Bitcoin Tumbles as Miners Face Crackdown

By **Haley Cafarella** - June 1, 2021

Bitcoin tumbles as Crypto miners face crackdown from China. Cryptocurrency miners, including HashCow and BTC.TOP, have halted all or part of their China operations. This comes after Beijing intensified a crackdown on bitcoin mining and trading. Beijing intends to hammer digital currencies amid heightened global regulatory scrutiny. This marks the first time China's cabinet has targeted virtual currency mining, which is a sizable business in the world's second-biggest economy. Some estimates say China accounts for as much as 70 percent of the world's crypto supply.

Cryptocurrency exchange Huobi suspended both crypto-mining and some trading services to new clients from China. The plan is that China will instead focus on overseas businesses. BTC.TOP, a crypto mining pool, also announced the suspension of its China business citing regulatory risks. On top of that, crypto miner HashCow said it would halt buying new bitcoin mining rigs. Crypto miners use specially-designed computer equipment, or rigs, to verify virtual coin transactions.

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This process produces newly minted crypto currencies like bitcoin. "Crypto mining consumes a lot of energy, which runs counter to China's carbon neutrality goals," said Chen Jiahe, chief investment officer of Beijing-based family office Novem Arcae Technologies. Additionally, he said this is part of China's goal of curbing speculative crypto trading.

As result, bitcoin has taken a beating in the stock market. Recently, it was down 50 percent from its all-time high. Governments are working to regulate cryptocurrencies. For example, U.S. Federal Reserve Chairman Jerome Powell said they pose risks to financial stability and that greater regulation may be necessary.

The Perspective of A Cryptocurrency Expert

In terms of this crackdown from China, the impact could be short-term. "The effect is short-term," Dr. Merav Ozair, FinTech Faculty member at Rutgers Business School, told The Buttonwood Tree. "Long term we should focus on the technology – blockchain technology. The technology is here to stay. Like with the internet, more than 20 years ago, when we had volatility and the dot.com bust, but we survived it, and today we cannot imagine our lives without internet – so would Blockchain technology. Thus, Blockchain technology is the future. It is here to stay, and it is at the core of any digital asset – it's the next generation. The internet is referred to as Web 2.0 and Blockchain is referred to as Web 3.0."

Market Implications

This crackdown could impact how investors invest in the market. She said, "First, we should make a distinction and clarify that 'crypto assets' or 'digital assets' are NOT 'securities.' Therefore, we should not refer to it as 'stock market.' The fundamentals of digital assets are very different than the fundamentals of securities and should not be confused.

"Furthermore, each Blockchain (i.e., digital asset) has a different use case and different fundamentals – very similar to any technology company. Not all technology companies are the same – IBM is very different than Apple, they are both technology companies but have different business models and different fundamentals. Same applies to blockchain platforms. Bitcoin and Ethereum, the two major blockchains (i.e., digital assets) have different use cases and hence different fundamentals."

In her view, the blockchain technology is here to stay. "Therefore, we should focus on the technology. Same as with any technology company. Any digital asset is based on Blockchain technology. Blockchain technology is here to stay, and it is at the core of any digital asset – it's the next generation, it's the future. The internet is referred to Web 2.0 and Blockchain is referred to as Web 3.0," she said.

Background in Crypto

Her background in crypto is very interesting. "I got 'introduced' to crypto about 6 years ago, while doing my research on the FX market. I somehow 'stumbled' on crypto, as many FX brokers have also been trading crypto," she said. "At first, I thought that FX and Crypto assets are similar – because the are both trading 24/7, in pairs and globally. However, as I started researching, I realized that they are very different, because their fundamentals are very different. Unlike FX, crypto assets are not driven by macroeconomics event or parameters."

The more she learned, the more her interest grew. "There is a technology behind it," she said. Her intrigue got her to start diving further and further into crypto assets and blockchain (the technology which utilizes crypto assets), and for the past 6 years or so, her focus has been on blockchain technology and digital assets – researching, analyzing, developing and architecting. "It's an ever-evolving space and it's very fascinating," she said.