



Need for legislation in the field of crypto currency

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Abstract

The ever expanding need for digitalization of currency is on the demand and in the recent time with the advent of technological knowhow the mere idea of digitalization of currency has become a reality with the introduction of crypto currency. Countries like Japan and China are trying to bring Crypto currency to the financial mainstream and are willing to make it as a mode of exchange for trade; the business in Japan increased from 1% to 6% in trade in the year of 2017 when they adopted crypto as a mode of payment. Countries like India are though having a conservative approach towards adopting crypto as a mode of payment and tagging it as “Non Sovereign Movement” as the crypto is largely regulated by private entities; potential solution could be propounded to legalize the concept of virtual currency which would promote constitutional goals like i.e. Digital India, Government can pass legal tender to make their own virtual currency like china i.e. Libra which if adopted as a trend it would be largely used which would make it a super sovereign movement.

With the use of crypto as a virtual currency it would boost the economic rate of the country hold high degree of transparency between its citizen and government i.e. Petro currency helped to overcome economic breakdown in Venezuela. Crypto with patent is a *match made in crypto heaven*; Crypto could contain very vital info with the help of patent i.e. owner, last transaction, chain of supply, etc thereby it would promote transparency but would also reduce crime like counterfeiting. Also using Crypto would reduce environmental hazard to great level as it would lead to less cutting of trees which would promote sustainability of environment.

A proper legislative must be adopted by the Nations which would regulate the Business transaction, hold business accountability, promote code of equality between the nations, reduce the standard procedure for operating business increase the standard of living of the individual and promote the constitutional goals of the nation.

Keywords: crypto, legislation, currency, digitalization

Introduction: Role of crypto currency around the world

The market of crypto currency is growing since its discovery though its origin is uncertain; still its believed that Japan was the inventor of crypto currency as it was also the 1st country in the world were mining started. Many influential Asian countries like i.e. Japan, China are getting hinged towards the use of Crypto Currency as a tool for medium of exchange. The republic of China which is a manifesto has objected to digitalization of currency but in the recent trends, China has become the world leader in bitcoin mining as the countries objectivity is satisfied with the help of the crypto currency; which is to find economical energy and hardware. The trading volume increased from 1% to 6% when Japan started crypto Currency as a mode of payment.

Switzerland was the 1st company to legally recognize Crypto Currency which was legally regulated by SFTA; Thereby the Prime Minister of Switzerland achieved the goal of making Switzerland as the 1st Crypto Nation in the world ^[1].

The financial Mainstream has been ever evolving since the very beginning and crypto currency is playing crucial role to come into the financial mainstream; in the potential future it may be possible with the support of countries like Japan

who are trying their best to make this happen ^[2].

The government of Asia is trying their best to bring Crypto Currency to the mainstream if the countries are able to become successful in their mission; other countries are likely to follow their path.

Importance of crypto currency regulations

The G – 20 Countries requested in the year of June 2019 for the need of Regulations which would help to fight the uncertainties attached to Crypto Currencies. A global regulatory framework may be adopted to manage the benefits and challenges which may arise out of the use of Crypto Currency. For the future digital finance it is essential to establish a proper regulatory framework binding the same this would bring legitimacy to the digital market, promote digitalization in the nation; it would also attract new business ventures and established banks to invest in the industry which would create a positive socio economic environment, Also with the

Advent of digitalization of currency the procedure for business transaction would become easy thereby more time will be saved and also it would promote aid, transparency and efficiency ^[3].

¹ Crypto Nation, Galia Kondovia(10th November 9, 2019,12:15AM)
https://www.researchgate.net/publication/327253551_The_Crypto_Nation_Switzerland_2018

² The Future Of the FX Trading, The Realization Group (10th November,2019,12:15 AM)

<https://www.therealizationgroup.com/portfolio/taking-the-leap-into-asia-and-cryptocurrencies-the-future-for-fx-trading/>

³ Mapped crypto Currency and regulations around the world, Ashley Viens (10th, November 2019, 12:20AM)

Example

In Syrian refugee camps in Lebanon in 2015 people used cards/ vouchers to buy goods from local market; it was the 1st time ^[4].

Venezuela, a federal republic on the northern coast of South America is all in crypto news from a last couple of months just after launching its oil-backed crypto currency—Petro (PTR). The country is hoping that the new crypto coin will help it evade U.S. budgetary sanctions and save the Venezuela from crisis restore the doomed economy.

- **Means of Exchange:** It may be used to purchase goods or services and will be redeemable for fiat money and other crypto assets or crypto currencies through digital exchange houses.
- **Digital Platform:** It can perform the functions of digital representation of goods and/or raw materials (e-commodity) and the creation of other digital instruments for national and international trade
- **Savings and Investment Facility:** Petro will be available for free exchange in electronic exchange houses (exchanges) around the world and will have the necessary characteristics to carry out direct exchanges (Atomic Swaps) in a safe manner and in accordance with the Venezuelan legal framework.

Venezuela as country is in state which is doing anything to save its economy. Launching the Petro token is the idea from the same like ^[5]. They want to make Petro as an instrument for Venezuela's economic stability and financial independence

Is Crypto Currency a Non Sovereign Movement?

Crypto currency was at hype when numerous investors were investing in the chain of bitcoin in search for lucrative returns; when the Government setup a panel for judging the standards of the legalization for the blockchain technology, it was of the view to ban all the virtual currency i. e. Litecoin, bitcoin, etc and also recommended to attract penal provisions to it, therein any individual who was found having the possession, investing in the virtual currency will be imprisoned up to 10 years or fine or both. The RBI further issued a legal notice informing the banks not to take part in any of the transactions related to crypto currency. Start-ups and enthusiasts feel it 'also a direct violation of Article 19(1) (g) which gives them the fundamental right of freedom to business in any sector or trade.

It tagged virtual currency as a "non sovereign movement" stating that is it highly regulated by private entities.

Though in view of the youth crypto currency is of sacrosanct use as it can contain several information with it i.e.:- transaction between parties, owner, supply chain etc thereby use of bitcoin would build Transparency of transaction between the parties and by patenting it would make it legally binding.

Further, government can pass legal tender to make its own

digital currency to satisfy the needs of the present and future generation it would be beneficial for environment as less stress will be cut which would promote sustainability in the environment. Through crypto currency a new era of digitalisation is the nation would start which would promote the Constitutional goals like make in India.

The American social media company facebook proposed a digital currency named LIBRA which will launch in 2020. It was based on the ideology of "moving money around the world should be easy and cheap as the same manner as sending a text no matter how much the person earns ^[6]" If the very concept of Libra becomes successful and the trend is adopted by the potential investors in the industry it will not only be a *super sovereign movement* but also attract potential wealth in the economy which could create infrastructure development in the economy and also promote increased standard of living by creating employment opportunities.

Lack of Legalisation in the Field of Block chain Technology

If in any given economy/country crypto currency is seen with a tinge of doubt, it is because even though it has been given due importance and effort, it is not fully legalised and is unable to attain the security of people 100%. Any given currency of any given nation becomes a legally binding mode of exchange because it is backed by value equivalent to it and is also recognized by the concerned Government. Crypto currency like all other currencies needs the backing of a stabilized financial institution in the form of block chains.

Even after being digitally strong, India is unable to welcome crypto currency with open arms because of the absence of legislation with respect to crypto currencies and blockchain. The legal systems have no provisions to protect the citizens of India from any kind of fraud relating to Crypto currency. The Indian Government has not killed the existence of Crypto currency in India directly but has choked it by cutting of the supply of air by banning Banks, financial institution and non-financial institutions from trading in them and supporting any transaction related to them.

The need for legalization of such block chains is daunting because these informations might be misused or hacked. If these are legalized, there would rules to follow, restrictions to be kept and punishments to be served for misconduct. The absence of legislations in the field of crypto currency and block chain makes the investors of the country unsure of trading in crypto currency as there is no legislation to protect them against the crimes which might take place.

On 29th July 2019, the Parliament passed the Banning of Unregulated Deposit Scheme Bill which banned the deposit in the form of Initial Coin Offering (ICO) too ^[7].

Thus in India at present there is no law taking full care of crypto currency under any heading. It therefore has no trust of smart investors. It is making India loose a great hand in strengthening its economy as countries like USA, Canada, Japan, Singapore, Russia, Italy, etc who have accepted crypto currency with friendly take has flourished a lot in economy in recent years.

<https://www.visualcapitalist.com/mapped-cryptocurrency-regulations-around-the-world/>

⁴ Inside Jordan Refugee Camp that runs on blockchain, Russ Juskalian, MIT Review (10th November, 2019, 12:50 AM)

<https://www.technologyreview.com/s/610806/inside-the-jordan-refugee-camp-that-runs-on-blockchain/>

⁵ Will Venezuela new crypto currency petro help to boost economy?, Atul Vatsa (10th November, 2019, 1:00 AM) <https://www.quora.com/Will-Venezuelas-new-cryptocurrency-Petro-help-to-fix-its-economy>

⁶ Libra For Everyone, Libra(11th November, 2019, 8:30 PM)

<https://libra.org/en-US/>

⁷ The Banning of Unregulated Deposit Scheme Bill, 2019, PRS Legislative Research, (29th Jan, 2020) <https://prsindia.org/billtrack/banning-unregulated-deposit-schemes-bill-2019>

Conclusion and Suggestions

After banning crypto currency trade in India completely through Banks, financial and non-financial institutions, Reserve Bank of India declared on 5th December 2019 that it is planning to launch its own crypto currency. Countries like Ecuador, China and Singapore has already launched their own crypto currencies. Few other countries are positive towards launching theirs too. India is taking help of the leading countries in being able to make the introduction of crypto currency in India successful. The Government has started making attempts in popularising Block chain system in India by asking citizens to link their bank account numbers with their Government ID cards. Few private bitcoin companies have also recently launched an association named “Digital Assets and Blockchain Foundation India (BFI)” which would earn credibility if the Government makes positive interventions.

It is also observed then more than 500 merchants in India and few top companies like Dell accept bitcoin is a mode of payment. Around 600000 individuals are involved in it ^[8]. Indian citizens have started preferring Digital mode of transaction over traditional ones and it is the right environmental scenario for Indian economy to adopt Crypto currency.

Thus, according to us the Government should take initiatives to introduce research programme’s which would bring out the hindrances in the process of legalizing crypto currency. The Government should also strive towards making legislations related to international trade of crypto currency. In spite of the ban, there are instances to people trading in them illegally. It would be beneficial for the Indian economy if there would be provisions relating to them. The illegal tax evasion will curb down to a large extent and it will also open the doors of digital international finance trading for India.

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⁸ The future of cryptocurrency in India, Compare Remit, (30th Jan 2020) <https://www.compareremit.com/money-transfer-guide/the-future-of-cryptocurrencies-in-india/>