

Central banker takes stab at bitcoin 'bubble'

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"A bubble, a Ponzi scheme and an environmental disaster"

The head of the Bank of International Settlements, the central bank for central banks, on Tuesday lambasted bitcoin as a speculative bubble and said authorities need to be ready to protect public trust in the financial system.

While acknowledging the intention of [bitcoin](#)'s developers to create an alternative payment system with no [government involvement](#), "it has become a combination of a bubble, a Ponzi scheme and an environmental disaster", said BIS's general manager, Agustin Carstens.

Delivering a lecture co-hosted by Germany's central bank, Carstens said that authorities need to be vigilant as [cryptocurrencies](#) could undermine the [public trust](#) in the financial system.

While cryptocurrencies, led by bitcoin, soared in value last year, authorities in most countries stood on the sidelines, while in some countries they embraced the technology that promises to cut the costs of financial transactions.

But as the value of bitcoin—the best-known virtual currency—has tumbled from its December high of nearly \$20,000 to less than half that value with wild daily swings, regulators have taken a more critical outlook.

China recently vowed to fully stamp out cryptocurrency trading after cracking down on it late last year. South Korea has also cracked down on cryptocurrency exchanges to reduce the risk of money laundering.

Carstens said the volatility of cryptocurrencies undermined their utility for transactions and a store in value, thus apparently leaving their main use as a means for criminals to move money.

"If the only 'business case' is use for illicit or illegal transactions, central banks cannot allow such tokens to rely on much of the same institutional infrastructure that serves the overall financial system and freeloader on the trust that it provides."

He called for particular vigilance in allowing cryptocurrencies to

"piggyback" on the financial system with links to regular bank accounts.

A number of leading US and British banks have recently announced bans on purchasing bitcoin and other cryptocurrencies with credit cards.

Bitcoin trading exchanges, which function like brokerages and hold their client balances, have proved targets for hackers, with a Japanese exchange Coincheck hit by a \$530 million heist last month.

Carstens, formerly the head of Mexico's [central bank](#), said that cryptocurrencies may not yet pose a systemic risk.

"But if authorities do not act pre-emptively, cryptocurrencies could become more interconnected with the main financial system and become a threat to financial stability," he said.

Cryptocurrencies have also come under criticism for using vast amounts of electricity.

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