

Crypto a 'flawed system': BIS

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The Bank for International Settlements (BIS) said Tuesday that decentralized cryptocurrencies are a "flawed system" and instead supported the development of a centralized alternative.

The BIS, regarded as the [central bank](#) of central banks, backed

"tokenisation" or the conversion of money and other assets into digital tokens that can be traded on programmable platforms, saying it offers the promise of a "major leap" in the financial system.

Central banks and regulators have mostly been skeptical if not downright hostile to cryptocurrencies, which were developed using digital blockchains, a technology that allowed for decentralized management of trading assets.

Proponents of the technology lauded its decentralized structure and often anonymous transactions that took control out of the hands of government institutions like central banks.

But central banks have begun to test the waters of the technology, with the BIS taking a leading role.

In an advance publication of its quarterly report, the BIS wholeheartedly embraced the underlying [technology](#), but said its success in the financial sphere requires the trust imparted by it being backed by institutions like [central banks](#).

"Crypto and decentralized finance (DeFi) have offered a glimpse of tokenisation's promise, but crypto is a flawed system that cannot take on the mantle of the future of money," said the BIS.

The cryptocurrency system "lacks the anchor of the trust in money provided by the central bank ... the implosion of the crypto universe in the past year shows that there is no substitute for the real thing," it added.

Quite aside from huge volatility of value, the crypto world has been hit repeatedly by scandal including the collapse of the FTX exchange platform last November which saw investors lose vast sums.

Crashes of [crypto](#) platforms have regulators to harden their stance to protect consumers, with US authorities recently moving against two major exchanges recently for allegedly skirting securities laws.

Although the BIS is pushing for a single registry of transactions what could ultimately emerge is a network of interconnected variants.

The report looks at several central bank studies, including Jura, brainchild of the Swiss national bank and the Bank of France to test cross-border operations using versions of digitized central bank issue currencies.

The BIS called tokenisation "the next logical step" in digital record keeping and asset transfer.

"Tokenisation could dramatically enhance the capabilities of the monetary and [financial system](#) by harnessing new ways for intermediaries to interact in serving end users, removing the traditional separation of messaging, reconciliation and settlement," it said.

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