

EU bank watchdog warns over Bitcoin

December 13 2013



Bitcoin slugs sit in a box ready to be minted in this April 26, 2013 file photo taken in Sandy, Utah

The European Union's banking watchdog on Friday issued a warning over virtual currency trading amid huge swings in the value of Bitcoin, a lack of regulation and money laundering risks.

"The European Banking Authority (EBA) is issuing this [warning](#) to highlight the possible risks you may face when buying, holding or trading virtual currencies such as Bitcoin," a statement said.

The EBA added: "We recommend that, if you buy virtual currencies, you should be fully aware and understand their specific characteristics.

Bitcoin has become a global phenomenon, with the price rising so much that a Norwegian man was able to buy an apartment with some of the 5,000 Bitcoins he bought for just \$24 in 2009.

The explosive growth has raised alarm bells, with analysts warning of a potential crash due to a lack of fundamental underpinning.

The EBA urged users to "exercise the same caution with your digital wallet as you would do with your conventional wallet or purse."

The watchdog said people should not keep large amounts of money in their [digital wallet](#) for an extended period.

The warning comes as Chinese speculators have seen Bitcoin values plunge, soar and plunge again within days.



A user tries out the world's first bitcoin ATM at Waves Coffee House on October 29, 2013 in Vancouver, British Columbia

China is the world's biggest market for trading Bitcoins, but around \$5.0 billion was wiped off the value of the currency's global stock within an hour of an announcement from Beijing's central bank in early December, banning financial institutions from dealing in it.

Bitcoin was invented in the wake of the [global financial crisis](#) by a computer scientist using the pseudonym Satoshi Nakamoto. It is based on cryptography and only 21 million units can ever be created, which can be stored either virtually or on a user's hard drive.

It offers a largely anonymous payment system with no centralised structure and transactions are publicly logged in what is known as the "block chain".

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Citation: EU bank watchdog warns over Bitcoin (2013, December 13) retrieved 6 August 2024 from <https://phys.org/news/2013-12-eu-bank-watchdog-bitcoin.html>

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