Banning of Blockchain

Why in news?

The Banning of Cryptocurrency and Regulation of Official Digital Currency Bill, 2019 has been leaked recently.

Why is there support for the ban?

- There are high chances of cryptocurrencies being misused in money laundering.
- Various government bodies such as IT, CBDT, and the customs departments are supporting its ban.
- The bill has proposed stringent penalties, including 10 years of imprisonment for holding, selling or dealing in cryptocurrencies.

What is a blockchain?

- It is an **accounting ledger** which can store data on any real-world transaction of any kind.
- The unique feature of this ledger is the **decentralised style.**
- Every computer connected to a blockchain network helps validate and record transactions.
- People who connect their computers to a network are known as validators and receive transaction fees in the form of tokens.
- It also has **data encryption,** which makes it highly resistant to tampering.
- It can perform on **public basis** (such as Bitcoin) **or private**, with a single entity operating a closed blockchain system.

What is the potential of blockchain?

- Blockchain technology has the **potential to create new industries** and transform existing ones.
- Some **new companies are investing millions** in research and development.
- Venture capitalists invested $2.4 billion in blockchain and cryptocurrency start-ups in 2018.
- **Even big technology companies** have started to take blockchain seriously. E.g Facebook'scryptocurrency Libra.

Why shouldn’t there be a ban?

- A law to ban cryptocurrency would **prevent Indians from reaping economic benefits** by participating in blockchain networks as validators and earning transaction fees.
- The ban also will **stifle any innovation related** to this disruptive emerging technology.

What India can learn from Europe?

- The European Parliament and European Council are working on an **anti-money laundering directive** known as AMLD5.
- All crypto exchanges and wallet custodians operating in Europe will have to **implement strict know-your-customer** (KYC) onboarding procedures and need to **register with local authorities**.
- They will be required to **report suspicious activities** to relevant bodies.
- The EU Commission is also proposing
    1. self-declaration by virtual currency owners,
    2. the maintenance of central databases registering users’ identities and wallet addresses, and
    3. norms while using virtual currencies as payment or investment means by 2022.
- This is a more reasonable approach, and the Indian government could follow suit.

Source: The Hindu

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