Complexities in Bitcoin Regulation

What is the issue?

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- Bitcoin based trade is booming around the globe, but there are complexities in regulating cryptocurrencies.
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- Effective regulation of cryptocurrency trade will require coordinated action by multiple agencies.
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What are bitcoins?

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- Bitcoins are cryptocurrencies which are most commonly used across the globe, they do not have geographical borders or limitations.
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- i.e. USD is a currency and it belongs to USA, but bitcoin is a crypto currency which does not belong to any nation, so that there is no regulatory authority for bitcoins.
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- Bitcoin transactions done globally can be completed in a few seconds with minimal costs compared to traditional financial systems.
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- Bitcoins can be bought from various international exchanges using credit cards or other electronic means.
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What is the market complexities in regulating bit coins?

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- **Volatility-**Bitcoin has appreciated by close to 2,000 per cent in 2017-2018 and it is uncertain to predict the growth of the market.

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- **Illegitimate -**A huge number of new “copycat” currencies well over a thousand have been created so far.
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- Many bitcoins are created by fraudulent agencies with complex methods in such cases many gullible investors have lost huge sum of money.
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- “Initial Coin Offerings” (ICOs), where such fraudulent cryptocurrencies are launched, have become popular.
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- **Bypassing regulations -** It is possible to buy bitcoin for cash in one currency and sell it in another, with little trace of either transaction left in the global banking system.
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- Alternatively, it may even be possible to buy bitcoin in rupees, sell for a profit in dollars or yen, and claim export benefits on the trade.
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- Due to this bitcoins have been banned in many countries as they attempt to entirely bypass market regulators and break all the rules of their economy.
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What initiatives government had taken on bit coin regulation?

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- Union finance ministry has recently decided to set up a panel for reviewing issues related with booming bit coin trade.
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- The Securities and Exchange Board of India (SEBI) is considering monitoring the market for fraudulent issues of new virtual currencies.
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- Reserve Bank of India had also cautioned users, holders and traders about the risk of these currencies.
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- As of now RBI has not issued any licence or authorisation to any entity or company to operate bitcoins.
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- The income tax department has also undertaken surveys of several exchanges dealing in these virtual assets.
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- It has also reportedly sent out notices to many high net worth individuals who might have been trading in these.
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- Though income tax department is clear in taxing cryptocurrency transactions, government is reluctant in recognising bitcoins.
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Source: Business Standard

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