



OPPORTUNITIES, RISKS AND REGULATIONS IN CRYPTO CURRENCY

W SRIVASTHALA

Assistant Professor, St. Mary's Centenary
Degree College

ASAS PADMAJA

Assistant Professor, St. Mary's Centenary
Degree College

Abstract

Crypto currency is a medium of exchange created and stored electronically stored in the block chain using encryption techniques to control the creation of monetary units and to verify the transfer of funds. Bit coin is the best example.

Though crypto currency is considered to be the most emerging financial innovation in the world, India is still lagging behind in up scaling to the emerging trend, because of few hindrances which are holding back by the emotional constraints and financial securities by the Indians, this study intends to study the futuristic approach in India.

Introduction:

A crypto currency is an electronic currency used to work as a medium of exchange. The transactions are secured using Cryptography and it is also useful in their verification. There is also control in creation of new units in Crypto currency. Non members cannot tamper with the database as they have limited entries.

As compared to other crypto currencies bit coin has an advantage of being traded with ease as the number of exchanges is more. While others like Litecoin, Ethereum, Monero, Ripple and so on are not easy to purchase. We can also use bit coin in direct trade and Bit coin ATM.

Properties:

Storage of Bit Coins is possible in two ways.

1. It can be stored in the Online Wallet Services offered by Major exchanges.
2. It can also be stored in an Offline Wallet in the Customers hardware.

These types of storage facilities of bit coins encourage the bit coin customers to control over his assets...

Evaluation of crypto currency investment is possible through crypto market cap. Crypto market cap helps us to track the price, volume, circulation supply and market cap of maximum existing crypto currencies.

Legality of crypto currencies

- As the usage of crypto currencies are increasing day by day, legal and tax regulators are trying to create awareness on the concept of crypto currencies and its applicability in the present regulations and legal frameworks
- The bit coin introduction leads to entirely new exemplar was created. Decentralized,



self-sustained digital currencies that don't exist in any physical shape or form and are not controlled by any singular entity were always set to cause uproar among the regulators.

- A lot of concerns have been raised regarding crypto currencies' decentralized nature and their ability to be used almost completely anonymously. The authorities all over the world are worried about the crypto currencies' appeal to the traders of illegal goods and services. Moreover, they are worried about their use in money laundering and tax evasion schemes.
- As of November 2017, Bit coin and other digital currencies are barred only in Ecuador, Bangladesh, Vietnam and Bolivia, with China and Russia being on the verge of banning them as well. Other jurisdictions, however, do not make the usage of crypto currencies illegal as of yet, but the laws and regulations can vary drastically depending on the country.
- Reserve Bank of India (RBI), vide its press releases dated December 05, 2017 has raised concerns and cautioned holders, users, traders of Virtual Currencies (VCs), including Bit coins, regarding the potential legal, economic, operational, financial, customer protection and security related risks connected in dealing with such VCs and also elucidated that it has not given any license/authorization to any entity/company to function such schemes or deal with Bit coin or any VC.

The Government has also advised that

1. "The block chain technology allows any establishment any number of transactions without the need of intermediaries.
2. And it does not consider crypto-currencies legal tender or coin .and will take all methods to eliminate use of these crypto-assets in financing unlawful activities or as part of the payment system."

Both National and international levels, including the, IDBI Bank and R.B.I would like to caution the bit coin users regarding the potential economic, financial, operational, legal, customer protection and security related risks associated in dealing with crypto currencies, including Bit coins and virtual currencies.

Opportunities:

- The decentralized nature, virtual nature of currency made Bit coin a bit successful in the investors as it created turbulence in the minds of law making and tax authorities as these people are regulators of currency.
 - But the only drawback in Crypto currencies is their misuse in money laundering and tax evasion schemes.
- A statistical survey says that by the end of November 2017 only very few countries like Bolivia, Ecuador, Vietnam banned Crypto currencies and China Russia are



planning of banning them Except these few countries no other country is not ready to accept illegality of crypto currencies.

- In India RBI in its press releases Cautioned users, traders and holders on risks involved with crypto currencies specially Bit coins and also clarified that it has not given license or authorization to any company to operate them.(December 5 2017)
- The government advised that without intermediaries also it is possible to maintain block chain records. At the same time government is not considering crypto currency as legal tender money and will eliminate financing of illegitimate activities using crypto assets.
- All the banks including Reserve Bank Of India educating customers on risks related to crypto currencies .It tries to protect the customers against economic, operational, financial and security related risks related to Bit coin.
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- Though crypto currency is considered to be the most emerging financial innovation in the world, India is still lagging behind in up scaling to the emerging trend, because of few hindrances which are holding back by the emotional constraints and financial securities by the Indians, this study intends to study the futuristic approach in India.
- Crypto currency is considered to be illegal in India as it is not approved by the RBI leaving most of the investors ignorant about the investment innovation.

Issues relating to Crypto currency

1. Transparency :

Santos Nakamoto is the name behind Bitcoin but most of us do not know who he is. The fact that people around the world do not know anything about the creator of this crypto-currency (whether he is a person or a corporation, his gender, his nationality, etc) is quite disturbing, because ideally when we refer to topics related to finance and financial tools that enable us to trade commodities and resources the one word that we all agree on is - “Transparency”

2. Absolute ban.:

Ban on trading or using bit coin applies in 8 countries like Algeria, Bolivia, Egypt, Iraq, Morocco, Nepal, Pakistan and UAE.

Implicit Ban: An implicit ban applies in another 15 countries, which include Bahrain, Bangladesh, China, Colombia, the Dominican Republic, Indonesia, Iran, Kuwait, Lesotho, Lithuania, Macau, Oman, Qatar, Saudi Arabia and Taiwan.

3. Pseudonymous:

Bit coin is pseudonymous; the owners of Bit coin are not identified only the transactions are seen in the chain. It is not possible to tie the funds with real world entities. This leads to evasion of tax and money laundering activities.

4. Identification:



As a speculative bubble Bit coin, along with other crypto currencies, has been identified as economic bubble by at least eight Nobel Memorial Prize in Economic Sciences laureates, including Robert Shiller , Joseph Stiglitz ,and Richard Thaler .

5.Security Issues-

Bit coin is vulnerable to theft through phishing , scamming , and hacking . As of December 2017,980000 bitcoins have been stolen from various crypto exchanges.

6.Usage of Bit coins in Dark net transactions-

A dark net market or crypto market is a commercial website that operates via darknets .They function primarily as black markets , selling or brokering transactions involving cyber-arms , weapons ,drugs, counterfeit currency , stolen credit card details , forged documents , steroids , and other illicit goods.

Regulations:

1. Regulations by RBI to all the other banks:

RBI should give instructions to all private and nationalized banks to stop accepting the digital currency.

2. Directives to customers:

All the banks including private banks issued directives and also prohibited its customers from using mobile banking, net banking, and debit card to purchase /sale of crypto currency.

3. Formation of new unit by RBI:

Recently RBI has formed a separate unit to work on emerging technologies like Block chain and crypto currency. The Internet and Mobile Association of India formed a committee to identify the challenges and opportunities in the block chain sector and work in tandem with the Government.

4.Contribution of MNC's towards regulations:

representatives from leading companies such as IBM, Microsoft, Mastercard, and Zebpay has formed the committee to deliver positive impact in the cryptocurrency community. and help the government to re-formulate some regulations imposed on the market during this year and the previous year.

5. Role of stock exchange: To control dark net transactions in crypto currency. The SEBI with the permission of RBI should allow the bitcoin and other crypto currency sellers to trade in stock exchanges.

CONCLUSION

- The unprecedented exuberance around blockchain is due to its promise of a completely new Internet—the Internet of Value.
- Beyond today's Internet of information, what if the ownership of digital assets of any



type—money, deeds, government records, financial instruments, or art—could be securely stored, tracked and transacted? Blockchain technology is considered revolutionary for its ability to enable the secure movement of assets, without intermediaries, with its economic impact projected to exceed \$3 trillion in the next decade.

- Globally, we are still in an exciting but nascent stage of blockchain's evolution as it moves from the protocol stage to infrastructure, before mass consumer interfaces and application layers are dealt with. This is the perfect juncture for a rising power such as India to pay careful attention and capitalize on the enormous opportunities of this new Internet.
- Sectors such as financial services, agriculture, healthcare, real estate and utilities—all crucial for an emerging economy like India—can see tremendous benefits from the application of blockchain technology. shall exit the relationship within a specified time. A circular in this regard is being issued separately.”

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