

S. Korea govt sends bitcoin on rollercoaster ride

January 11 2018



Bitcoin plunged 18 percent after South Korea said it was preparing to shut down cryptocurrency exchanges in the country

Bitcoin and other virtual currencies were sent on rollercoaster rides in

South Korea Thursday as the government said it was planning to ban cryptocurrency exchanges, before later backtracking.

Justice Minister Park Sang-Ki said Seoul was preparing a bill to shut down the country's virtual coin exchanges, sending [bitcoin](#) and other virtual unit prices into a tailspin.

"The ministry is preparing legislation that basically bans any transactions based on a virtual [currency](#) through the trading floor," he told journalists.

Authorities had "grave concerns" over the craze and were "aiming to close virtual currency exchanges" in the country, he said.

"It has started to resemble gambling and speculation," Park added, citing the fact that bitcoin prices are higher in South Korea than globally—the so-called "kimchi premium".

The hyper-wired South has emerged as a hotbed for cryptocurrency trading, accounting for some 20 percent of global bitcoin transactions—about 10 times the country's share of the world economy.

A series of measures have failed to curb overheated virtual currency speculation in the country and Park said it would be "devastating if the bubble bursts".

His remarks sent bitcoin prices plunging 18 percent on South Korean exchange Bithumb, while ethereum slumped 23 percent.

Investors flooded the presidential Blue House website with hundreds of online petitions against the shutdown, which was swiftly reversed.

A shutdown was "one of the measures that have been prepared by the justice ministry", chief press secretary Yoon Young-Chan said in a

statement, "but it is not a finalised decision".

Cryptocurrencies rapidly reversed course, with bitcoin climbing back to trade just 6.5 percent down, and ethereum off 12 percent.

'Blind speculation'

A representative of Bithumb, one of around 20 virtual currency exchanges in South Korea, said the company was watching developments closely.

"We're closely monitoring government moves. We have nothing further to say at this moment", she told AFP.

Bithumb was raided by tax authorities on Wednesday who inspected the company's documents.

On the same day financial authorities inspected six local banks that offered virtual accounts for corporate customers.

Last month Seoul banned its financial firms from dealing in [virtual currencies](#).

Two weeks later, it announced a ban on opening anonymous cryptocurrency accounts and a crackdown on money laundering activities using them.

It has also warned most cryptocurrencies were being traded in South Korea at far higher prices than elsewhere in the world, blaming factors including "blind speculation".

An official at the Financial Supervisory Service, South Korea's top financial regulator, said closing local exchanges would represent a "very

strong measure" against virtual coins and would "effectively suffocate" cryptocurrency transactions within the country.

But a cryptocurrency analyst said he was "sceptical" that the justice ministry' proposal would go into force because of strong market resistance.

A Chinese ban on virtual coin transactions in yuan ended up driving many investors underground, exposing them to greater risks, he said.

US billionaire investor Warren Buffet told CNBC on Wednesday the global craze over bitcoin and other cryptocurrencies would meet a "bad ending".

"In terms of cryptocurrencies, generally, I can say with almost certainty that they will come to a bad ending," he said, but added: "When it happens or how or anything else, I don't know."

On global exchanges the price of bitcoin surged in 2017 from a low of around \$750 in early January to a record above \$19,500 in mid-December before tumbling, according to Bloomberg News. It bought around \$13,500 in afternoon trade Thursday.

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Citation: S. Korea govt sends bitcoin on rollercoaster ride (2018, January 11) retrieved 3 May 2024 from <https://phys.org/news/2018-01-korea-govt-bitcoin-rollercoaster.html>

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