

# Why regulation will help grow Bitcoin adoption

By [Angus Brown](#) 21 Jan 2019

Last week, the South African Reserve Bank (SARB) released its consultation paper on policy proposals for crypto assets after engaging constructively with many participants in the cryptocurrency ecosystem, including Centbee.



Angus Brown, CEO of Centbee and co-founder of [ebucks.com](#)

In June 2018, I was invited to address SARB and it may have surprised some when I said, “The Reserve Bank is letting us all down by not providing enough regulation.” Failure to regulate creates an opportunity for public abuse and deception.

Money is a fundamental part of the way any society operates, and governments have controlled how it is created and used. I have spent the majority of my professional life either working for, or building banks. They are relatively fragile financial entities, as the 2008 global financial crash reminded us. They pose systemic risk to the fabric of society, and historical bank crashes have set entire countries back by decades. Central banks were created to try and control these risks, however, like any government-run business, they have a patchy record.

I was a founding member of a team that launched [eBucks.com](#), the world’s first bank-backed digital currency, in 2000. Our original vision was to create an entirely new digital currency that could be used to transact freely on the internet. Years later, I was fascinated by Satoshi Nakamoto’s Bitcoin whitepaper as I recognised the same spirit and intentions. Bitcoin is one of the critical financial innovations of our time.

In 2016, I took a giant leap of faith and co-founded a Bitcoin payments startup, Centbee. We provide an app that makes Bitcoin the easiest way for people to pay each other.

My co-founder, Lorien Gamaroff, and I have been invited regularly to provide advice and education to central banks across the world. We’re extremely fortunate to be based in South Africa, a nation that has one of the most robust and innovative banking systems world-wide. We have a healthy relationship with SARB, which

has a relatively open view towards cryptocurrencies.

## **Bringing the chaotic to the mainstream**

People often think of regulation as 'establishing controls', but it also means 'to make regular'. Regulation helps to bring order to a situation, bringing the chaotic to the mainstream. Although early adopters typically have a high risk appetite, most people shy away from disorder, especially when it is associated with illegal activity.

If we truly want Bitcoin to succeed, it needs to be owned and used by hundreds of millions of people. To achieve that, Bitcoin has to be perceived as safe, easy-to-use and easily available. We must recognise that regulators, as the agents of government, are the gatekeepers.

Historian Niall Ferguson noted that 'highly regulated' is not always synonymous with a sound and safe financial system. New regulations always have some unintended consequences as the marketplace adapts. This is not to suggest that cryptocurrencies should be entirely unregulated, rather a call for regulation should be seen by policymakers as an ever adapting process.

## **Borderless technology**

Governments are challenged by Bitcoin because they have a very limited ability to control the technology. They face a paradigm challenge whereby they ordinarily license a specific product in a specific jurisdiction and must now deal with a technology that is borderless. Not only does this pose problems to regulators attempting to provide a harmonised national policy approach across different product types and fiscal domains, but they have to address the issue of services provided across borders. The market of cryptocurrency users is a global audience.

Although some cryptocurrencies are currently viewed as alternative assets by speculators, it must be emphasised that the original vision, and likely longer-term outcome, is that Bitcoin is a protocol.

At Centbee, we believe it is more fruitful to regulate apps and use cases than to attempt to control the cryptocurrencies themselves.

I am confident that a transparent and respectful approach towards regulators will help them develop enabling legislation. Regulation can help customers and existing financial institutions gain more comfort in cryptocurrencies and drive the adoption of Bitcoin.

## **ABOUT THE AUTHOR**

Angus Brown, CEO of Centbee and co-founder of ebucks.com

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