

Bitcoin in china – a dream dispelled



NOT so long ago, China looked to be the promised land for crypto-currencies. Bitcoin and its rivals were traded freely and online exchanges proliferated. On one estimate, China accounted for more than half of the world's trade in Bitcoin last year.

Near the end of last year, when its price was above \$1,150, more than 100,000 coins were being traded daily on BTC China, a local exchange.

Alas, those heady days are gone. Prices have plunged below \$500 of late and hardly 2,000 coins are now traded daily on BTC China. According to Bobby Lee, the exchange's founder, "Most investors have left the market." What happened? The short answer is regulation.

In early December China's central bank declared that Bitcoin was not a currency. This slowed its rise, but enthusiasts remained unbowed as the declaration fell far short of the outright ban some had feared. Then regulators forbade the firms that act as middlemen between businesses and credit-card networks from working with the exchanges. That was a more serious blow, but exchange operators found ways round the ban (for example, by using related companies to deal with the payment processors).