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I. INTRODUCTION:

"In a technology-driven era, the computers are the masters. The present generation is more inclined to innovate and test more complex things in a simpler way. The centuries-old economic system is undergoing a turbulent change due to the tsunami of financial product innovation. "Go cashless" is the mantra now. A cryptocurrency is a form of transaction which is based on a blockchain algorithm. This article would be dealing with regulation of cryptocurrency around the globe".

II. WHAT IS CRYPTOCURRENCY?

Satoshi Nakamoto is said to have conceptualized cryptocurrency in 2008¹. The first-ever cryptocurrency was *Bitcoin*. Cryptocurrency is a digital or a virtual currency. It is fiat in nature since they are not issued by any authority. It uses encrypted mode to protect transactions and hence is called as Cryptocurrency. Cryptographic functions are used for the transaction. The transaction information gets stored in a database. It functions using a technology called blockchain which is a series of transaction data. The blockchain functions through a decentralized system through various computers. Blockchain have public ledgers. Thus, transactions can be seen by anyone with some level of anonymity.

SHA256 is a *cryptocurrency* algorithm which is created via mining. Transaction details are passed through it. Signature is via private keys and public key is used for output sharing. The end product is joined with the blockchain. Computer circuits are used to solve advanced maths problems and it is called mining. Upon solving the problem, a bitcoin is generated. The maximum number of bitcoins which can be produced is 21 million. It is a peer to peer based transaction.

Jan Lansky states that Cryptocurrency has following six features. They are-²

1. Cryptocurrency works on a decentralized system.

¹ "Who is Satoshi Nakamoto?". *The Economist*. The Economist Newspaper Limited.

² "Possible State Approaches to Cryptocurrencies". *Journal of Systems Integration*".

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2. It maintains records of ownership.
3. It states the circumstances where new unit can be created and as to who will be the owner of the currency.
4. Such units are protected cryptographically.
5. Entity which has ownership of the units can issue transaction units.
6. For changing ownership over same cryptographic units if kinds of instructions are entered at the same time the system would go by one of the commands so entered.

III. CRYPTOCURRENCY AROUND THE GLOBE:

Around two hundred- and eighty-seven-thousand-bitcoin transactions have taken place around the world between October-December 2020.³ There are around 15 million crypto users in India alone⁴.

III.I EUROPE:

- *Sweden allows dealing with crypto.*
- *Poland- no status of legal tender.*
- *Slovakia- No remedy is offered by the country in case of any harm caused due to Cryptocurrency.*

III.II AMERICA:

- *Bolivia bans use of Cryptocurrency.*

III.III ASIA:

As far as Asia is concerned countries such as;

- *Iran, Cambodia, Thailand, China, Bangladesh crypto can be used in areas other than banking sectors.*
- *In Indonesia and Vietnam, it is legal to trade with Cryptocurrency but one cannot use it for payments.*
- *Korea- Crypto is banned.*

³ <https://globaledge.msu.edu/blog/post/57042/the-economic-impact-of-cryptocurrency>.

⁴ https://qz.com/india/2065300/how-many-indians-are-investing-in-cryptocurrency/?utm_campaign=HQ0921.

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- *Taxability- Crypto is tax free in Uzbekistan and taxable in Israel.*

III.IV AUSTRALIA:

Crypto’s status is same like ordinary cash which should meet out with *Australian Securities and Investments Commission (ASIC) Act, 2001*. The currency is taxable. License has to be obtained for digital exchanges. It is a financial product under the Corporation Act, 2001.

III.V AFRICA:

- Algeria – Inclined towards crypto ban.
- Egypt in 2019 allowed for usage of crypto currencies.

IV. WHY CRYPTOCURRENCY?

The mode of virtual currency has huge set of advantages. They are;

- a. No scope for counterfeiting.
- b. Less processing cost.
- c. Blockchains are extremely difficult to hack.
- d. Know Your Customer isn’t required like traditional banking system. Thus, privacy is protected.
- e. Cryptocurrency can be used for fast transactions. It is not time consuming.
- f. It is not under RBI regulation. Thus, it doesn’t fall under the control of any centralized authority.
- g. The history of transaction cannot be tampered with. Thus, it is a record forever.
- h. Unlike traditional banking system there isn’t any ceiling limit for transacting with Cryptocurrency.
- i. There are more than 8000 types of crypto currencies in existence as of January 2022. Thus, options available are very huge.⁵
- j. Exchange rate isn’t an issue in Cryptocurrency.
- k. It reduces deforestation since it is a virtual currency.

⁵ CoinMarketCap. “Cryptocurrencies.” Accessed Jan. 10, 2022.

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- l.* Since blockchain involves Distributed Ledger System (DLS) even if one source is hacked in exceptional situations, the data stored in other sources remains unaffected.
- m.* It is a better mode of Investment since its returns are expected to be high.
- n.* Transaction charges are less.⁶
- o.* Anyone can deal with Cryptocurrency.
- p.* The holder of private key can alone transact with Cryptocurrency.
- q.* Transactions are irreversible unless agreement for the same exists. This curtails scope of fraud.
- r.* Middlemen expenditure is cut down.

V. WHY NOT CRYPTOCURRENCY?

Cryptocurrency has its own set of disadvantages as well. They are;

- a)* It does not have KYC procedure.
- b)* It is highly volatile.
- c)* It is susceptible to scams.
- d)* Environmental hazard is caused by bitcoin mining.
- e)* Since transactions can't be traced it might lead to scams.
- f)* It doesn't have any regulation. The investors might land up in trouble.
- g)* Overseas transactions are not governed by stringent regulation.
- h)* Dark web transactions might increase. In August 2017 it was highlighted that Bitcoin, Monero and Ethereum were increasingly used for dark web transactions. It is to be noted that it is nearly impossible to track the offender in dark web. Bringing in Cryptocurrency would conveniently help dark web dealers.

VI. INDIAN FRAMEWORK:

The evolution of Cryptocurrency in India is as follows. The chronology is as follows-⁷

⁶ Rahman, A., & Dawood, A. (2020). View of Bitcoin and Future of Cryptocurrency.

⁷ <https://indianexpress.com/article/technology/crypto/cryptocurrency-in-india-a-look-at-the-regulatory-journey-of-cryptocurrencies-7648767/>.

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- a. 2013 – The RBI warned about the use of virtual currency.
- b. 2017- RBI and Finance Ministry stated that Cryptocurrency is not a legal tender.
- c. 2018- RBI issued a circular to banks that they shouldn't extend financial services to virtual currencies.
- d. 2019- A bill was introduced called “Banning of Cryptocurrency and Regulation of Official Digital Currency Bill, 2019” which sought for absolute ban on Cryptocurrency.
- e. 2020- The honorable Supreme Court of India lifted the ban so imposed by RBI on financial institutions with respect to dealing with virtual currency.
- f. 2021- A committee was set up under the Chairmanship of Secretary (Economic Affairs) to study about virtual currencies and steps to be taken to regulate the same. The Standing Committee on Finance sought for regulation of Cryptocurrency. A meeting took place with the honorable Prime Minister of India Shri Narendra Modi regarding virtual currencies. The governor of Reserve Bank of India voiced out his opposition against Cryptocurrency.

VII. THE LANDMARK RULING- THE INTERNET AND MOBILE ASSOCIATION OF INDIA vs. RESERVE BANK OF INDIA⁸:

A bench consisting of Justice Rohinton Nariman, Aniruddha Bose, and V. Ramasubramanian on March 4, 2020 held in favor of the Internet and Mobile Association of India and lifted the ban imposed by the Reserve Bank of India.

The petitioners contended that the circular issued by the RBI on 6th April, 2018⁹ to financial institutions against extending financial services to virtual currency was held as invalid as they did not have jurisdiction to do so. The respondents contended that they indeed have jurisdiction to issue the circular since Cryptocurrency is a form of digital currency. The honorable court considered the petition on grounds of proportionality. The honorable court

⁸ 2020 SCC Online SC 275.

⁹ <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11243&Mode=0>.

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relied on *State of Maharashtra vs. Indian Hotel and Restaurant Association*¹⁰. The court observed as follows-

“It is no doubt true that RBI has very wide powers in view of the special place and role that it has in the economy of the country. These powers can be exercised both in the form of preventive as well as curative measures. But the availability of power is different from the manner and extent to which it can be exercised. While we have recognized the power of RBI to take a pre-emptive action, we are testing in this part of the order the proportionality of such measure, for the determination of which RBI needs to show at least some semblance of any damage suffered by its regulated entities. But there is none.

When the consistent stand of RBI is that they have not banned VCs and when the Government of India is unable to take a call despite several committees coming up with several proposals including two draft bills (Crypto-token Regulation Bill 2018 and Banning of Cryptocurrency and Regulation of Official Digital Currency Bill, 2019), both of which advocated exactly opposite positions, it is not possible for us to hold that the impugned measure is proportionate.”

The court held that since RBI wasn't able to prove any harm suffered by institutions the circular issued by RBI to financial institutions doesn't have any valid ground. It is to be noted that the court hasn't pronounced on the legality of virtual currency.

VIII. CONCLUSION AND FOOD FOR THOUGHT:

1. Whether Cryptocurrency can be considered as a currency and as a legal tender?
2. If accepted the central banks of various countries should thoughtfully analyze the impact of crypto currencies.
3. The role of crypto currencies in the national and international economy.
4. The apex regulator.
5. Enactment of laws governing crypto currencies.

¹⁰ (2013) 8 SCC 519.

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6. Amendment of existing laws to facilitate the usage of crypto currencies.
7. Judicial framework to render justice.
8. Areas of problems that would negate the usage of Cryptocurrency.
9. Educating people on the usage of digital currency.
10. Macro and micro economic indicators should be spelt out so that the statistical analysis would be better.
11. Financial investments if permitted the entire spectrum of banking both national and international would get jolted, that is whether to accept deposits and lend in Cryptocurrency?
12. Black money economy on account of Cryptocurrency-There is no material available.
13. We cannot firmly say that this Cryptocurrency would be replaced by an exotic digital currency in near future.
14. Huge investment in digital infrastructure will be required.
15. Employment opportunity for lakhs of people will be available.
16. Unskilled and technologically illiterate people will be shown the door. This would offset the employment opportunity created.
17. Cyber crime will be exploding. To detect and render justice will be a mirage.
18. Enforcement authorities will be witnessing turbulent days throughout their career.
19. Computer education will alone rule.
20. Flight of skilled will be tremendous.
21. International acceptance through bodies like ICC will be paramount as enforceability in all countries through statutes will be difficult.
22. Risk management will be the toughest.
23. Accounting standards must be re-prescribed.
24. Auditing requires special skill and technique.

Given the present circumstances it would be truly unwise to recognize Cryptocurrency as a legal tender. Though there are lots of apparent advantages in Cryptocurrency, the following pitfalls would lead to a catastrophic effect on the international economy. Too much of

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dependence on virtual currency without asset backing would lead to hyper inflation. Economists would be surrendering their knowledge to the monsters of black money economy. The entire world will be witnessing a disastrous change right from regulation to welfare of the downtrodden. The Cryptocurrency world is for the rich and perverse hackers. The financial ethics would get buried.

The financial discipline would be stabbed to death. The current financial markets would breathe their last. If introduced even in one sphere of economy the contagious effect is enough to destroy other sectors. It is a financial cancerous virus that would spell the imminent death of socialistic economy.

