy — debt recovery |
| **Decision summary** | Bankruptcy of cryptocurrency exchange announced |
| **Digital asset involved (e.g. Bitcoin, Ethereum, Ripple etc.)** | Various cryptocurrencies |
| **Valuation issues** | N/A |
| **Expanded Case Description** |
| **Debtor** | COINROOM SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ |
| **Identity of Insolvency Practitioner (if applicable)** | Maciej Gieromin, license number 1091. |
| **Authorities considered by this case (categorised by country)** | District Prosecutor's Office in WarsawPolish Financial Supervision Authority |
| **Domestic legislation applied** | Bankruptcy Law Journal of Laws of 2003 No. 60, item 535 as amended Journal of Laws of 2020, item 1228 |
| **Factual background**  | Coinroom is another Polish exchange that started its operations in April 2017. It ended its activity after two years on 2 April 2019 due to its inclusion in the Polish Financial Supervision Authority 's warning list (official announcement). It terminated the contract to its customers giving them 1 (!) day to withdraw their funds. Nevertheless, many customers reported problems with recovering their deposits. It is hard to determine how many of them eventually received them.Interestingly, after two months the exchange reported that one of the reasons for its closure was a loss due to an error in the exchange's security system. Eventually, Coinroom Ltd. went into liquidation and the remaining creditors were to be paid from funds received from the liquidation of the company's assets. |
| **Legal issues**  | In Poland there are currently several bankruptcy proceedings of companies involved in trading cryptocurrencies, the so-called cryptocurrency exchanges. The main problem is the recovery of receivables from the debtor (from the bankrupt cryptocurrency exchanges). According to professor Krzysztof Piech, an expert on cryptocurrencies, victims have little chance to recover their money. He says “In such a situation, clients may file a motion to the prosecutor's office, but it should be remembered that such funds are very difficult to recover and the prosecutor's office is not very efficient as long as such situations are concerned. Not to mention the technical difficulties involved. Just as Bitcurex clients have not been able to recover their money, this will probably be the case with BitMarket and Coinroom. There is a principle that the entire cryptocurrency community has been promoting for years: do not keep money on exchanges, but only keep enough funds to make the current transaction. This is because it is the weakest link in the entire digital currency system".The fact is that companies in Poland that run cryptocurrency exchanges have little assets from which its creditors may be satisfied.  |
| **Reasoning** | Currently, all bankruptcy proceedings conducted with regard to cryptocurrency exchanges in Poland are at the stage of filing claims by creditors to the relevant bankruptcy trustees. Due to the common issue of the lack of assets, the Polish Financial Supervision Authority regularly issues warnings about investing in cryptocurrencies. The Polish Financial Supervision Authority Warning about risks associated with the acquisition and trading of cryptocurrencies (including virtual currencies and cryptocurrencies) dated 12 January 2021 very strongly indicates the risks associated with the enforceability of cryptocurrencies and the Supervision Authority asks for caution in investing in cryptocurrencies. In Poland, for the moment, recovering assets from cryptocurrency exchanges is very difficult. |
| **Further information (e.g. liquidator’s website)** | Further information regarding the status of the liquidation of Coinroom is available at: https://ems.ms.gov.pl/msig/przegladaniemonitorow |