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Cryptocurrencies Put a Fire Under Global Regulation

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The financial technology arena is heating up as unregulated cryptocurrencies, digital tokens like Bitcoin that can be used as money without the backing of any country's central bank, breed chaos and expose a need for international regulation. The Financial Action Task Force (FATF), Paris-based global watchdog for money laundering, is set to develop the first rules on cryptocurrency oversight in June. This is an important step toward creating global standards for an otherwise unfettered industry subject to patchwork approaches by different governments.

With impending concerns about fraud and unregistered business platforms trading cryptocurrencies, it follows that this emerging economy be subject to regulation. Many, including anti-money laundering lawyers and members of Congress, welcome the creation of international standards because the digital asset class is notorious for weak consumer protection and frequent security breaches. Lack of global coordination could be encouraging illicit use. Furthermore, as the digital money technology becomes increasingly more complicated, businesses may rely on a uniform set of rules to inform their financial practices and investments.

Still, others are apprehensive about rushing into normalized standards and want to proceed with caution, noting that extreme price volatility and regular exchange theft has defied historic regulatory approaches. In the world of cryptocurrencies, blockchain, and digital wallets, anonymity rules the day, and a user does not have to be the ultimate beneficial owner to proceed with coin exchanges, opening the door wide for fraudulent theft activities. In effect, developing a homogenous regulatory system will require creative reimagining of the finance industry to include genius technology, of which cryptocurrency is just one example.

Even in the face of standardized regulation, societal views and differences in technology access might impact regulation in action. In countries like China that subject their citizens to censored internet use, access to the technology might warrant strict regulation. On the other hand, countries like the U.S., which encourage individual autonomy, might want looser rules as a way of increasing business productivity and encouraging more participation from entrepreneurs and investors.