

Investing in virtual money: The ambiguity between 'currency' and 'stocks' confuses Wall Street

Legal uncertainty is the reason why Wall Street is not really open to cryptocurrencies, but also does not want to stand outside the price rising 'tsunami' ...

In the last few years, Wall Street has changed its stance on cryptocurrencies, from denial to cautious concern, but has not really opened up to cryptocurrencies.

"BLACK LINE" LEGAL GOVERNMENT OF VIRTUAL CASH

Cryptocurrencies are no longer condemned as a bizarre alternative investment tool. Instead, even central banks around the world are considering issuing digital currencies.

According to CNN, the largest virtual currency on the market, Bitcoin, is currently trading at a price of more than \$ 50,000. Dogecoin, a virtual currency that started out as a joke, is now also in the largest group of coins in the market.



In December 2020, the US Securities and Exchange Commission (SEC) filed a lawsuit against the virtual currency exchange Ripple and its Board of Directors, accused of selling unregistered shares. In this case, the virtual currency XRP is seen as a security, not a currency.

Last month, virtual currency exchange Coinbase had an initial public offering (IPO) with a target of nearly \$ 100 billion. The historic deal sounded like a wake-up call for the major Wall Street banks, like the one that echoed when Netscape went public in 1995 to the tech industry. However, there is one reason why Wall Street is

hesitant: It is virtual money that has not been regulated by the law.

Currently, the US government has not been able to determine what virtual currency is. If it were a currency, the virtual currency was completely unregulated. If it's a security, like stocks or other investment instruments, virtual money should be regulated at a different level.

In December 2020, the US Securities and Exchange Commission (SEC) filed a lawsuit against the virtual currency exchange Ripple and its Board of Directors on allegations of selling unregistered shares - in the form of XRP virtual currency - worth \$ 1.3 billion and So far the case has not been resolved.

In this case, the virtual currency XRP is seen as a security, not a currency. Because otherwise, the securities law wouldn't have been applied to the settlement. However, Ripple denies this.

Cases like these, plus the lack of regulatory uncertainty on other cryptocurrencies, make Wall Street banks hesitate to enter the market.

"Without a doubt, Ripple's action is an example of a legal 'dark cloud' that could overshadow other virtual currencies like Bitcoin or Ether," says Ashley Ebersole, partner at law firm Bryan Cave Leighton Paisner and is a former SEC attorney, said.

E PUT BUT CAN'T STAND OUT

Regulatory uncertainty is scary for companies looking to jump into the crypto race, analysts say. However, banks will also enter this market.

In March, Goldman Sachs re-launched its virtual currency trading division and will soon provide personal wealth management services to clients investing in virtual currencies.

At the company's earnings announcement last month, Goldman Sachs CEO David Solomon said the rapid rise of cryptocurrencies was a signal that "there would be a major shuffle and change in the way currency is going. circulating around the world ".

Meanwhile, Daniel Pinto, JPMorgan Vice President, said if customer demand continues to grow and virtual currencies continue to grow, banks will not be able to stand on the sidelines.

"We'd better see virtual currency as a new financial product that banks can trade," said Ebersole of law firm Bryan Cave Leighton Paisner. "So does it need new financial controls? Maybe."

By now, many of Wall Street's major banks have started making profits from the recent crypto craze. For example, Goldman Sachs is the leading bank participating in the Coinbase IPO and earning a lot of profit.

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Many listed companies such as Grayscale Bitcoin Trust, Tesla, MicroStrategy or Nexon (Korea) . have poured billions of dollars into cryptocurrencies, mainly Bitcoin.

Earlier this year, electric car company Tesla revealed to have spent \$ 1.5 billion on Bitcoin and was estimated to have made \$ 1 billion on the investment. At the end of March, billionaire Elon Musk, CEO of Tesla, said it officially allowed customers to buy electric cars with Bitcoin.

Last October, software company Square Inc. billionaire Jack Dorsey (Twitter founder) also spent \$ 50 million to buy Bitcoin. Bank of New York Mellon Corp. said it will start seeing Bitcoin as other financial assets, while Mastercard Inc. vowed to include Bitcoin in its international payment system this year.

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