Different approaches to bitcoin in Asia

TOKYO - From clampdowns to a warm embrace, regulators in Asia have taken very different approaches to dealing with the bitcoin phenomenon. Here are the developments in a few key markets.

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Chinese clampdown

In mid-September, China's central bank, the People's Bank of China (PBOC), told virtual currency trading platforms based in Beijing and Shanghai to cease market operations.

Authorities also clamped down on ethereum and any other electronic units that are exchanged online without being regulated by any country.

The PBOC said it wanted to fight "speculation" around the crypto-currencies, which "seriously disrupted the financial system".

This came after the National Internet Finance Association of China -- an offshoot of the PBOC -- drew up a damning report on virtual currencies, saying they were "increasingly used as a tool in criminal activities" such as drug trafficking.

Experts say Chinese authorities are also concerned about possible capital flight which could harm the value of the yuan.

However, the authorities in Beijing have not yet attacked Bitcoin mining -- the creation of the digital currency.

Between 60 and 70 percent of new bitcoins are created in China.

Korean concern

Hyper-wired South Korea was also a hotbed for virtual currencies such as bitcoin, accounting for some 20 percent of global transactions, about 10 times its share of the world economy.

But South Korean authorities late last year banned financial institutions from dealing in virtual currencies on fears of a bubble fuelled by retail speculators.

About one million South Koreans, many of them small-time investors, are estimated to own bitcoins and demand is so high that prices are around 20 percent higher than in the US.

Initial coin offerings (ICOs) -- where companies sell newly mined cryptocurrencies to investors for real money -- were also outlawed.

The government has also pledged to strengthen investor protection rules, in an effort to curb speculation and potential fraud.

Announcing the ban on ICOs in September, South Korea's Financial Services Commission declared "cryptocurrencies are neither money nor currency nor financial products".

Youbit, a South Korean exchange trading bitcoin and other virtual currencies, declared itself bankrupt in December after being hacked for the second time this year.

North Korea was accused of being behind the first attack.

Singapore caution

Singapore's central bank has issued a warning over cryptocurrencies, cautioning the public about the risk of jumping in on the "bitcoin bubble".

The Monetary Authority of Singapore noted they are not backed by any central bank and are unregulated, which means those who lose their investments have no grounds for redress under Singapore law.

Yusho Liu, co-founder of Singapore-based cryptocurrency wallet Coinhako, says demand has been soaring, with transactions up around 10-fold over the past year.

However, while regulators have been prepared to offer a cautious free rein to the digital units, "financial institutions and service providers have been rather resistant", Liu told AFP.

"In fact, I believe that only 30-40 percent of the market potential is fulfilled because of the friction generated by such matters. This is the key missing piece of Singapore being the fintech hub," said Liu.

Japanese jump in

The high-profile collapse of digital currency exchange platform MtGox failed to douse the enthusiasm for virtual currencies in Japan, which in April became the first country in the world to proclaim it as legal tender.

As many as 10,000 businesses in Japan are thought to accept bitcoin and bitFlyer, the country's main bitcoin exchange, saw its user base pass the one-million mark in November.

Many Japanese, especially younger investors, have been seduced by the idea of strong profits in the context of ultra-low interest rates that offer little in the way of returns.

However, the governor of the Bank of Japan, Haruhiko Kuroda, has recently issued a warning that the recent rise of the bitcoin price was "abnormal".

Source: *AFP*