

Press Release

CFS survey: Financial industry does not believe bitcoin price trend is justified / Clear support for stronger regulation

FRANKFURT, 23 January 2018. The price of one bitcoin rose from around USD 1,000 in early 2017 to almost USD 20,000 by December. With several peaks and troughs in the meantime, by mid-January bitcoin had shed around 40% of its value. According to a recent survey by the Center for Financial Studies, the majority of the German financial industry does not believe this price trend is justified – 81% of respondents agree on this point.

It is difficult to predict what potential risks could arise for the financial system. Over half the respondents (54%) take a critical view of the development. On the other hand, 41% of the survey participants believe the risks are negligible. Regardless of how they view the potential risks, however, a large majority (78%) believe that the cryptocurrencies market should be subject to tougher regulation.

“The survey makes it clear that concerns are growing among financial market participants regarding bitcoin’s lack of transparency and volatile price trends,” Professor Volker Brühl, Managing Director of the Center for Financial Studies, interprets the survey results.

Although the importance of cryptocurrencies is growing, bitcoin will still not be able to replace our classic monetary system in the long term. The financial industry is in firm agreement on this point (93%). In addition, 79% of the respondents do not regard bitcoin as a generally attractive investment instrument.

“In its current form, bitcoin constitutes a dubious construct that offers no discernible added value. Clear regulatory frameworks and rigorous supervision are therefore required to ensure that investor protection also applies to cryptocurrencies and that potential systemic risks are extinguished at an early stage,” Professor Brühl adds.

Hubertus Väth, Managing Director of Frankfurt Main Finance e.V., emphasizes: “Despite all justified scepticism, the fascination about the technology and its potential remains intact. Regulation should not suppress experimentation.”

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The results are based on a quarterly management survey of around 400 companies in the German financial sector.

The Center for Financial Studies (CFS) conducts independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Monetary Policy and Financial Stability, Household Finance and Retail Banking to Corporate Finance and Financial Markets. CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In providing a platform for research and policy advice, CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.

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