

Federal reserve has  
no authority to  
regulate bitcoin



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The Federal Reserve has no authority to supervise or regulate Bitcoin, chair Janet Yellen told Congress on Thursday.

Testifying before the Senate Banking Committee in the week that the controversial digital currency's largest exchange collapsed, Yellen was asked about Bitcoin's potential impact by senator Joe Manchin.

On Wednesday, Manchin wrote to the Fed, Treasury and other regulators warning that the currency was "disruptive to our economy" and calling for its regulation.

"Bitcoin is a payment innovation that's taking place outside the banking industry. To the best of my knowledge there's no intersection at all, in any way, between Bitcoin and banks that the Federal Reserve has the ability to supervise and regulate. So the Fed doesn't have authority to supervise or regulate Bitcoin in anyway," said Yellen.

Yellen said there were concerns about the currency being used for money laundering but that regulators were confident that US law was "adequate to meet enforcement needs".

US authorities arrested Charlie Shrem, the CEO of Bitcoin exchange BitInstant, and another man, Robert Faiella, last month and charged them with laundering money for customers of online drug bazaar Silk Road.

Manchin asked Yellen whether the US was "behind the curve" among countries issuing warnings on or regulating Bitcoin. In his letter Manchin noted that Thailand and China had banned Bitcoin and South Korea had stated it will not recognize Bitcoin as a legitimate currency. "Several other  
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countries, including the European Union, have issued warnings to Bitcoin users as their respective governments consider options for regulating or banning its use entirely," he wrote.

"The Fed doesn't have authority with respect to Bitcoin," said Yellen. "But certainly it would be appropriate for Congress to ask questions about what the right legal structure would be for digital currencies."

"It's not so easy to regulate Bitcoin because there's no central issuer or network operator. This is a decentralized, global [entity]... We're looking at this," she concluded.

Yellen's comments come after the collapse of Mt Gox, one of the largest Bitcoin exchanges. The exchange collapsed Tuesday after a series of cyberattacks and amid accusations of mismanagement. Federal prosecutors are now investigating the exchange's collapse.

Yellen told the banking committee that the Fed was closely monitoring a recent slowdown in the US economy. The last two monthly jobs reports have both been disappointing and some have blamed the harsh winter weather.

"A number of data releases have pointed to softer spending than analysts had expected," said Yellen. "That may reflect in part adverse weather conditions, but at this point it is difficult to discern exactly how much."

Next Friday, the labor department will release its latest jobs report and revise its figures for the previous months. Yellen said the Fed would be carefully monitoring the situation in order to assess whether or not to slow

down the pace at which it is cutting back its massive economic stimulus programme, known as quantitative easing (QE).

Source: TheGuardian

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