

## VIRTUAL CURRENCIES: RISKS AND IMPLICATIONS FOR CSDP

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**Abstract:** *The present paper investigates the influence of virtual currencies on the financial security of the European Union (EU) and the consequences for the Common Security and Defence Policy (CSDP). With the increasing popularity of virtual currencies, the EU's financial ecosystem and defensive capabilities are faced with both opportunities and challenges. The paper examines the relationship between the financial stability required for CSDP efforts and the unpredictable nature of virtual currencies markets, while it explores potential risks linked to the utilization of virtual currencies, such as their capacity to disturb financial stability and enable unlawful actions. It also examines the cybersecurity risks that pose a danger to the European Union's financial infrastructure and the potential impact of hacks on virtual currencies' platforms. Using the perspective of securitization theory, this study examines the level of coordination necessary among European Union member states to effectively handle the intricacies of digital currencies and the importance of flexible policy frameworks. The results emphasize the significance of taking a proactive and cooperative approach to incorporating virtual currencies into the European Union's financial regulatory framework. This will ensure that the operations of the Common Security and Defence Policy (CSDP) remain strong and effective in dealing with rising digital risks.*

**Keywords:** *Financial security, virtual currencies, financial stability, cybersecurity, CSDP.*

### 1. Introduction

The Common Security and Defence Policy (CSDP) is the central element of the European Union's (EU) strategic framework. Its purpose is to enhance the EU's collective defence capabilities, address external security challenges, and promote stability inside its geopolitical area. With the increasing presence of digital financial technology, virtual currencies have become a powerful force that has the ability to reshape economic transactions and, consequently, influence the financial foundations of security policy.<sup>1</sup> This paper explores the complex relationship between virtual currencies and the EU's Common Security and Defence Policy (CSDP), analysing how the emergence and integration of virtual currencies could either strengthen or

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<sup>1</sup> Biscop, Sven, and Richard G. Whitman, eds. "The Routledge Handbook of European Security." Routledge, 2013.