

China bars banks from handling bitcoins (Update)

December 5 2013, by Joe McDonald

Bitcoins suffered a new setback after China's central bank said Thursday its banks and payment systems are barred from handling the virtual currency.

The central bank said bitcoins did not qualify as a currency but private individuals still are allowed to trade them at their own risk.

Bitcoins are created, distributed, and authenticated independently of any bank or government. Their relative anonymity holds out the promise of being able to spend money across the Internet without scrutiny.

"Bitcoins are virtual goods that have no legal status or monetary equivalent and should not be used as currency," said a Chinese central bank statement.

It said financial institutions and payment systems were not allowed use bitcoin prices for products and could not sell, trade or store bitcoins.

"Ordinary people are free to participate in transactions at their own risk," the central bank said.

Despite wild swings in value, the virtual currency has been moving toward broader acceptance. A growing number of companies accept bitcoins, which can be converted into cash.

Last month, the biggest private university in Cyprus said it would accept

bitcoins for tuition.

But other governments are wary of the cybercurrency. In July, Thailand's central bank banned trading and use of bitcoins.

Bitcoins are actively traded in China, possibly due to relatively limited options for investment.

Just over 2 million bitcoins were traded over the past month on China's biggest exchange, BTC China, according to bitcoincharts.com, which follows trading in the cybercurrency.

This week, Chinese police announced the detention of three people operating an online bitcoin trading platform who are suspected of stealing investors' assets.

Operators told users the platform based in the eastern province of Zhejiang allowed them to trade bitcoins like stocks, according to the official Xinhua News Agency.

Users may have lost as much as 25 million yuan (\$4 million) when the platform shut down in October, Xinhua said.

In Cyprus, the country's biggest private university said last month it will begin accepting bitcoins for tuition.

Also last month, the U.S. Federal Election Commission said political organizations cannot accept contributions in the form of bitcoins. The commission's chairwoman cited the possibility of foreign or anonymous donations, which both would be illegal, flowing to candidates or outside political groups.

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