

Forum: The Economic and Financial Committee

Chairs: Rathan, Jyoshita M, Sadana

Agenda: Evaluating the feasibility of Cryptocurrency.

Area of Discussion

The main objective of this committee would be to understand the working of Cryptocurrency in different types of economies and the problems and advantages of using this technology and evaluating the feasibility of using it. The committee would aim to solve this confusion prevailing in the financial world. The major concern for countries not to entertain cryptocurrency because of a possible fall in currency values and cyber threats associated with the use of block chain technology.

Introduction

Technology constantly evolves with demographical shifts and development of society. This is equally true for the monetary world. In the beginning of civilisation, mankind conducted transactions through bartering. Then, in 600 B.C, King Alyattes of Lydia minted the first coin, stamped with pictures which acted as denominations. The coins were made from precious metals such as gold and silver. In 1023, the Song dynasty, in China began mass producing paper money made out of natural fibres. Each banknote had images on it which signalled its denomination. In 1946, Frank McNamara the owner of Diner's Club came up with the first charge card. In 1960 the first ATM was invented by John Shepperd-Barron. This progression eliminated the hurdle of time and place. In the 21st century mobile payment was introduced with companies like Apple and Samsung introducing ApplePay and SamsungPay respectfully. In 2008 cryptocurrency, or virtual currency was invented by Satoshi Nakamoto with the introduction of Bitcoin.

According to Transparency Marketing Research, the [global cryptocurrency market](#) is anticipated to grow at a spectacular rate due to the rising demand for digital payments. Bitcoin leads the global market as it was first company to introduce digital currencies in the year 2009. Although Litecoin is expected to catch more attention during the forecast period due to the increased usage of cryptocurrency in users over the past few years. Other currencies such as Ripple, Namecoin, and Ethereum are also prominent in the market. Global investors are deciding on which currency will gain momentum in the cryptocurrency market globally. Increased use of blockchain technologies in finance are being implemented to create innovative products, enabling end-users to adopt cryptocurrencies. This will eventually lead to the growth of financial industry globally. Some of the leading key players in cryptocurrency global market include BitGo, Xilinx Inc., BTL Group Ltd., Alphapoint Corp., Advanced Micro Devices, Inc., NVIDIA Corp., Intel Corp., BitFury Group Ltd., and Microsoft Corp. The global market for cryptocurrency was valued at US\$574.3 mn in the year 2017 and is expected to be worth US\$6702.1 mn by the end of 2025. The overall market is estimated to grow at a stellar CAGR of 31.3% during the assessment period 2017 to 2025. The market for cryptocurrency is segmented into software and hardware. The hardware segment is likely to dominate the global market during the forecast period. As per regions, the market for cryptocurrency is fragmented into Europe, North America, Asia Pacific, and Latin America. Of these, Europe is estimated to account for the majority of market share throughout the forecast period due to the existence of numerous mining pool. North America is also likely to offer huge growth opportunities in the coming future.

These figures show that cryptocurrency is on its way to becoming a leading medium of transactions around the world. There will be numerous social, economic and political benefits toward the implementation of cryptocurrency worldwide. Cashless transactions using virtual currency also align with the United Nations Sustainable Goals. The UNDESA has held seminars on cryptocurrency and the benefits of its implementation.

There are many challenges toward the feasibility of implementation of cryptocurrency in all member nations. However, the benefits of cryptocurrency are innumerable. The lasting effects of cryptocurrency are set to be lasting and effective.

The different types of Cryptocurrency:

1. Bitcoins
2. Litecoin
3. Ripple
4. Ethereum



Crypto Mining

Cryptocurrency mining, or crypt mining, is a process in which transactions for various forms of cryptocurrency are verified and added to the blockchain digital ledger. ... In order to be competitive with other crypto miners, though, a cryptocurrency miner needs a computer with specialized hardware.

Definition Of Key Terms

Sustainable Development Goals (SDGs)

“The Sustainable Development Goals or SDGs otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. These 17 Goals build on the successes of the Millennium Development Goals while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The goals are interconnected – often the key to success on one will involve tackling issues more commonly associated with another.”

Transaction

A transaction refers to an instance or occurrence of where buying and selling happen

Compound Annual Growth Rate (CAGS)

Compound Annual Growth Rate or CAGS refers to the rate of return that would be required for an investment to grow from its beginning balance to its ending balance

United Nations Department of Economic and Social Affairs (UNDESA)

The United Nations Department of Economic and Social Affairs involves itself with stakeholders and governments to help countries around the world meet their social, economic and environmental goals.

Charge Card

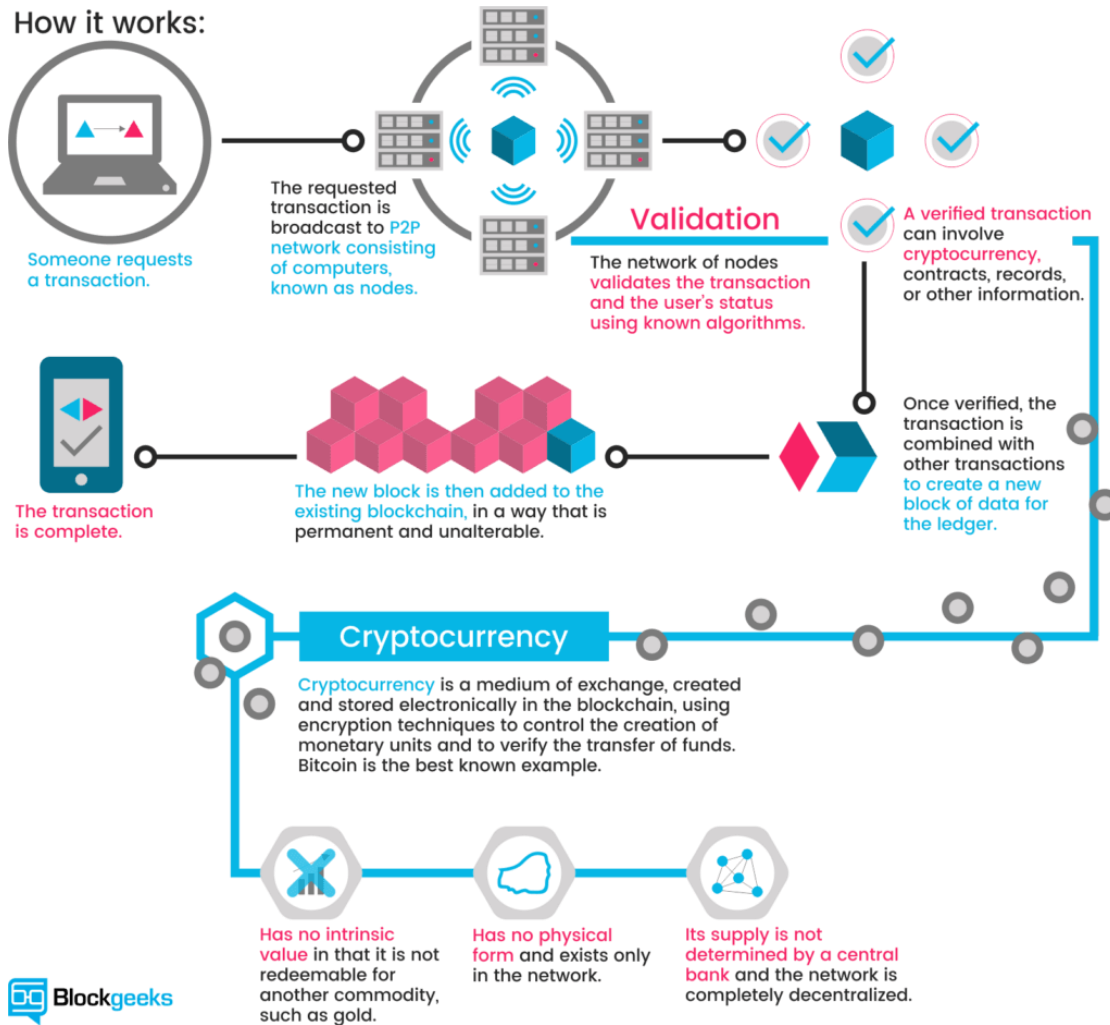
Charge card refers to the a credit card for use with an account which must be paid in full when a statement is issued

Ripple

Ripple is both a coin and a platform. Its purpose is to make transactions between financial institutions easier and more efficient. Ripple aspires to make this process incredibly efficient by using [blockchain technology](#) and their own cryptocurrency, XRP.

The Network

How it works:



Ongoing policies in various countries Opinion towards cryptocurrencies differs from country to country. Some may hold a neutral attitude, with no exact opinion, while others are actively working on regulations. Japan, as the most notable leader in the fight for cryptocurrencies, has passed a law accepting Bitcoin as a legal tender. On the other hand, Bangladesh is an example of a country, where anybody caught using the digital currency could be sent to prison under the strict anti-money-laundering laws. Whatever the case in particular countries, the growth in cryptocurrencies in the last decade has shown that there is undoubtedly a strong momentum around this new technology. Restricting cryptocurrencies and implementing regulations is not an easy task to take. Cryptocurrencies operate digitally and while limiting the internet usage is complicated, governments try to minimize the connection of virtual cryptocurrencies with reality. For instance, by restricting the trade to actual currencies and regulating how banks act towards cryptocurrencies. This way, governments could separate cryptocurrencies from their economies, minimizing the access people have to them. Here is a glimpse of the largest players in the area of virtual currencies, which may help the ECOFIN committee find the best response on ongoing trends

Current Status of Cryptocurrency

USA

The USA are quite interesting when it comes to cryptocurrencies, they have the highest number of cryptocurrency users, the highest number of cryptocurrency ATMs (1340) and also the highest Bitcoin trading volumes, but states and investors have different opinions about cryptocurrencies. As regulations vary between states (Texas, Kansas, Tennessee, South Carolina and Montana appear to be the friendliest. New York, New Hampshire, Connecticut, Hawaii, Georgia, North Carolina, Washington and New Mexico do not have favorable regulations.), also opinions vary between investors and within Wall Street. On one hand, Warren Buffet says that cryptocurrencies will lead to a very bad ending but on the other hand, Mark Cuban implemented bitcoin as a payment method for sport events. The US has had a mixed stand on cryptocurrencies & Bitcoin in general and it is not illegal to trade or possess cryptocurrencies in the States. One is required to pay capital gain taxes on cryptocurrencies in the US.

But they have been particularly stringent on ICOs and token sales that are selling unregulated securities in the name of app tokens.

The Senate Banking Committee heard testimony from the chairman of the Commodity Futures Trading Commission (CFTC), Christopher Giancarlo, and the chairman of the Securities and Exchange Commission (SEC)

UK

The UK's Treasury Committee launched an inquiry into cryptocurrencies and blockchain technology in February, stating that one goal of the investigation was to provide adequate protection for consumers and businesses without stifling innovation.

China

China, once the biggest market for trading cryptocurrencies, has been particularly harsh on cryptocurrencies, ICOs, and related businesses. The Chinese government is not reluctant about the development of blockchain or cryptocurrency under one condition — if it is manageable. In short, China sees Bitcoin and cryptocurrencies as a threat to its own national currencies CNY, and thus the desire to control or ban decentralized currencies. Back in 2013, China's Central Bank banned financial institutions from partaking in virtual currency and Bitcoin transactions. However, individuals are free to trade as they wish and therefore Chinese yuan to Bitcoin is the most traded daily fiat to Bitcoin pair. Even though being the global hub for virtual currency miners, China threatens to oust the industry of cryptocurrencies after banning the ICOs. They also intend to block the access to online platforms. Backed by the central bank, China works on creating a its own government-back cryptocurrency.

Japan

April 1, 2017 – Japan has eliminated the consumption tax on Bitcoin trading by declaring Bitcoin as a legal tender (they also eliminated the possibility of double taxation). Japan has shown a positive attitude towards blockchain. This can be seen because the fourth largest bank in the world, Mitsubishi UFJ Financial Group (MUFG), is planning on opening a crypto desk for its retail and institutional investors. MUFG, will also introduce a stable coin, which is supposed to be tied to the Japanese yen. This move should reduce volatility and create lower fees, and it is seen as possibility for the Japanese to disaccustom from the old yen. January 11, 2018 – a cryptocurrency exchange was launched by a DMM Group. It supports 14

trading pairs and 7 cryptocurrencies. The most exciting part is that the exchange was rewarding 1000 yen to all customers who opened an account during the grand-opening campaign which lasted for 60 days

India

The Reserve Bank of India has instructed all the banks in India to immediately stop servicing *crypto exchanges* for fiat off & on ramps.

In the past, the Indian government issued few warnings for the investors with statements like these:

The Government does not consider Cryptocurrencies “as Legal Tender or Coin” and will take all measures to eliminate the use of these Crypto Assets in Financing “Illegitimate Activities” or a Part of the Payment System. Reserve Bank has repeatedly cautioned users, holders and traders of virtual currencies, including Bitcoins, regarding various risks associated with dealing with such virtual currencies. There are no rules on mining or ICOs in India yet, but statements like these have inevitably stifled the growing crypto & blockchain market in India.

Switzerland

Switzerland is trying to become the crypto valley, equivalent of the Silicon Valley in the US. And that’s why it has been particularly liberal on all fronts of cryptocurrencies and blockchain tech.

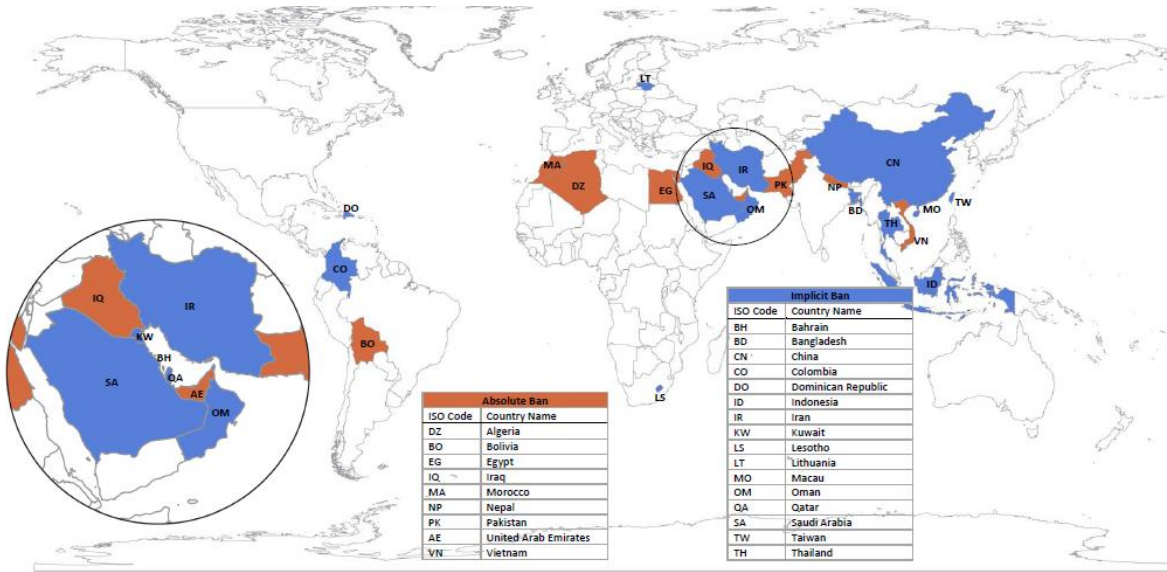
Many start-ups flock to Switzerland for launching their ICOs, and this has also had a negative impact.

Questions to consider

1. Should governments regulate cryptocurrencies? What are the pros and cons of cryptocurrency?
2. How could governments regulate cryptocurrencies? What method could they utilise to control a currency that is created to be decentralized and anonymous?
3. Is it more effective to have a unified global regulation throughout the international community, or is it best to leave it to each government's discretion?

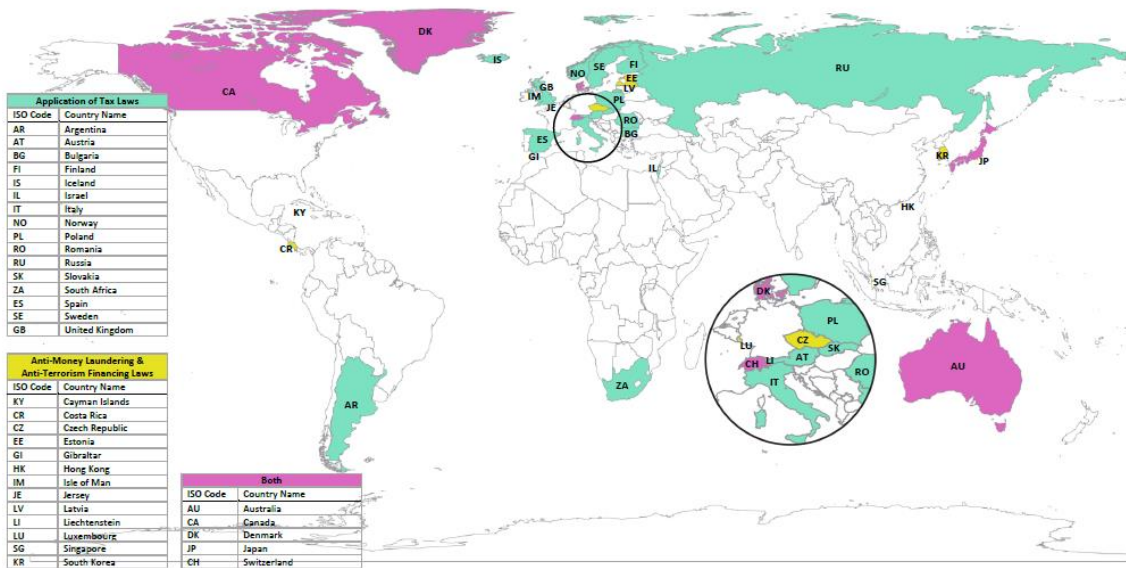
Further Information





Legal Status of Cryptocurrencies

Source: Created by the Law Library of Congress based on information provided in this report.



Regulatory Framework for Cryptocurrencies:

Application of Tax Laws, Anti-Money Laundering/Anti-Terrorism Financing Laws, or Both



Citations

- <https://www.loc.gov/law/help/cryptocurrency/world-survey.php>
- <http://www.silk-road.com/artl/papermoney.shtml>

https://www.investopedia.com/articles/07/roots_of_money.asp

<https://cashcofinancial.com/2016/01/the-history-of-plastic-money/>

<https://www.transparencymarketresearch.com/pressrelease/cryptocurrency-market.htm>

<https://www.un.org/development/desa/dpad/2018/seminar-understanding-bitcoin-blockchains-and-the-crypto-economy/>

<https://www.moneycrashers.com/cryptocurrency-history-bitcoin-alternatives/>

<https://bitcoinexchangeuide.com/bitcoin-is-ten-lets-look-at-the-cryptocurrencys-top-defining-moments-in-its-decorated-history/>

:

CIRSMUN 2019