

Time is ripe for Malaysia to adopt cryptocurrency as legal tender: industry players

By Tan Ai Leng
aileng@sph.com.sg

Kuala Lumpur

INDUSTRY players in Malaysia's digital assets and blockchain space believe that the country has the potential and ability to accept cryptocurrencies such as Bitcoin as legal tender.

The issue gained some traction last month in Parliament when Deputy Minister of Communications and Multimedia Zahidi Zainul Abidin proposed that the government adopt cryptocurrency as legal tender.

However, this suggestion was brushed aside several days later by Deputy Minister of Finance Mohd Shahar Abdullah, who stressed that Malaysia has no intention to do so due to the risks involved, such as price swings and the exposure to cyber threats.

Cryptocurrency falls under the purview of Malaysia's central bank and the Securities Commission.

According to Chainalysis' 2021 Global Crypto Adoption Index, Malaysia is ranked 23rd in the world for use of cryptocurrency. Malaysia is currently among the top 5 countries where Bitcoin is mined, alongside the United States, Kazakhstan, Russia, Canada, and Iran.

Tan Aik Keong, the chief executive of digital solutions and blockchain firm Agmo Studio, said the authorities should still explore the proposal to adopt cryptocurrency as legal tender at some point as it "will elevate Malaysia's status globally as it will be one of the few pioneers to do this".

Currently, only El Salvador and

Prospera, a special economic zone in Honduras, have recognised Bitcoin as legal tender.

Fadzli Shah, the CEO of digital asset exchange MX Global, sees huge potential in Malaysia's digital asset industry and he believes that recognising cryptocurrency as legal tender was not likely to hurt the ringgit. He noted that last September, El Salvador officially adopted Bitcoin as legal tender alongside the US dollar.

He also said that cryptocurrencies have played an important role during the ongoing Ukraine conflict as they are being used to help the Ukraine government raise money to fund its military against the Russian invasion.

"A country shouldn't wait till a war to consider cryptocurrency as an alternative payment method, and neither should it be used to replace the sovereign currency. But there must be a consideration of using cryptocurrency as a means of payment," said Fadzli, who was chief strategy officer for the Malaysia Digital Economy Corporation, a government agency responsible for developing the country's digital economy.

Fadzli added that cryptocurrency is a strong hedge against inflation as it will not be affected by the money supply, and the emission of cryptocurrency is also regulated algorithmically.

"If a country switches to crypto as legal tender, the cryptocurrency supply available to it will grow gradually and predictably. The government cannot inflate the supply of any types of cryptocurrency, so there will be no more state-induced inflation," he said.

Industry players agree that there are risks that come with cryptocurrency such as high price volatility.

The price for Bitcoin – the world's first and most popular cryptocurrency – hit an all-time high of over US\$68,000 last November. It is currently at around the US\$42,000 level.

Low & Partners managing director Andy Low said the price volatility is one of the reasons that many businesses are sceptical of using cryptocurrency as a form of payment.

Agmo's Tan said that it is possible for cryptocurrency to be used as a legal tender, and the risks could be minimised if Malaysia issues its own digital currency, such as the US Coin – a digital stablecoin that is pegged to the US dollar.

He said the biggest advantage of cryptocurrency as legal tender in doing business is its potential cost savings, as the transaction fees incurred are a flat rate of between US\$10 and US\$30, regardless of the transaction amount.



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