

EU seeks 'urgent' response to bitcoin bonanza

BRUSSELS, Belgium: The EU's top official for the euro single currency pressed European regulators to urgently update financial rules in order to face bitcoin's dizzying volatility.



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Cryptocurrency bitcoin has soared almost 20-fold since the start of the year and this month saw it move into the mainstream as two major US exchanges began trading futures in the unit.

"The developments relating to bitcoin and cryptocurrencies in recent weeks require our heightened attention," European Commission vice-president Valdis Dombrovskis warned in a letter to the heads of three financial EU regulators.

The agencies must draw up new plans "as a matter of urgency ... in light of the recent market developments," said the letter, seen by *AFP*.

Dombrovskis, a former Latvian prime minister, also urged the regulators for "further work to assess and potentially improve the applicability of our regulatory framework to bitcoin and cryptocurrencies."

"There are clear risks for investors and consumers associated to price volatility -- including the risk of a complete loss of investment, operational and security failures, market manipulation, and liability gaps," Dombrovskis said.

His letter, dated December 20, came on the same day that bitcoin's value plunged about 15% before recouping some of the losses as investors took fright at news that a South Korean exchange had been hacked.

The EU's views are in line with those of experts who have warned bitcoin's spectacular rise shows all the signs of being a speculative bubble, with many traders borrowing heavily to buy bitcoin and risking ruinous losses.

Bitcoin started the year at \$1,000 per unit in January but by mid-December had shot to within striking distance of \$20,000.

The EU is among several economies that has raised the red flag over the rise of bitcoin.

US Federal Reserve Chair Janet Yellen has said bitcoin is not money and called on banks to be certain their digital currency transactions adhere to anti-money laundering statutes.

Source: *AFP*

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