

Crypto Currency - A Big Question for Financial System

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Abstract:

Virtual Currencies and cryptocurrency is a new digital addition to the cyber world as well as global financial system that has not yet been fully administered into the legal structure of many nations across the globe. There are many legal aspects of Bitcoin and cryptocurrency in general to consider. Calling bitcoins, the "next big thing since the internet and computing" themselves are major statements to make. Bitcoin and other cryptocurrencies may not be much of a threat fiat currencies today in India. Cryptocurrencies are a type of digital money that rely on distributed networks and shared transaction ledgers to combine the core ideas of cryptography with a monetary system to create an anonymous, traceable, secure and potentially stable virtual currency and it will be effective in India.

In a country like India, where we value everything by its monetary worth, the sure-shot way to beat cash is to make currency that is more valuable than cash. A crypto exchange and a wallet that would allow hundreds of millions of citizens of the India to become part of the crypto economy will be a great leap for the entire blockchain community.

Key Words: Cryptocurrency, Virtual Currency, Blockchain, Bitcoin, CyberSecurity, Transaction Security, Digital Wallets, Money Laundering, Tax Evasion, Distributed Ledger

Virtual Money

The term "virtual currency" refers to a medium of exchange existing entirely in intangible form that is not a legal tender currency substitutes, such as military scrip and depression scrip. In recent times, the term "virtual currency" has developed an added connotation that it exists only in an electronic or digital form and is used only as a medium of exchange between members of an online or virtual currency.

A subset of virtual currency is "cryptocurrency," by which we mean an internet-based virtual currency in which the ownership of a particular unit of value is validated. A cryptocurrency is a digital currency that uses cryptography for security. It is also called or virtual currency. Cryptocurrency is a form of digital money that is designed to be secure and in many cases anonymous.

Cryptocurrency Benefits and Drawbacks

The advantage of digital currency is very large. When you talk about transaction using cryptocurrency then there is no limits. Cryptocurrency is readily available to the general public. Making payment using cryptocurrency is very easy. It provides an easier way to transfer funds between two parties in a transaction. These transfers are facilitated through the use of public and private keys for security purpose. With minimal processing fees these fund transfers are done. Cryptocurrency transaction allows users to avoid the steep fees charged by most banks and financial for wire transfers. The inter-country transaction is extremely easy with cryptocurrency because its function is not under any central bank. There is no third party involved like a bank on whom you need to trust. You are the master of your money. Nobody can steal your personal information from merchants, which ensure the privacy of your sensitive data. All your transaction will be secure as it is using NSA created cryptography.

All the advantage do not mean that there are no risk involved in investing in cryptocurrencies. There are drawbacks of bitcoin also. Here we discuss the drawbacks of cryptocurrencies. Cryptocurrencies are relatively new in market and come with a learning curves. Many people are not aware of how to use cryptocurrency and hence open themselves to

hackers. People invest in cryptocurrency without proper knowledge and hence lose money to something they did not learn about. Not many websites and companies accept cryptocurrency yet. Very few countries have legalized the use of cryptocurrencies. There is no way to get a refund of the amount paid if you mistakenly pay someone by using cryptocurrency. The major drawback of cryptocurrency is it has no significant reception but now slowly and steadily it is consolidating its position.

What is Bitcoin?

Bitcoin is a cryptocurrency and worldwide payment system. Bitcoin is a digital currency created in 2009 by Satoshi Nakamoto. It based on the ideas set out in a white paper by the mysterious Satoshi Nakamoto whose true identify has yet to be verified. Bitcoin regulate and generate units of currency using the rules of cryptography. It is also called as decentralized digital currency. The transaction fees of traditional online payment mechanisms is more than the transaction fees of bitcoin transaction. These transaction is operated by a decentralized authority unlike government-issued currencies. Bitcoins are completely virtual coins designed to be self-contained for there value. There is no need for bank to move and store money. Bitcoins are not physically present, so that only balances is kept on a public wallet in the cloud. All bitcoin transaction is verified by a massive amount of computing power. A personal database that you can store on your computer drive , on your smart phone, on your tablet or somewhere in the cloud is called wallet. Bitcoins are transferred from one personal wallet to another.

Volatility of Virtual Currencies:

As can be seen from recent changes in the value of most famous cryptocurrency bitcoin which have base value of \$ 0.30 in 2010 and rose to almost \$ 4000 in 2017, virtual currencies follow a volatile track of ups and downs which further introduce instability in the market and economy.

Independent Wallets

Wallets holding crypto currencies and involved in transactions are created and managed by private corporations which have no control of any agency due to absence of any international binding laws in place. So they do not have any liability in case of customer's loss as well as any type of financial crime committed by and through the use of these wallets.

Money Laundering

Money Laundering is a key legal complication with these kind of currencies due to the ease of their movement between countries with little or no overseeing. While institutions can track virtual currency bought through banks, it becomes difficult when cash or other hard to trace methods are used buy or sell the coins.

Issues in Crypto Currency

1. **Spoofing and Phishing Payment Information:** As with the ordinary e-money, phishing attacks also affect cryptocurrency users as they can be redirected to a fake website requiring them to enter user id and passwords of their crypto-wallet. While spoofing of transaction can be performed by an attacker when a user tries to copy the wallet address for transaction which is replaced by malware and the user is not aware of the changes since not everyone is vigilant to double check a long address copied by them.
2. **Error in User Address:** There is also a risk of potential loss when an error is made in the recipient address which can results in loss of money.
3. **Loss of a Wallet File:** One of the major problems in the cryptocurrencies is the loss or the theft of local wallet files due to hard disk crash or other interruptions.
4. **Payment Gateway Hacking:** Hacking can be done through convincing the hosting provider that they are the real domain owners and then intercepting the cash flows. Many well-known financial services have fallen prey to such kind of tactics employed by hackers.

Bitcoin Legalization in India

Increasing trading volumes and Bitcoin activities by significant margins are the initial impact expected after the legalization of Bitcoin in India. Legalization is likely to enable Bitcoin startups to report concerns over security and risks originates due to Bitcoin use, eventually, work towards the improvement of its infrastructure. Further, legalization helps in eliminating apprehensions around its consistency for the average Indian consumer. Whereas, there are some reports of Bitcoin trading equivalent to money-laundering that propagates the financing of terrorist outfits. In order to get a sigh of relief from these fears, Bitcoin startups in India are executing multiple security checks. Government-verified address documents a Permanent Account Number (PAN) or an Aadhaar number compulsory taken as a valid ID proof from users by all Bitcoin companies.

Types of Cryptocurrencies:

SR	NAME	SYMBOL	PRICE(USD)
1.	Bitcoin	BTC	7,130.0
2.	Ethereum	ETH	725.11
3.	Ripple	XRP	0.71223
4.	Litecoin	LTC	129.29
5.	Cardano	ADA	0.32525
6.	Stellar	XLM	0.333700
7.	Bitcoin Cash	BCH	896.69

India's Government

The Reserve Bank of India (RBI) has been consistent in warning citizens of the risk associated with cryptocurrencies and traders of its perils, Indian President, Narendra Modi, indirectly promoted Bitcoin, on July, 2, 2015, with his ambitious Digital India. Plans included digitizing government data, improving India's digital infrastructure, and optimizing its online connectivity. The Finance Minister in the country has labeled cryptocurrencies are not being legal tender. In recent time a debate has emerged within the country as to whether profits from crypto transaction should be taxed or not.

In January, 2018, India's Department of Economic Affairs in its Ministry of Finance met to discuss how Bitcoin could be regulated. The committee suggested the following, that cryptocurrencies should be governed by the Reserve Bank of India Act of 1934, that Bitcoin investors should be taxed, that guidelines for buying and investing in cryptocurrencies should be drafted.

As per business standard report the Indian government is going to introduce its own cryptocurrency similar to bitcoin. They also added that the government might its cryptocurrency "Lakshmi". In a move to regulate the cryptocurrency market in India, Finance Minister Arun Jaitley today cleared that it is not legal tender and it will discourage its use. However, he mentioned that the government will look at the utilization of blockchain technology. During the run-up to the budget, there have been talks that the government could come out with a roadmap to regulate the cryptocurrency market. There has been rising craze among investors to put in their hard-earned money into the highly volatile cryptocurrency market setting off alarm bells in the government. Even before the budget Jaitley had already said that the Cryptocurrency is not legal tender in India.

The recent action of conducting survey by the IT department over all the major exchanges has also triggered issuance of income tax demand notice by the department to the users of these exchanges. There have been reports that several

banks have frozen account cryptocurrency exchanges in India, while the registrar of companies (ROC) has stopped registering companies intending to act as such exchanges.

Indian companies using Bitcoin

According to CEO and the co-founder Sathvik Vishwanath many merchants in the Bangluru area accept bitcoin through the Bangalore-based Unocoin which is one of the largest bitcoin exchanges in the country and also provides merchant services. Five of India's largest companies including Dell accepted the cryptocurrency as payment. The number grows day by day. In India Bitcoin is far from popular and most Indians prefer fiat money but a recent Forbes article reports Bitcoin's craze is catching on and that, to date, there are more than 600,000 users in the country.

Recently two Indian companies jumped into Bitcoins business, they came up with Wallet-Exchange concept and they accept Indian Rupee.

- Zebpay
- Unocoin

CRYPTOCURRENCY IN INDIA

In India bitcoins has been available since 2012. And at present in India there are 11 trading platforms and around 1 million users of bitcoin. At the movement RBI has banned the transaction of bitcoins in India. So one cannot use the cryptocurrency for the payments of good and services. Recently in 2018 during the union budget declaration the Indian government declared that cryptocurrencies such as bitcoins were not a legal tender. There is no protection available to those using and trading them or dealing in them.

In recent days finance minister Arun Jaitely said when asked by the media the Government views on cryptocurrency he said the government was aware that the cryptocurrency is being used for the illegal activities such as terrorism, cryptocurrencies function within the community and they enjoy the trust of that.

According to the Indian government people using these type of currencies should take certain caution because there is no lawful protection for these currencies. And no help can be gained by the people from the government side if some fraud is faced by the people.

Regarding the future of cryptocurrencies in India an expert committee also constituted to measure the risk involved in it. This committee will examine the action of cryptocurrencies and release the report in few months. Some countries are accepting the cryptocurrencies while some are not, some of them are yet to make their decision. Cryptocurrencies has its own set of complications.

CONCLUSION

Most Virtual Currency use around the world is under a void in terms of legality and regulated in the moment. Some countries have incorporated it into their financial system, but some have banned them completely. If the popularity of Virtual Currencies increases further, more and more countries may regulate it, although it is not the case where many are considering prohibitions on it. With the growing user base and recent upsurge in Bitcoin's value which is one of the most famous virtual currency available, there are more and more hurdles like need of a legal framework and regulating authority, awareness about the use of wallets, transaction processing as well as risks involved in virtual currency transaction are rising. Therefore, it can be said that Cryptocurrencies have got a great potential to become a global currency.

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