

## **New Year, New Money**

Is 2018 going to be the rise of the crypto currency (virtual currencies) or just another New Year fad? The crypto currency is an up and coming entrant into the financial market place, spear-headed by “Bit-coin” which was worth in the region of \$1000 at the start of 2017 and near the end of 2017, it had a reported value of nearly \$20,000.

Like most things which go up, they also come down and at the start of this year Bitcoin fell back by \$5,000 but then rose again by a further \$2,000 per coin as a result of the founder of PayPal, Peter Thiel increasing his investments in it.

I know to some the idea of an unregulated virtual commodity may seem a little etheric. But in essence, that is exactly why some people prefer the idea of the crypto currency, as in a recent survey by Blockchain “30% of millennials if they were given £1,000 to invest said that they would rather invest in the crypto currency (such as ‘Litecoin’, ‘2Cash’ and ‘Ethereum’ to name but a few of the current 700 available crypto currencies) rather than in government stocks or bonds.”

It begs the question of how the crypto currency works if there is no central bank to guarantee it. But like with anything, if someone is prepared to buy it then it has a value, hence crypto currencies rely on peer-to-peer trading to maintain value. That is probably why it is easier to think of crypto currency as an asset class or a commodity rather than as a currency.

Even though there are so many crypto currencies available, they still only form a very small part of the financial market. But like any commodity, as the market place grows, and the commodity becomes more liquid, trading of the same also becomes more expansive. In my view, once this happens I am sure we will see a lot more millennials starting to trade in these crypto currencies. In fact, the New York Stock Exchange is looking to follow suit to some other exchanges and list a number of funds linked to Bitcoin, hence once crypto currencies enter the financial lexicon of the mainstream, everyone will be more familiar with terms like “ICOs” (Initial Coin Offerings).

This however could be a double-edged sword as once crypto currency becomes mainstream, regulators such as the bank of England will want some kind of say over how these crypto currencies are traded, as they are in effect financial instruments. Currently, 100,000 plus users per day are purchasing crypto currencies. Thus, the regulator will not want to leave these people exposed.

The other problem with crypto currencies is scalability. Even now, some of the exchanges, such as Binance, closed to new registrations as recently as 4<sup>th</sup> January 2018 to allow for infrastructure upgrades. So, interesting times, let us see what the future holds.

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