

Bank of England chief slams cryptocurrencies; urges action

March 2 2018, by Pan Pylas



Bank of England Governor Mark Carney, who had to cancel his attendance at the Scottish Economics Conference due to the severe weather conditions, delivers his speech via a live feed from Bloomberg HQ in central London, Friday March 2, 2018. (Peter Nicholls/PA via AP)

Bank of England Governor Mark Carney has launched a withering attack on cryptocurrencies such as bitcoin Friday and urged regulators around the world to monitor them in the same way as other financial assets.

In a speech to the Scottish Economics conference in Edinburgh, Carney laid into the "global speculative mania" that has fueled the ascent of cryptocurrencies and said they should be held to the "same standards" as the rest of the financial system.

"Being part of the financial system brings enormous privileges, but with them great responsibilities," Carney said.

Bitcoin, whose birth nearly a decade ago is clouded in mystery, is the world's most popular virtual currency. Like others, it can be converted to cash when deposited into accounts at prices set in online trading.

It also has been hugely volatile, posting some dizzying intra-day rises and falls over the past year or so. The price of a single bitcoin rocketed to nearly \$20,000 late last year and then plunged early this year. On Friday, after Carney's comments, it was trading just below the \$11,000 mark.

Digital currencies are not tied to any bank or government and, like cash, allow users to spend and receive money anonymously, or mostly so.

Supporters say they can be more trustworthy than traditional money, which can be vulnerable to the whims of those in power.

Cryptocurrencies are popular in countries with weak institutions and unstable currencies, such as Zimbabwe.

However, financial market participants are becoming increasingly vexed by virtual currencies and their potential to promote illicit activities and their potential to introduce a layer of uncertainty.

Some market participants even think that the volatility around bitcoin contributed to the turmoil that gripped financial markets in February.

For Carney, they are "failing," not least because they are proving to be

poor stores of value.

"The prices of many cryptocurrencies have exhibited the classic hallmarks of bubbles, including new paradigm justifications, broadening retail enthusiasm and extrapolative price expectations, reliant in part on finding the greater fool," Carney said.

He listed a series of concerns, including money laundering, terrorism financing and tax evasion.

The Bank of England's Financial Policy Committee, which monitors risks in financial markets, is currently carrying out a study into the risks posed to U.K. financial stability by cryptocurrencies.

On the international front, the Financial Stability Board will be reporting to the Group of 20 leading industrial and developing nations in Argentina this month on the financial stability implications of crypto-assets.

For now, Carney said that in his view "crypto-assets do not appear to pose material risks to financial stability."

Carney's comments follow a warning this week from Agustin Carstens, the general manager of the Bank for International Settlements—an international organization for central banks—that bitcoin "has become a combination of a bubble, a Ponzi scheme and an environmental disaster."

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