Why are Banks against buying bitcoins?

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Cryptocurrency is here to stay, despite its current shortcomings. Banks who continue to ignore this market force do so at their own peril.

(Newswire.net -- April 22, 2018) -- Bitcoin has been touted as a possible replacement for fiat currency as we know it. It is a virtual currency (digital currency) that has created quite a stir in the finance industry since it threatens to provide a convenient and far more effective alternative to conventional money.

Whereas conventional currency is generated by a state-owned banking system, bitcoin, or any other virtual currency for that matter, is completely decentralized and falls under no central jurisdiction around the world. It is an efficient way of introducing transparency and accountability in financial transactions. The question then is, if bitcoin is as efficient as it is deemed to be, why then are the banks resisting the buying of these coins?

Brief background on the onset of bitcoins

The central bank is the government's trustee on anything that touches on money matters. It is mandated upon the trust to ensure that the fiat remains stable. This has, however, not been the case seeing that this trust has been breached over and over again.

Again, the customer trusts the bank with their money for safe custody and subsequent electronic transfers to their accounts as and when required. Experience has shown that the bank over-lend these monies leaving insufficient reserve to stand as back-up for their customer's deposits. We have seen banks closing down for this same reason, leaving the account holders helpless with the very institution they had put their trust in.

It is upon this premise that Satoshi Nakamoto based the inception of bitcoin- a currency where trust is decentralized and everyone becomes a trustee. If your bank is against buying bitcoins, you can try other alternative methods like debit cards that do work.

Why banks are against buying bitcoins

The reasons are not necessarily wholesomely disadvantageous, but even the sunny side of it becomes a threat to an interested party – the banks. It is a case of *"what's good for you ain't necessarily good for me too".*

Some of the reasons causing this disturbance are:-

- **It is a bubble**. As the name suggests, a bubble is a vulnerable film of water holding air inside it and susceptible to burst at the slightest provocation. This is what banks and investors are most apprehensive about. This state of being volatile is no state on which to base long-term sound economic decisions. The fact that speculators also keep on making bets as to the increase in the value of bitcoins, uncertainty and fear become the obvious outcome. This has actually made bitcoin to be viewed more in terms of a Storage of Value than a Currency of Exchange.
- **It is not legal**. Bitcoin is not a legal tender in many countries except for a few like Japan. Governments are still grappling with the idea on how to make laws around bitcoin. They cannot undertake this exercise unless they truly understand its workings. Not being a legal tender has, however, not prohibited traders from using it as a form of payment. So, whether the laws governing the usage of bitcoin will be on a national or international basis is yet to be deliberated upon together with the matter of license issuance to its users.
- **Is it breakable?** By breakable we mean whether the mining is sustainable. Bitcoin is based on the Peer-to-Peer network through a process known as mining. As more people are joining the bitcoin network, the more challenges it poses to the miners. The miners would need faster and more compatible computers as the old ones become obsolete. It can also not be ignored that the machines can be defective hence stalling the mining process.
- **Is it innovative?** Besides bitcoin being a form of payment, the possibilities it opens due to its many features cannot be understated. These come in the area of fraud control, cost efficiency, trust and integrity and also its

nature of decentralization. Actually, because of the decentralization, there is no fixed target to bring down the system as there is no central database.

There are many other benefits that threaten the very existence of banks and it is no surprise that they are against buying bitcoins.

- **Is it a money laundering scheme?** This is no doubt a major concern. Money laundering is is the act of gaining great profits through illicit means and concealing the origin of such proceeds. How do you differentiate the good guy from the bad guy? Bitcoin money laundering has happened before in The Netherlands with 10 people arrested for sales of shadowy bitcoins. Money laundering is, however, not a preserve of bitcoins only but even conventional banking systems have fallen prey to this quite so often.
- **What about upsetting the political order?** Banks are afraid of what Bitcoin adoption can do, especially in upsetting the political order. What this in essence means is that bitcoins may end up controlling the wealth of nations and politics will be relegated to the social aspect of its citizenry. Banks that derive authority from politics then would be powerless. What banks want is to maintain the status quo that give governments and politicians power over money and wealth. That way, power remains in their hands. Bitcoin would simply take that away.

Final word

All the pros and cons being weighed carefully, banks cannot deny the fact that bitcoin is superior to its fiat counterpart in its universal acceptance. It has less oversight, fast operations, superior security, thereby making it a better alternative to reserves held in banks. Banks will do well not to ignore that bitcoins, and in a broader sense cryptocurrencies, is here with us to stay.

A good way to go would be the German way, who, on sensing a real war of the Titans, has allowed its use restrictively as a private currency running alongside the state currency. Instead of burying their heads in the sand, banks must wake up to the reality of bitcoins and develop ways and means to incorporate it without upsetting the existing system or gradually until the take-over is complete and non-injurious to all parties concerned.

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