

WOULD BITCOIN RESHAPE OR ANNIHILATE THE GLOBAL FINANCIAL ARCHITECTURE...???

Emergence of the BITCOIN as a preferred asset for investment, including its usage as a currency for monetary transactions and international payments by an ever-increasing number of persons, across the nation might reshape beyond imagination the Global Financial Architecture. An unprecedented annihilation of the Global Financial Architecture can also not be ruled out. This virtual currency just conjured up by cryptographic software running on a network of volunteers computers is, altogether devoid of any sovereign mandate, internationally approved arrangement or the formal issuance by any Central Bank.

The US President, Obama too has been reported by “Money Morning” to have admitted of being scared of the Bitcoin when the head of Google, Eric Schmidt disclosed to him that in 36 cities of 20 states in the US, several people have even dumped the dollar for Bitcoin. Eric Schmidt has also been reported to have further stated that now several Americans are said to be demanding payment of their salaries in it. This preference for Bitcoin is not only confined into U.S., but has been around the world. Even China is said to be abandoning both their gold and US Dollar for Bit coin. French Banking System has been said to have integrated Bitcoin into their system to pay the salaries in Bitcoin. In a private meeting, the council on Foreign Relations of the US too has even described Bitcoin's as “A Probable and alternative reserve currency”.

If it happens, it is enough to sound alarm bells for not only US Dollar, but also for the Pound, Swiss Franc and Euro as well, which also supplement the Global Financial Architecture as the international reserve currency. Even the Yuan, though not a convertible currency, yet which is being pushed by China as a future reserve currency, would feel also the heat of the emergence of Bitcoin.

Ever since its emergence in 2009, the Bitcoin begun to find favor from hyper libertarians as well as several underworld payment participatories. But, now its demand is being fuelled by a broad spectrum of fans, after its price soared to \$ 1000 in the end November from just \$13 in January 2013. People have been also apprehending sudden drop in its value. Fluctuations had been quick in its value.


Chinese Central Bank has already banned the Chinese Financial Institutions from processing of Bitcoin transactions. Consequently the value of a Bitcoin which began the day at an average of over \$1,200 just before the Chinese ban, a sell-off started and its exchange rate did dip briefly below the \$1,000 mark and is still down almost 10 percent from the high after the ban. Its Price now rules even much lower on

Chinese exchanges.

China has though very recently emerged as the world's biggest market for trading Bitcoin, ahead of the aforesaid ban by the Chinese Central Bank, but almost around \$5 Billion was wiped off the value of the currency's global stock, within an hour of an announcement from Beijing's Central Bank in early December, banning financial institutions from dealing in it. Exchange rate of it has therefore, on BTC the China, the country's biggest Bitcoin trading platform, slumped more than 35 per cent from a recent high of 7,050 Yuan (around \$1,150). Though the Bitcoins climbed back above 6,000 Yuan, until one of Chinese internet giant Baidu's website said it would no longer accept the virtual currency as payment.

To the contrary the Germany has recognized it as *a unit of account*, adding certain element of legitimate significance to it. A small but growing band of shops and firms has even begun to accept payments in Bitcoin in several cities of US. More & more people have begun to like, the way Bitcoin allows the fund transfer directly between the users.

However, yet it is not clear, how shall the Central Banks across the world would be reacting to this crypto- currency? How shall it be responded by the G-20, the IMF and the World Bank? How shall it be affecting the currencies and exchange regimes, across the world including the SDRs? How shall it be affecting international clearing and payments? All these questions are yet difficult to address and could ultimately determine the fate of the Global Financial Architecture.


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