



Alert: China's Bitcoin Ban Is Impacting Crypto Stocks

Description

China has intensified its crackdown on the [cryptocurrency sector](#) this morning. Regulators have banned all digital asset transactions across the country, which has impacted cryptocurrency stocks and digital tokens across the board.

For investors in this space, here's what you need to know.

What happened?

The People's Bank of China, China's central bank, ramped up its crackdown on the cryptocurrency sector this morning. Indeed, regulators have been rapidly limiting the industry's influence throughout this year.

Earlier in 2021, China banned Bitcoin mining, which compelled local miners to either shut down or move their equipment out of the country. A few months ago, regulators asked financial institutions and FinTech payment platforms to stop handling cryptocurrency transactions.

This morning they've taken things a step further. The People's Bank has declared *all cryptocurrency transactions illegal*. This means everything from Bitcoin to niche NFTs are now effectively banned. In a statement, the regulators said these digital assets were being used for "money laundering, illegal fund-raising, fraud, pyramid schemes, and other illegal and criminal activities."

So what?

Over the past decade, China has played a pivotal role in the rise of Bitcoin and other cryptos. Chinese consumers have accounted for much of the transactions on most blockchain networks. Meanwhile, the Bitcoin mining sector in the country quickly took 70% of global market share.

This means China's crackdown is set to have serious repercussions for the global Bitcoin economy. Unsurprisingly, Bitcoin's market value has dropped 4% this morning and 10% over the past week. Most other cryptocurrencies are sliding lower too.

The impact on crypto stocks is hard to ignore. Digital assets platform **Coinbase** has lost roughly 4% in early morning trading. Canada's own cryptocurrency stocks are not doing any better. **Voyager Digital** ([TSX:VOYG](#)) is down 3.1% this morning.

Now what?

Investors are now waiting to see how deep the impact from this ban could be. It's worth noting that China has "banned Bitcoin" several times in the past. The country's regulators have always been skeptical of digital assets and unregulated financial products. They consider it a systemic risk.

However, demand from Chinese citizens and corporations has been strong enough to overcome these barriers. Nevertheless, this ban could block some Chinese entities from participating in the market.

However, investors in Voyager Digital, Bitcoin and other digital assets must consider the bigger picture. Other countries have been far more receptive to digital assets and the crypto economy, and mainstream adoption is rapidly accelerating. El Salvador, for instance, made Bitcoin legal tender, while regulators in the U.S. are actively considering Bitcoin exchange-traded funds and crypto financial products.

Demand from the rest of the world could fill the gap China leaves behind.

Bottom line

China has tried to clamp down on Bitcoin several times before. This time the regulatory action is stronger and more serious than ever before. This could reduce transaction volumes for companies like Voyager and others. However, growing demand in the rest of the world could plug the gap.

This could be a "buy-the-dip" opportunity for investors who have an appetite for some regulatory risk.

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