Bitcoin under threat from regulation



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It was inconceivable that, after establishing almost draconian banking regulations to prevent money laundering, tax evasion, exchange control limits, and drug dealing, that governments would then allow a decentralised system that could circumvent all their newly established controls, and I have said so for a long time.

Slowly but surely regulation is creeping in, and it would not surprise me to see governments establish their own crypto currencies of their way of outlawing the use of cash (for the same reason as bitcoins listed above). Venezuela has already established the “petro”, linked to their oil assets, and Estonia, and Russia could be close to following on with their own offerings.

It’s important to recognise the difference between Bitcoin, established as a worldwide payment system, and other crypto tokens or coins, where in actual fact you are funding a project, and receiving tokens instead of the traditional shares. The Korean government were quick to spot this and banned ICO’s (Initial coin offerings) in their country, the US and Canadian governments are now going to require ICO’s to have a prospectus, in the same way as a share IPO would have. The UK government is way behind on this, we have to hope they play catchup one day, but I’m not holding my breath.

Bitcoin and fellow cryptos roared away until they Bitcoin Futures Contract started on the CME, and it has halved in value since, an example of relinquishing power to Wall St, if there ever was one.

From this point on I predict ever greater regulation for bitcoin and cryptos, with crypto exchanges being regulated like banks in the very near future. The IRS have just extracted 14,000 account records from the Coindesk Exchange, with a view to retrospectively taxing those people for the profits they made in the years 2012 – 1014.

Given that the greatest gains in crypto have come in the last year or so, one can only imagine how many people the IRS will investigate when they move the date forward to 2016 – 2017 period.

If we are not careful governments will take advantage of peoples' enthusiasm for cryptos to enforce their goal of a cashless society, so I think people should be careful in welcoming government issued cryptos, as it will be like turkeys voting for Christmas.