

Will the bitcoin bubble burst?

While the jury is out on the worldwide cryptocurrency and digital payment system known as bitcoin, a growing number of investors, merchants and vendors are taking it very seriously. After all, notes **Legalbrief**, the currency has jumped about 600% in dollar terms over the past year and there are now between 3m and 6m unique users of cryptocurrency wallets (mostly bitcoin) at any time. However, in a significant setback, **China plans to ban trading of bitcoin and other virtual currencies on domestic exchanges**, dealing another blow to the \$150bn cryptocurrency market. The ban will only apply to trading of cryptocurrencies on exchanges, according to people familiar with the matter, who asked not to be identified. Authorities don't have plans to stop over-the-counter transactions, they said. A report on the **Fin24** site notes that the revelation capped the virtual currency's biggest weekly retreat in nearly two months. The country accounts for about 23% of bitcoin trades and is also home to many of the world's biggest bitcoin miners, who use vast amounts of computing power to confirm transactions in the digital currency. While Beijing's motivation for the exchange ban is unclear, it comes amid a broad clampdown on financial risk in the run-up to a key Communist Party leadership reshuffle next month. The People's Bank of China has done trial runs of its own prototype cryptocurrency, taking it a step closer to being the first major central bank to issue digital money.

China is home to vast and lucrative cryptocurrency mining operations for bitcoin, ethereum and other cryptocurrencies. Three Chinese exchanges – Bitfinex, OkCoin and BTCC – made up more than 45% of the global market share over the past 30 days. A report on **The Verge** site notes that bitcoin's growing popularity in China may have caused the government to begin to perceive it as a threat to the local currency, especially as Chinese investors bought up bitcoin and bet against the yuan last year. The report says **this isn't the first time China has flexed its regulatory muscle on bitcoin**. Back in 2013, China banned the cryptocurrency from all banks and financial institutions, but left exchanges alone, the report states.

Cryptocurrencies have undergone a wild, roller-coaster ride in recent months. News that China is also clamping down on exchanges has sent further panic into the market with the bitcoin price subsequently spiralling down closer to the \$4 000 mark in a matter of days (down from a high of \$5 000). Although bitcoin is a massively risky investment, an analysis on the **BizNews** site notes that **there is another option – bitcoin mining**. 'Undoubtedly, if you are willing to put in the significant upfront capital, you can create your own mining rig and potentially benefit with a nice passive investment tool. If you're not into building your own rig, there are also cloud mining providers that allow you to pool with others and take on risk collectively. Of course, these cloud providers have their pros and cons as well.'

A notice to anyone using bitcoin for illicit purposes: you can run, but it's getting a lot harder to hide. Law enforcement officials are using bitcoin's public ledger, called the blockchain, to follow the digital money and track down suspected criminals using it. As the most popular cryptocurrency, bitcoin has helped fuel the rise of ransomware attacks in which hackers hold the contents of a victim's computer hostage until they get paid. **Criminals can use bitcoin to collect ransom easily and without having to reveal their identities**. The currency has also been associated with online drug sales, money laundering and sex trafficking. But while bitcoin users can withhold their identities, they can't avoid revealing other information that can be useful to investigators. A report on the **Technology Review** site notes that every bitcoin transaction is recorded on its blockchain, a publicly accessible record of all transactions made using the currency. 'Blockchains provide a really useful source of truth,' said Jonathan Levin, co-founder of Chainalysis, which develops software tools for analysing blockchain data.

Meanwhile, a man accused of stealing £1m in bitcoins to fund a luxury lifestyle has denied fraud in the first trial of its kind. **The Sun** reports that prosecutors say Ryan Kennedy siphoned off a huge sum in digital currency in a 'very complex and sophisticated fraud' scheme. Kennedy, who appeared at Bristol Crown Court via video link from a Bristol jail, denies eight charges of fraud, fraudulent trading and money-laundering. One count of fraud alleges that Kennedy claimed to be a 'lawyer with a degree from Balliol College, Oxford'. **The case follows a three-year probe by investigators**.