

# UK lawmakers: 'Wild West' cryptocurrencies need regulation

September 19 2018, by Kelvin Chan

---



In this Dec. 8, 2017, file photo, coins are displayed next to a Bitcoin ATM in Hong Kong. British lawmakers are urging regulation for cryptocurrencies such as bitcoin in a report that describes the current situation as the "Wild West." In a report Wednesday, Sept. 19, 2018 on digital currencies, Parliament's Treasury Committee called for regulations to protect consumers and prevent money laundering. (AP Photo/Kin Cheung, File)

British lawmakers have backed calls for greater regulation of

cryptocurrencies such as bitcoin in order to bring an element of control to a market that more resembles the "Wild West."

In a report on digital currencies published Wednesday, the Treasury Select Committee called for regulations to protect consumers and prevent [money laundering](#).

Lawmakers highlighted a rapidly emerging industry that's been troubled by wild price swings, allegations of fraud and worries it could be used to finance criminal or terrorist activity.

Virtual currencies, also known as tokens, are electronic alternatives to traditional [money](#). The appeal of cryptocurrencies like bitcoin lies in their use of "blockchain technology" that records all transactions in a digital database while keeping identities private, allowing users to sidestep government or banking system oversight. Speculation has also played a part in their popularity: bitcoin's price skyrocketed late last year to more than \$19,000 though it has since tumbled and is now trading at around \$6,300.

In the report, the committee said the British government has taken an ambiguous position on regulation and argued that the industry's voluntary approach is inadequate. As a result, it said investors have been left open to risks including volatile prices and hacking vulnerabilities.

"Bitcoin and other crypto-assets exist in the Wild West industry of crypto-assets," committee chair Nicky Morgan said. "This unregulated industry leaves investors facing numerous risks."

Morgan said the government needs to do more than "bumble along issuing feeble warnings to investors."

The committee also said British financial authorities need more power to

regulate misleading advertisements by crypto-asset exchanges and initial coin offerings, which raise money for the tokens while crypto exchanges allow investors to trade them or convert them into conventional money.

The committee's warning echo those of a senior U.S. Treasury official, who expressed similar sentiments while on a visit to Europe, saying that global rules are urgently needed to stop virtual currencies from being used by money launderers and terrorists.



Marshall Billingslea, an assistant treasury secretary who deals with terror financing, attends a OECD in Paris, Wednesday Sept.19, 2018. Billingslea says there is an urgent need for global rules to stop virtual currencies from being used by money launderers and terrorists. (AP Photo/John Leicester)

In Paris, Marshall Billingslea, an assistant Treasury secretary who deals with terror financing, said the Islamic State group has used [virtual currencies](#) and published instructions on Twitter on how to move bitcoin to recipients in Syria.

This, he said, is "an example of a very worrisome trend-line that we see."

Billingslea, who was speaking in his capacity as president of the Financial Action Task Force, an international body that combats money laundering and other financial threats, said countries are applying differing anti-money laundering standards to cryptocurrencies and some are not applying any at all.

"It is essential that we establish a global set of standards that are applied in a uniform manner," Billingslea said.

The FATF, he added, is very concerned about the emerging use of cryptocurrencies by terrorist organizations.

Financial regulators worldwide have been scrambling to deal with the rise of cryptocurrencies. In Asia, Japan recognizes bitcoin as a legal form of payment after enacting a strong regulatory regime while South Korea and China have also tightened regulations. Meanwhile, European Union officials said earlier this month that the bloc has been examining cryptocurrencies as it mulls regulations.

The British lawmakers said there's still room for the U.K. to become a global center for crypto-assets, if the government decides to take a regulatory approach that encourages the industry's growth.

© 2018 The Associated Press. All rights reserved.

Citation: UK lawmakers: 'Wild West' cryptocurrencies need regulation (2018, September 19)

retrieved 27 April 2024 from

<https://phys.org/news/2018-09-uk-lawmakers-wild-west-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.