The future of Bitcoin (regulation) in Africa

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The launch of the first Bitcoin future for trade in the United States of America during December 2017 has brought significant public attention to both the Bitcoin crypto currency, and the underlying bitcoin network (blockchain technology protocol that the crypto currency is built on).

When looking at the future of Bitcoin and blockchains, and the potential impact that these can have in the various African markets, an area to keep an eye on is various governments' possible approaches to the regulation of crypto currencies. Various attempts at regulation have already been seen in other parts of the world, and it is still to be seen what the reaction of some African governments, and regulators, will be.

From a government regulatory perspective, the desire to regulate crypto currencies like Bitcoin arises primarily from their ability to be used as an untraceable digital cash system.

Even though Bitcoin transactions happen publically on the blockchain, and it's possible to view all transactions that happen and see the exact details of all amounts transferred between addresses on the blockchain, it's not possible to easily link these transactions with a person's real identity. The Bitcoin crypto currency offers pseudonymity when transacting, meaning that it is an almost-untraceable digital cash.

Untraceable digital cash poses various problems to governments.

One problem is the enforcement of capital controls. Bitcoin makes it trivial to bypass laws restricting to limit of the flow of capital into or out of a country. This is done by liquidating assets in one country, buying Bitcoin, and then transferring those Bitcoins into or out of a country.

This "problem" is, however, also the source of one of Bitcoins advantages to people adopting it. In this context Bitcoin makes remittances of money by migrant workers back to their family in their home country quick, cheap, and easy.

Another problem is difficulties surrounding money-laundering. This is because it may not be possible to identify or authenticate the real identity behind each transfer of Bitcoin.
The difficulties with, and sometimes dangers of, untraceable digital cash can be illustrated by the "Silk Road" website that was operated over the internet as a TOR hidden service. The Silk Road was an anonymous marketplace that offered various goods, including illegal drugs, in exchange for Bitcoin. The untraceable Bitcoin system allowed people to exchange value in the form of untraceable digital cash (Bitcoin) without ever having to reveal their real identities. This website was able to operate from February 2011 to October 2013, before being shut down. When shut down law enforcement was able to seize 170,000 Bitcoins (which would have a value of more than US$2,550,000,000.00 at December 2017 prices).

Governments could use to try to address these problems is by strictly regulating Bitcoin exchanges, making it difficult for a person to turn large amounts of local currency into Bitcoin, or to buy large amounts of Bitcoin with local currency.

Existing, and potentially new, anti money-laundering laws could also be applied businesses and to Bitcoin transactions. These could include "know your customer" requirements, and mandatory reporting requirements that require businesses to identify and authenticate their customers, and to report transactions over a certain monetary threshold.

Another, more draconian, method to address these problems is the outright banning of the use of Bitcoins by businesses.

It is impossible to predict what steps countries in Africa will take in the future to regulate Bitcoin and other crypto currencies. Each country will no doubt adopt the approach that they think best given the particular countries unique economic and cultural circumstances.

What is important, however, is to understand to what extent existing laws in each market could extend to Bitcoin transactions, and properly adapt to any new laws that are adopted in the future.

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