

Asian investors embrace bitcoin, but regulators are wary

December 11 2017, by Kelvin Chan



In this Friday, Dec. 8, 2017, photo, people use the Bitcoin ATM in Hong Kong. The launch of a U.S. futures contract for bitcoin on Sunday, Dec. 10, 2017, underscores the virtual currency's increasing mainstream acceptance, including in many parts of Asia, where it already has a wide following among speculators and investors. (AP Photo/Kin Cheung)

The weekend launch of a U.S. futures contract for bitcoin reflects widespread acceptance of the virtual currency, especially among

investors in Asia, though regulators are wary.

Japan and South Korea are among the world's top five markets for bitcoin trading, according to sites that track trading volume by currency. Here's a glance at the digital currency's rise in some of the region's major markets:

JAPAN:

Japan was home to one of the earliest bitcoin communities, but it was started by expatriate residents and kept a low profile. Until a few years ago, bitcoin and other virtual currencies were left alone by regulators.

Following the failure of a bitcoin exchange called Mt. Gox, new laws were enacted to regulate bitcoin and other virtual currencies. Japan is the only major advanced economy with a licensing regime for digital currency intermediaries such as exchanges and payment providers.

That has helped make Japan the world's biggest market for speculative virtual currency trading, said Thomas Glucksmann, Hong Kong-based head of marketing for Gatecoin, a virtual currency exchange.

"There was very little interest back then at all and now it's a complete 360," said Glucksmann. "It's the biggest market, everybody's talking about it."



In this Friday, Dec. 8, 2017, photo, a man uses a Bitcoin ATM in Hong Kong. The launch of a U.S. futures contract for bitcoin on Sunday, Dec. 10, 2017, underscores the virtual currency's increasing mainstream acceptance, including in many parts of Asia, where it already has a wide following among speculators and investors. (AP Photo/Kin Cheung)

Big Japanese banks have gotten involved, investing in bitcoin exchanges or letting them open bank accounts while developing their own related services. Some retailers accept payment in bitcoin.

Many Japanese are familiar with [currency](#) trading since Japan is the world's biggest retail foreign exchange market.

"You have people like hairdressers and housewives, people like that investing in crypto, in addition to the bigger players in Japan," said Glucksmann, who used to work at a bitcoin exchange in Japan. "So the regulations have helped to fuel a lot of the legitimacy in the Japanese

market."

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SOUTH KOREA:

About a year and half ago, South Korea emerged as a very large market for speculative trading activities thanks to investors' high risk appetite and fears of missing out.



In this Friday, Dec. 8, 2017, photo, a man stands beside a Bitcoin sign near a Bitcoin ATM in Hong Kong. The launch of a U.S. futures contract for bitcoin on Sunday, Dec. 10, 2017, underscores the virtual currency's increasing mainstream acceptance, including in many parts of Asia, where it already has a wide following among speculators and investors. (AP Photo/Kin Cheung)

Now, just as the government prepares to regulate virtual currencies, big financial institutions are starting to get in on the action. Shinhan Bank is planning to offer [virtual currency](#) services like a bitcoin wallet,

Worried over risks of speculative trading, in September South Korea banned initial coin offerings, or raising money through bitcoin or other virtual currencies.

Senior officials at South Korea's financial watchdog have compared speculative trading in bitcoin to a "Ponzi scheme" and say they are mulling a ban.

"We will not let financial institutions handle transactions related to virtual currencies," said Kim Yongbeom, vice chairman at Financial Services Commission, according to a media pool report Monday. "The price of virtual currencies rises because of the expectation that the next person will buy it at the desired price and this is quite like a Ponzi scheme."

Chairman Choi Jong-gu said one option is a total ban on virtual currencies, which would require revising existing legislation or enacting new laws.

Still, bitcoin sells for a 20-30 percent premium in South Korean compared to other places, and this has spurred offshore trading to take advantage of arbitrage opportunities as South Koreans buy bitcoin overseas and sell them back home.



In this Friday, Dec. 8, 2017, photo, coins and sign are displayed next to a Bitcoin ATM in Hong Kong. The launch of a U.S. futures contract for bitcoin on Sunday, Dec. 10, 2017, underscores the virtual currency's increasing mainstream acceptance, including in many parts of Asia, where it already has a wide following among speculators and investors. (AP Photo/Kin Cheung)

CHINA:

For a brief time, China dominated bitcoin trading, at one point reportedly accounting for as much as 90 percent of volume. That dried up after Beijing tightened controls.

The lively bitcoin market had been set up by bitcoin miners, who had set up data centers taking advantage of China's cheap electricity and hardware to handle the intensive computing processes needed to "mine"

new bitcoin.

China started cracked down on such activities last year just as the price of bitcoin began to surge. In September, regulators ordered all exchanges to shut down, banning initial coin offerings.

China's bitcoin exchanges have since migrated overseas or shifted to over-the-counter trading where exchanges match buyers and sellers who then connect through chat apps like Telegram. Payment is made in cash or through bank transfers and the exchange collects a fee.



In this Dec. 8, 2017, photo, a woman uses a Bitcoin ATM in Hong Kong. The launch of a U.S. futures contract for bitcoin on Sunday, Dec. 10, 2017, underscores the virtual currency's increasing mainstream acceptance, including in many parts of Asia, where it already has a wide following among speculators and investors. (AP Photo/Kin Cheung)

Some mainland China exchanges have refocused their efforts on their Hong Kong operations, said Leo Weese, president of the Bitcoin Association of Hong Kong. He estimates there are about 10,000 bitcoin users in the Asian financial hub, including 1,000-2,000 active investors who have significant holdings or work for bitcoin related companies.

Weese estimates that bitcoin prices are 5-8 percent higher in mainland China than Hong Kong. Speculators who can get around China's strict capital controls to profit from the price difference are driving some [trading](#) activity in the city, Weese said.

"For them it's a way to make money," he said. "They can buy the bitcoin in Hong Kong cheaply and they can sell them at a premium in China."

SOUTHEAST ASIA:

Bitcoin's rising popularity in Indonesia has alarmed the country's central bank, which said last week it would ban it as a payment method next year.



In this Sept. 28, 2016, photo, a man sets up a new bitcoin mining machine to connect to the internet at a bitcoin mine built beside a hydropower station in a remote valley in Aba prefecture in southwestern China's Sichuan province. The launch of a U.S. futures contract for bitcoin on Sunday, Dec 10, 2017, underscores the virtual currency's increasing mainstream acceptance, including in many parts of Asia, where it already has a wide following among speculators and investors. (Chinatopix via AP)

Bank Indonesia spokesman Agusman Zainal said more a "assertive rule" on virtual currencies is planned.

He said the bank is concerned bitcoin might be used for fraud or other illegal activities like terrorism, money laundering, prostitution, drug trafficking.

"In the context of the payment system, [bitcoin](#) is not a valid means of payment," Zainal said. "The reason for prohibiting is in order to

implement prudential principles, safeguard business competition, risk control and consumer protection."



In this Sept. 26, 2016, photo, a Tibetan bitcoin miner poses with his shelves of bitcoin mining computers at a bitcoin mine built beside a hydropower station in a remote valley of Aba prefecture in southwestern China's Sichuan province. The launch of a U.S. futures contract for bitcoin on Sunday, Dec. 10, 2017, underscores the virtual currency's increasing mainstream acceptance, including in many parts of Asia, where it already has a wide following among speculators and investors .(Chinatopix via AP)

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