

Bitcoin is an asset, not a currency Israel's central bank



Israel's central bank said on Monday it would not recognize virtual currencies such as bitcoin as actual currency and that it was difficult to devise regulations to monitor the risks of such activity to the country's banks and their clients.

Deputy Governor Nadine Baudot-Trajtenberg said there had been public complaints Israeli banks were making it difficult for some customers to transfer money from their accounts to buy bitcoin. But this was something the central bank would not be able to address. Other central banks faced the same problem.

"The Bank of Israel's position is that they should be viewed as a financial asset," Baudot-Trajtenberg told a meeting of Israel's parliamentary finance committee, noting that there was no government responsibility for investors in bitcoin.

The central bank, Baudot-Trajtenberg said, was studying the issue of virtual currency but not much could be learned from what exists globally since no regulator anywhere in the world had issued guidelines to the banking system on how to act in relation to customers' activity in virtual currencies.

"There is a real difficulty in issuing sweeping guidelines to the system regarding the proper way to estimate, manage, and monitor the risks inherent in such activity," she said. "Beyond the risks to the customer there are also compliance risks to the bank."

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The value of a bitcoin, the biggest and best-known cryptocurrency, surged in mid-December to nearly \$20,000, then dropped to less than \$12,000 at the end of the month. It was trading on Monday around \$15,370.

ANONYMOUS NATURE

Bitcoin is a publicly available ledger of a finite number of digital “coins”, which backers say can be used as a currency without the support of any country’s central bank. It is “mined” by computers, which are awarded new coins for working out complex mathematical formulas.

Several other cryptocurrencies have been launched that work on similar principles.

Committee members during the meeting on bitcoin and other cryptocurrencies urged Israel’s regulators to quickly come up with regulations.

“There seems to be a greater possibility that they will become central to our financial lives,” said Moshe Gafni, the chairman of the panel.

He called on regulators to submit to the committee within a month how they tend to deal with bitcoin and the like.

Still, Israel’s regulators are generally opposed to giving credence to virtual currencies since they are based on private initiatives and they do not have the same level of investor confidence as regular currencies.

“The anonymous nature of virtual currencies leads to the possibility that they may be used to launder money, finance crime, and so forth,” Baudot-Trajenberg said.

Shlomit Wagman, head of Israel’s anti-money-laundering authority said a thorough investigation was needed since terrorist organisations use virtual currency platforms.

Last week, Israel’s markets regulator proposed regulations that would ban from trading on the Tel Aviv Stock Exchange companies whose main business revolves around bitcoin and other cryptocurrencies.

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