

China bans cryptocurrency transactions, clearing a path for the digital yuan

Article

The news: The People's Bank of China (PBOC) banned all cryptocurrency transactions and said it's illegal for overseas crypto exchanges to provide services to Chinese consumers, per

The Wall Street Journal.

PBOC said the ban was to mitigate crypto trading risks and maintain national security, according to a statement posted on its website. Many regulators are **concerned** crypto transactions can be used to fund illicit activities like money laundering.

How we got here: China's stance on cryptos has become increasingly aggressive despite the global **increase** in crypto trading and payments.

- In 2013, China banned banks from handling Bitcoin, and in 2017, the central bank made domestic crypto exchanges illegal.
- The government **imposed** strict rules in May regarding crypto trading and mining—which caused the price of Bitcoin to tumble.
- And in June, financial regulators **ordered** banks and payment companies to take a more active role in cracking down on crypto-related customer transactions.

The opportunity: China's private crypto crackdown can help drive adoption for the digital yuan, which is expected to make its official **debut** at the Beijing Winter Olympics in early 2022.

- China began work on the central bank digital currency (CBDC) in 2014 and started testing it in April 2020. This year, it launched a series of comprehensive **pilots**.
- In July, PBOC published a digital yuan progress report, which **found** that **nearly 21 million personal and 3.51 million corporate digital yuan wallets had been issued**. It also reported that nearly **71 million transactions worth about RMB 34.5 billion (\$5 billion)** had been used for retail, transit, bill, and government payments.
- Doing away with traditional cryptocurrencies and crypto-related activities might usher Chinese consumers toward the digital yuan and encourage its use.

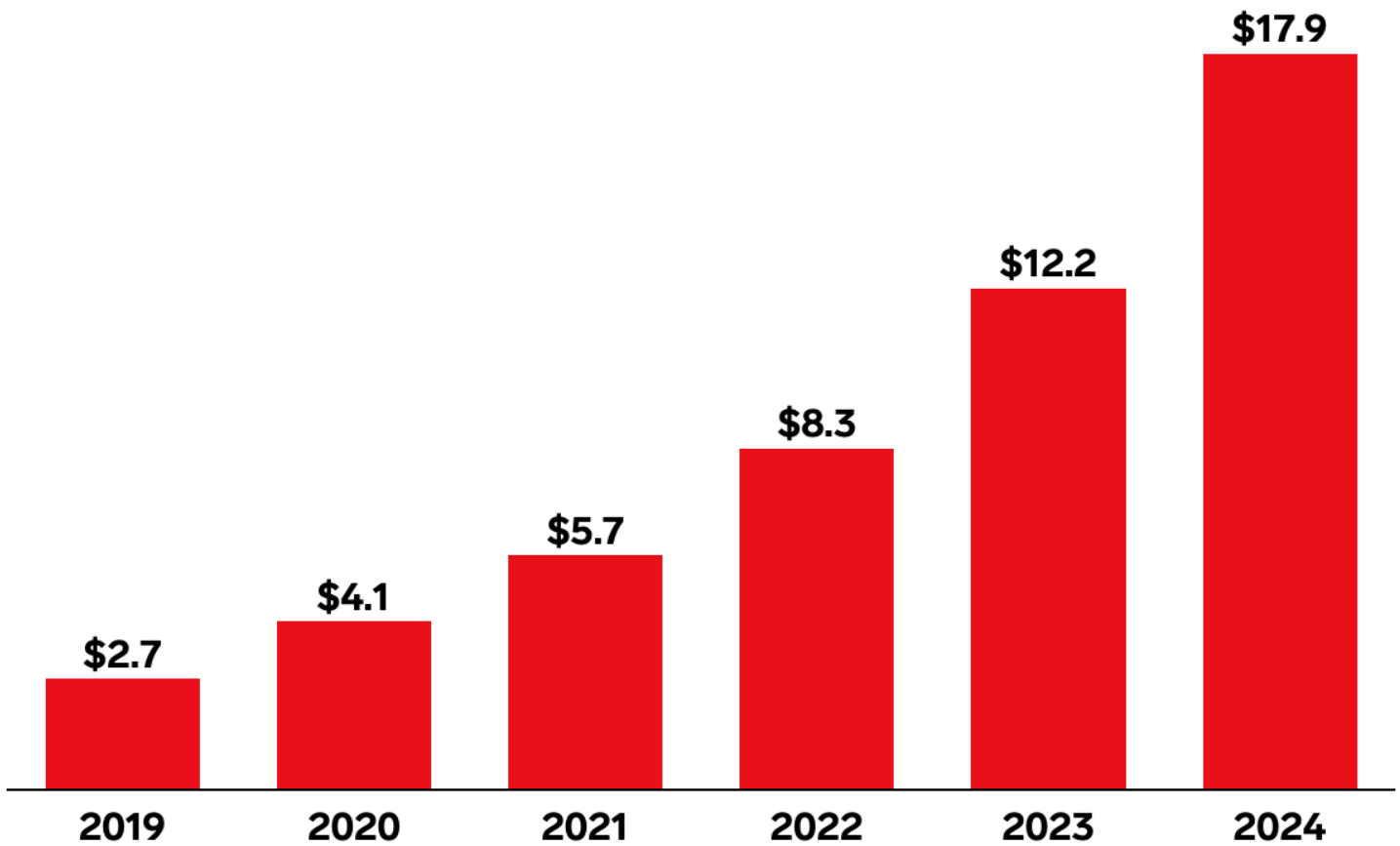
The bigger picture: China's latest crackdown on cryptocurrencies coincides with the government's clampdown on domestic retail and financial conglomerates—suggesting that the government is looking to regain control of the country's financial system.

In April, the Chinese government slapped **Alibaba** with a whopping **\$2.75 billion fine** following a monthslong investigation. The following month, PBOC **ordered** the country's largest tech players, including **Tencent**, to get rid of all their financial services unrelated to payments. And just this month, the government **ordered** **Ant Group** to break off its loans business from subsidiary **Alipay**.

Related content: Check out our [Blockchain in Payments](#) report to get insights into cryptos, CBDCs, and stablecoins, as well as their payment use cases, opportunities, and challenges.

Global Spending on Blockchain

billions of dollars



Source: International Data Corporation, "Worldwide Blockchain Spending Guide," September 2020

Methodology: Data is from the September 2020 International Data Corporation report titled "Worldwide Blockchain Spending Guide." The report quantifies the emerging blockchain market by providing spending data for 10 technologies across 19 industries and 17 use cases in nine geographic regions.

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