

China tightens controls on Bitcoin trading platforms

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Chinese bitcoin trading platforms risk closure if they breach new controls

Chinese bitcoin trading platforms risk closure if they breach new controls on the virtual currency, the central bank said Thursday, as authorities step up efforts to curb the flow of money offshore.

During a meeting Wednesday with officials from nine Beijing-based bitcoin trading platforms, a People's Bank of China (PBoC) inspection

team unveiled a series of restrictions on the digital unit.

The PBoC said it has banned the platforms from margin trading, a widespread practice that allows investors to go into debt to buy bitcoin and repay their loans with gains made by the currency.

Trading platforms are also forbidden from "money laundering" and practices that "would violate foreign exchange or tax laws"—those that do risk closure by the authorities.

The strong depreciation of the yuan against the dollar and concerns over the weakening economy are prompting investors to move their capital out of China into safer and more lucrative investments.

To curb the massive capital flight, estimated at \$700 billion in 2016, Beijing has launched drastic measures including tightening controls on individuals' foreign currency purchases—cited as driving bitcoin demand.

The PBoC had already dispatched inspection teams to several of the country's major bitcoin trading platforms in mid January.

The Bitcoin Price index, an average of the major exchanges, dropped by nearly four percent Wednesday, before rebounding Thursday to end slightly below its recent high of \$1.130 at the beginning of January.

The crackdown by the PBoC will have ramifications outside China given that the three main Chinese trading platforms—BTC China, Okcoin and Huobi—account for around 98.4 percent of global trade in bitcoin, according to market tracking website bitcoinity.org.

Writing on popular messaging app WeChat, BTC China said Thursday it would "strengthen controls on the identification (of its users) and

provenance of funds".

"BTC China will take appropriate action against accounts carrying out suspicious transactions, including restricting or freezing trade, while notifying the relevant authorities," it added.

Tian Jia, a Beijing-based trader of bitcoin, said "there are a lot of people shorting bitcoin now, one because of the regulatory environment, another because the price is relatively high".

"The fact that PBoC continues to look into this issue might make people think that the whole thing isn't over."

Boosted by capital flight, Chinese demand for [virtual currency](#) has exploded in recent months.

On BTC China, the world's biggest platform for buying or selling bitcoins, the daily trading volume soared to 28 billion yuan in December (\$4 billion), compared to around 1 billion yuan three months earlier—while the price of the bitcoin in yuan has climbed 70 percent.

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