

The World's Biggest Wealth Manager Won't Touch Bitcoin

By **Patrick Winters**

November 17, 2017, 5:01 AM CST

-
- Chief Investment Officer Haefele says risk of terror funding
 - Says bitcoin not reached critical mass to be seen as currency
-

UBS Group AG <<https://www.bloomberg.com/quote/UBSG:SW>> , the world's largest wealth manager, isn't prepared to make portfolio allocations to bitcoin because of a lack of government oversight, the bank's chief investment officer said.

Bitcoin has also not reached the critical mass to be considered a viable currency to invest in, UBS's Mark Haefele said in an interview. The total sum of all cryptocurrencies is "not even the size of some of the smaller currencies" that UBS would allocate to, he said.



Bitcoin has split investors over the viability of the volatile cryptocurrency and UBS is among its critics. Bitcoin capped a resurgent week by climbing within a few dollars of a record \$8,000 on Friday. Still, events such as a bitcoin-funded terrorist attack are potential risks which are hard to evaluate, he said.

“All it would take would be one terrorist incident in the U.S. funded by bitcoin for the U.S. regulator to much more seriously step in and take action, he said. “That’s a risk, an unquantifiable risk, bitcoin has that another currency doesn’t.”

While skeptics have called bitcoin’s rapid advance a bubble, it has become too big an asset for many financial firms to ignore. Bitcoin has gained 17 percent this week, touching a high of \$7,997.17 during Asia hours before moving lower in late trading. The rally through Friday came after bitcoin wiped out as much as \$38 billion in market capitalization following the cancellation of a technology upgrade known as SegWit2x on Nov. 8.

UBS Chairman Axel Weber this month said Bitcoin was a speculative investment and not a store of value, while Credit Suisse Group AG CEO Tidjane Thiam described the speculation around bitcoin as the “very definition of a bubble.” JPMorgan Chase & Co. CEO Jamie Dimon has called bitcoin “a fraud” that will eventually blow up.

Putin’s View

Russia’s President Vladimir Putin last month [last month <https://www.bloomberg.com/news/articles/2017-10-10/putin-is-said-to-hold-first-meeting-on-cryptocurrency-rules>](https://www.bloomberg.com/news/articles/2017-10-10/putin-is-said-to-hold-first-meeting-on-cryptocurrency-rules) flagged the risk of cryptocurrencies being used for money laundering, tax evasion and funding for terrorism. Still, he stopped short of backing a broad ban in the country.

Bitcoin isn’t government-sponsored and some may use it to avoid oversight, a situation that’s “unlikely to persist forever,” Haefele said. The CIO sees the bank’s own research into bitcoin as an opportunity to engage with clients on questions such as the role of currencies and speculative assets in a portfolio.

Still, CME Group Inc., the world’s largest exchange owner, has said it plans to introduce bitcoin futures by the end of the year, citing pent-up demand from clients. That pushes bitcoin closer to the mainstream by making it easier

to trade without the hassles of owning the currency directly.

“The thing that always strikes me about these, quote unquote, investments is not really when you would get into it but when you would get out of it,” Haefele said. “So how do you know when to get out of a bitcoin investment?"

— *With assistance by Jan-Henrik Foerster*

