

Bank of England: Crypto crashes show need for tougher rules

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An advertisement for Bitcoin cryptocurrency is displayed on a street in Hong Kong, on Feb. 17, 2022. The Bank of England warns that recent crypto-asset meltdowns that wiped out more than \$2 trillion in value highlight the need for tougher financial regulations. Britain's central bank said Tuesday, July 5 that the crashes exposed vulnerabilities in the crypto markets reminiscent of previous bouts of financial turmoil. Credit: AP Photo/Kin Cheung, File

The Bank of England warned Tuesday that recent cryptocurrency meltdowns that wiped out more than \$2 trillion in value highlight the need for tougher financial regulations

The U.K.'s [central bank](#) said that the crashes exposed vulnerabilities in the [crypto](#) markets reminiscent of previous bouts of financial turmoil.

Extreme volatility in the crypto markets, including so-called stablecoins, resulted in "fire sales" and amplified price falls, the bank said in its latest [financial stability](#) report.

While overall financial stability wasn't threatened, the bank worried that "systemic risks" would grow as cryptocurrencies become more intertwined with the wider [financial system](#) and called for "enhanced regulatory and law enforcement frameworks."

"Technology doesn't change the laws of economics and finance and risks," Jon Cunliffe, the deputy governor for financial stability, said at a press conference. "We need now to bring in the [regulatory system](#) that will manage those risks in the crypto world in the same way that we manage them in the conventional world."

Bitcoin and other cryptocurrencies have tumbled this year, slashing the total value of cryptocurrencies from \$3 trillion at its peak in late 2021 to \$900 billion, the bank said.

One of the biggest meltdowns involved the stablecoin Terra, which imploded in May, erasing tens of billions of dollars in value with little or no accountability. Stablecoins had been seen as a safer bet among cryptocurrencies because their value is usually pegged to a government-backed currency, such as the U.S. dollar, or precious metals such as gold.

Officials across Europe have been stepping up scrutiny of the

cryptocurrency industry.

The U.K. Treasury has [proposed regulating stablecoins](#) that are used as payments. Last week the European Union signed a provisional deal for a [package of sweeping regulations](#) for the bloc's 27 member nations to tame what the deal's lead negotiator called the "Wild West of the crypto world."

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