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Cryptocurrencies: Investment, Money, or Gamble? (A)

Juan Perez worked as an investment analyst at Suprabanco,ⁱ a multilateral lending institutionⁱⁱ headquartered in Bogotá, Colombia. The institution granted loans to member countries in Latin America.

In 2018 a Suprabanco risk assessment determined that Venezuela might struggle to repay a loan it received in 2016 because the loan was denominated in US dollars.

Also in 2018, one of the hottest topics in the investment community was cryptocurrencies, and its hype was widespread throughout Latin America, including Suprabanco employees. Some employees believed cryptocurrencies had the potential to increase returns, especially in a low-interest-rate environment, as well as diversify a portfolio. However, most of the bank's board members thought the new cryptocurrencies were a financial bubble and/or fraud created by a few who wanted to take advantage of unwary people and companies. At best, the board thought it was similar to the dotcom bubble in the late 1990s and early 2000s.

Perez was commissioned with two tasks. The first was to look at Suprabanco's investment potential to increase returns, especially in a low-interest-rate environment, and consider diversifying the portfolio by adding cryptocurrencies to the loan fund. His second task was to determine if cryptocurrencies could serve as an alternative to US dollar payments in case the Venezuela loan situation deteriorated.

On March 1, 2018, Perez was scheduled to present a recommendation to the bank's investment committee. He was aware that none of the committee members were tech-savvy, that their experience was mainly with

ⁱ Juan Perez and Suprabanco are fictional names.

ⁱⁱ A multilateral lending institution (MLI) is owned or established by governments of two or more countries. MLIs are usually established by international treaties to pursue specified policy objectives and are generally not subject to commercial law. MLIs are usually established to promote economic development in their member countries, facilitate regional integration, and/or expand cross-border trade.

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