



## Read This Influential Central Banker's Warning Against Bitcoin and Cryptocurrencies

### Description

Former Bank of Canada governor and current head of the Bank of England Mark Carney issued a stern warning about the dangers of Bitcoin and other cryptocurrencies in an address to the Inaugural Scottish Economics conference in Edinburgh this week.

#### **"Classic hallmarks of bubbles"**

In his speech, Carney labeled the cryptocurrency market as a failure and drew comparisons to a lottery, where people find riches only because of their luck.

Carney pointed to qualities currently embodied in the cryptocurrency market such as "paradigm justifications, broadening retail enthusiasm, extrapolative price expectations" as "classic hallmarks of bubbles" and an approach to investing that becomes reliant on finding someone to buy your asset, who, by definition, knows less about it than you do.

While it certainly seems like a viable strategy to make money in the short term while enthusiasm is rampant, it's also easy to understand how this type of investment philosophy simply isn't sustainable.

Or, as [Warren Buffett](#) said recently, "In terms of cryptocurrencies, generally, I can say almost with certainty that they will come to a bad ending."

It's partly for these reasons that Carney is calling for more discussion of issues related to consumer protection and market integrity, among others.

#### **Additionally, there are real concerns around money laundering**

Some digital blockchain technologies also involve "privacy coins" that offer personal anonymity and the ability to transact in a covert manner, preventing authorities from being able to trace who is exchanging funds.

It's natural to understand then how sovereign governments and central banks would have concerns

about how these technologies create new money-laundering tools that allow countries like Iran, North Korea, and Russia to evade international sanctions.

Carney added, “A better path would be to regulate elements of the crypto-asset ecosystem to combat illicit activities, promote market integrity, and protect the safety and soundness of the financial system.”

### **Expect more regulations ahead, for the cryptocurrency market**

Amid the height of “Bitcoin mania” when a single Bitcoin traded for as much as \$20,000, the **Cboe Global Markets Inc.** (NASDAQ:CBOE) launched its first Bitcoin futures contract.

Not long after that, the **CME Group Inc.** ([NASDAQ:CME](#)) came out with its Bitcoin contract, under the ticker “BTC.”

And more recently, **Goldcorp Inc.** (TSX:G)(NYSE:GG) [hinted](#) that it may be getting involved in blockchain technology as well.

The moves made by the exchanges (ticker exchanges) were largely driven by investor demand, and both exchanges have likely done well from those products, but where there is money being made, you can bet there are regulators watching, making sure things don’t get out of control.

In his speech, Carney said, “Being part of the financial system brings enormous privileges, but with them great responsibilities ... The time has come to hold the crypto-asset ecosystem to the same standards as the rest of the financial system.”

Enjoy it while you can.

### **Conclusion**

Despite Carney’s stern warnings about the “bubble-like atmosphere” around cryptocurrencies, forthcoming regulations, and threats associated with money-laundering activities, he wasn’t remiss to mention the advantages that blockchain technology has to offer the broader financial markets.

The governor of the Bank of England went as far as to concede that the distribute ledger technology which underpins cryptocurrencies could be useful in helping the way the current payments system evolves.

“The Bank believes that distributed ledger technology could over time significantly improve the accuracy, efficiency and security of processes across payments, clearing and settlement.”

That’s a bold statement by someone who isn’t even “bullish” on the crypto market and a sign that this emerging technology may not be going anywhere anytime soon.

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