

US policymakers ponder tougher rules for cryptocurrencies

February 6 2018



Digital currency bitcoin and other virtual currencies are drawing more attention from regulators who say they need more oversight given the risks they pose to consumers and potentially to the financial system

US regulators on Tuesday joined a growing chorus of officials saying they made need new powers to regulate cryptocurrencies which pose risks the investing public does not recognize.

Bitcoin and other digital currencies have seen demand soar in recent weeks along with their value, accompanied by a rise in questionable investment scams that has prompted increased attention by the US Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC), the main agencies overseeing US financial markets.

SEC Chairman Jay Clayton said [virtual currencies](#) often are traded on electronic platforms that call themselves "exchanges" but have a "deceiving" appearance.

"I'm not satisfied when I see people thinking that trading cryptocurrencies have the same protections as stock markets," Clayton told a Senate Banking Committee hearing.

He offered to work with Congress other regulators to study whether more federal oversight of cryptocurrency trading platforms is needed.

In addition, he warned that regulators have no means to respond if a [digital currency](#) is stolen or if a platform is hacked.

CFTC Chairman J. Christopher Giancarlo described this absence of authority as a "gap."

Digital currencies have moved from the fringes of global finance used for money laundering, drug dealing and other illicit schemes, closer to mainstream following the launch late last year of bitcoin futures trading on two major exchanges.

Bitcoin's market capitalization, while far below its peak, stood at \$118.4 billion Tuesday, according to coinmarketcap.com. The market value of digital currencies as a whole has declined some \$500 billion from peaks following restrictions by some governments and private companies.

Agustin Carstens, general manager of the Bank for International Settlements, said bitcoin and others fail the "basic textbook definitions" of currencies—which are backed by governments and their central banks.

Instead it "has become a combination of a bubble, a Ponzi scheme and an environmental disaster," he said at a lecture in Germany on Tuesday. "There is a strong case for policy intervention."

Carstens, the former longtime governor of the Bank of Mexico, warned that, "If authorities do not act pre-emptively, cryptocurrencies could become more interconnected with the main financial system and become a threat to financial stability."

In fact, the SEC and CFTC have cracked down several times in recent weeks on companies that have defrauded investors.

In one case, a virtual [currency](#) that called itself "My Big Coin" and allegedly misappropriated over \$6 million from customers on a currency it falsely said was backed by gold and traded on [currency exchanges](#).

"We've brought three actions in the last week and there are more to come," Giancarlo said. "We are working the beat hard."

© 2018 AFP

Citation: US policymakers ponder tougher rules for cryptocurrencies (2018, February 6) retrieved 19 April 2024 from

<https://phys.org/news/2018-02-policymakers-ponder-tougher-cryptocurrencies.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.