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Moody's Warned that Cryptocurrencies Could Lead to Financial Instability

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Moody's said the adoption of [cryptocurrency](#) was accompanied by risks, including fragmentation of the payment system and financial instability. The agency also said El Salvador could benefit from the International Monetary Fund (IMF) program.

The financial services company published a research report on the adoption of bitcoin in various countries, saying that the adoption of cryptocurrency was "the highest among sovereign countries with lower ratings, increasing their macro risks".

Moody's Said Cryptocurrency Could be Used to Evade Capital Controls

The key point is that countries with weak macroeconomic framework can use cryptocurrency to escape capital control. Cryptocurrency may also lead to the fragmentation of the payment system. "The rapid adoption of cryptocurrencies could lead to excessive financial fragmentation of the payment system and weaken financial stability," Moody's said. Although the report did not specifically mention El Salvador, the company said that the country's bitcoin transactions had improved its risk profile in the past.

However, it does point out that cryptocurrencies can benefit countries that want faster and cheaper transactions, especially if they do not have the appropriate infrastructure. These are some of the reasons put forward by countries in making bitcoin legal tender.

"The risks associated with the adoption of cryptocurrency may increase the macroeconomic instability of sovereign countries, and... These risks include operational risks, such as networks and fraud, reducing government control over the monitoring of the financial system, reducing central bank control over the money supply and the ability to implement countercyclical monetary policies during economic crises; and increasing the ability to circumvent capital controls." Said David rogovich, a senior analyst at Moody's.



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Moody's Said El Salvador's Credibility Would Benefit From the IMF Agreement

A Moody's official also said El Salvador lacked credibility in managing its finances, Reuters reported. She said the country would benefit from plans with the International Monetary Fund. The International Monetary Fund has been discussing several issues with the government of El Salvador. The organization has been a strong opponent of using bitcoin as legal tender.

El Salvador has been buying more bitcoin, despite the recent severe collapse of the market. It has full confidence in its own decisions and has always encouraged other countries to follow suit. President naibker is currently receiving representatives from 44 countries, most of them developing countries, who are interested in the bitcoin, its use in the economy and its potential benefits.