

Bitcoin too good to be true?

As of this writing, one bitcoin is already equivalent to \$10,338. Late last year, it reached an all-time high of \$19,783.06. Still, it was a meteoric rise from just \$2.00 in December 2011.

The average daily volume of bitcoin is \$40 million and its global market value is around \$213 billion. In the Philippines, monthly trading volume is now estimated to be about \$6 million from only \$2 million in the previous year.

Indeed, bitcoin, the world's largest cryptocurrency, is the newest buzzword in the market. We often hear of people making and losing tons of money on bitcoins within a single day of trading. Bloomberg reported on Tuesday that bitcoin was down 25 percent and its rival cryptocurrencies, ripple and ethereum, sank as much as 40 percent and 26 percent, respectively.

Bitcoin is essentially a virtual currency (VC), which is any type of digital unit that is used as a medium of exchange, a veritable currency that exists in the digital world. Unlike cold hard cash, VC is not backed by any underlying asset. It is neither issued nor guaranteed by any central bank or government. The fluctuations in price is colossal as it is dependent solely on supply and demand.

Nobel laureates, business tycoons and government leaders have been lining up to caution buyers. Russian President Vladimir Putin weighed in on the debate and said: "If you invest,

the risk is on you. Today you invested everything, and tomorrow everything is lost." Robert Shiller, a Nobel laureate, professor of Economics at Yale University and an expert in market excesses, said that bitcoin was the biggest financial bubble of all time. He said we might return to the dark ages because there was very little clarity concerning the cryptocurrency. The chair and CEO of JP Morgan, Jamie Dimon, was famous for calling VC a "fraud" that "would eventually blow up."

Our own Bangko Sentral ng Pilipinas (BSP), while recognizing the existence of VCs, has been cautioning the investing public. It said buying VCs presented a highly speculative and risky undertaking, which might result in huge financial losses. To minimize the risks to the investing public, the BSP strongly encouraged existing and prospective VC users to deal only with BSP-registered VC exchanges and maintain only a sufficient amount of cryptocurrencies enough to address transaction requirements.

On the other hand, many governments such as Japan and Germany have issued favorable cryptocurrency regulations. In Germany, tax laws provide an exemption from the 25-percent tax on profits for bitcoin that has been held for one year. In Japan, a new law was enacted authorizing the use of digital currency as a method of payment, essentially granting it the same legal status as fiat currency. In America, the US Commodity Futures Trading Commission recently announced that financial firms including the CME Group, CBOE and Cantor Fitzgerald would list financial products offering exposure to cryptocurrencies.

Is cryptocurrency for real or is it another global financial fiasco waiting to happen? This is a global issue involving, as it should, issuers and investors based all over the world. Before it is too late, the world's regulators must immediately take a united stance on the matter once and for all. In the meantime, the investing public is advised to exercise extreme caution regarding the acquisition, possession and trading of VCs or dealing with VC-related offers. INQ

~~CURRENCY~~
~~MARKETING~~

~~CATANO~~

1964
2017