

# Top Challenges in Bitcoin Regulation

Are you wondering what the top challenges in Bitcoin regulation are? Here is a guide on the top challenges in the regulation of Bitcoin.

Bitcoin is an emerging force in the financial space, and people have always regarded it as the future of finance. However, in 2020, this digital currency had drawn a lot of interest and, at the same time, experienced significant price volatility. With increasing values and adoption levels, the Bitcoin industry has also attracted governments and regulators amid concerns about its potential impact. Here are the top challenges that Bitcoin regulators face most often.

Picture 1 of Top Challenges in Bitcoin Regulation

## Bitcoin and Money

Regulators like to deny that this digital asset and other cryptocurrencies are money. Thus, they prefer the term crypto or digital assets. The failure of cryptocurrencies to attain mainstream adoption due to price volatility supports their view. The major roadblock is, however, solved with stablecoin cryptocurrencies, which have the full backing of fiat currency. No matter what people call it, in substance, stablecoin is as close to money as you can get. And central bankers will soon step up their game and find a way to regulate this digital currency like money or even go on the offense by adopting a strategy using their version of digital currency.

## Regulation of Investors

Another tool regulators use to classify investors into buckets based on their wealth, deal size, sophistication, or combination. Then, where people think the products are too dangerous for retail investors, they could take a paternalistic stance, restricting their sales to confident investors. The amount each person could buy in one or several deals could have a limit. Perhaps you can consider purchasing this digital currency via bitcoin pro.

The problem is that you can only make that restriction in the primary market. However, investors can purchase in the secondary market from others who are not restricted. They may buy any way at a much higher price, even allowing unrestricted non-retail investors to profit from a retail restriction.

## Regulating ICOs

Market valuations of cryptocurrencies remain wildly erratic. The price of Bitcoin, for example, in 2018, increased to almost \$20,000, only to less than \$7,000. The SEC has signaled concern about the potential for fraud with the rise of ICOs. And this is a logical conclusion considering the enormous growth of coin-related ICOs over the past two years. On the other hand, coin offerings have risen close to \$6 billion five years since the first ICO. The crypto assets stand at about \$221 billion in total market capitalization.

The most pressing concern for most regulators is eliminating the ICOs' use for terrorism and money laundering. Governments struggle to author guidelines for regulating the use of cryptocurrencies while critics debate the legitimacy of these concerns. Most government regulators are concerned about how to classify ICOs and govern and tax them.

## Diverging Regulation

Forecasting the SEC guidance in the United States is difficult, but the standard view is that most ICOs are subject to U.S securities laws. An SEC's sporadically aggressive posture has been a red flag for early-stage companies seeking to raise funds via digital tokens sale. Even though it is true that the ICOs' legal framework is slowly taking shape, most governments aren't entirely sure how to manage the space.

One major drawback is that overregulation could suppress risk-taking and undermine innovation. The rapid ICOs' ascendancy and their ability to raise funds for building start-ups have democratized access to capital in new and innovative ways.

## Conclusion

In the future, it is clear that ICOs and the Bitcoin market will be increasingly subject to regulation. Regulating this digital asset will mean that the volatility market will decrease even as the value of Bitcoin continues to increase.

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