

Committee: GA2 (Economic and Financial Committee)

Issue: Discussing the promotion of cryptocurrencies in the financial world

Student Officer: Erika Kunstmann

Position: Chair

PERSONAL INTRODUCTION

Dear Delegates,

My name is Erika Kunstmann, I am 16 years old and I am attending the 11th grade of the German School of Athens. This will be my first ACGMUN Conference as a chair and my 19th Conference overall, while also being my ninth time chairing.

I want to congratulate you all for being selected as delegates in this amazing Committee and Conference. I can assure you these three days we will spend together will be amazing. We will all grow closer, gain a deeper knowledge on the topics discussed and, most importantly, have fun.

During this session, we will be discussing and debating upon very important topics, namely encouraging international cooperation to combat illicit financial flows, implementing measures to address the financial crisis in Turkey and discussing the promotion of cryptocurrencies in the financial world. This document is here as a useful guide and should help you understand the topic better, however it should not be your only piece of research.

I encourage you all to further research this topic by visiting the links I have provided at the end of the Study Guide. Furthermore, if you have any questions about the following guide or the topic in general, feel free to contact me. My email is kunstmann.erika@gmail.com.

I am looking forward to meeting and working with you all and hope for a fruitful debate.

Best Wishes,

Erika Kunstmann

TOPIC INTRODUCTION

David Chaum, an American cryptographer, invented ecash, an anonymous cryptographic electronic money, in 1983. Later, in 1995, he put it into practice with Digicash, an early type of cryptographic electronic payments that needed user software to withdraw bank notes and select specific encrypted keys before sending them to a receiver. This made it impossible for the issuing bank, the government, or any other third party to track the digital currency.

Others quickly followed suit. Bit Gold, a decentralized currency with its own proof-of-work consensus process, was designed by computer scientist Nick Szabo. B-money, a similar attempt at a decentralized, private money network, was built by developer Wei Dai. These efforts ultimately failed to gain traction. They did, however, provide the groundwork for what digital money would look like.

Efforts to establish digital currency in the 1990s occurred against the backdrop of the Internet entering people's homes and technology becoming ingrained in the fabric of daily life. Cypherpunks were the early proponents of digital currency, as well as cryptography and privacy-enhancing technology in general, as political tools. They created the foundation for the birth of Bitcoin a decade later.

Satoshi Nakamoto, a supposedly pseudonymous developer, established the first decentralized cryptocurrency, bitcoin, in 2009. In its proof-of-work scheme, it utilised SHA-256, a cryptographic hash algorithm. Today, cryptocurrencies can now be used to buy and sell goods and services, while they are most commonly utilized as investment vehicles. Cryptocurrency is also a crucial aspect of the operation of some decentralized financial networks, where digital tokens serve as a transactional tool. However, with the anonymity of cryptocurrencies there is also an immense risk involved with it.

Concluding, discussing the promotion of cryptocurrencies in the financial world is a crucial matter that needs to be addressed. In the following guide, this topic will be further analyzed and will propose possible solutions.

DEFINITION OF KEY TERMS

Blockchain

“A blockchain is a distributed database that is shared among the nodes of a computer network. As a database, a blockchain stores information electronically in digital format. Blockchains are best known for their crucial role in cryptocurrency systems, such as Bitcoin, for maintaining a secure and decentralized record of transactions. The innovation with a blockchain is that it guarantees the fidelity and security of a record of data and generates trust without the need for a trusted third party. One key difference between a typical database and a blockchain is how the data is structured. A blockchain collects information together in groups, known as blocks, that hold sets of information. Blocks have certain storage capacities and, when filled, are closed and linked to the previously filled block, forming a chain of data known as the blockchain. All new information that follows that freshly added block is compiled into a newly formed block that will then also be added to the chain once filled.”¹

Cryptocurrency

“A cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology—a distributed ledger enforced by a disparate network of computers. A defining feature of cryptocurrencies is that they are generally not issued by any central authority, rendering them theoretically immune to government interference or manipulation.”²

Cryptographic technology

“Cryptography is the study of secure communications techniques that allow only the sender and intended recipient of a message to view its contents. The term is derived from the Greek word *kryptos*, which means hidden. It is closely associated to encryption, which is the act of scrambling ordinary text into what's known as ciphertext and then back again upon arrival.”³

¹ Hayes, Adam. “Blockchain Explained.” Investopedia, Investopedia, 9 Feb. 2022, www.investopedia.com/terms/b/blockchain.asp.

² Frankenfield, Jake. “What Is Cryptocurrency?” *Investopedia*, Investopedia, 13 Feb. 2022, www.investopedia.com/terms/c/cryptocurrency.asp.

³ Kaspersky. “Cryptography Definition.” *Www.kaspersky.com*, 9 Feb. 2022, www.kaspersky.com/resource-center/definitions/what-is-cryptography.

Cyberpunk

“A cyberpunk is an activist advocating widespread use of strong cryptography as a route to social and political change. Originally communicating through the Cyberpunks electronic mailing list, informal groups aimed to achieve privacy and security through proactive use of cryptography. Cyberpunks have been engaged in an active movement since the late 1980s.”⁴

Decentralized currency

“Decentralized currency, peer-to-peer money, and digital currency all refer to bank-free methods of transferring wealth or ownership of any other commodity without needing a third party. Most centralized, and some decentralized, markets use fiat currency—or physical money issued by a central bank, like U.S. dollars.”⁵

Initial coin offerings

“An initial coin offering (ICO) is the cryptocurrency industry's equivalent to an initial public offering (IPO). A company seeking to raise money to create a new coin, app, or service can launch an ICO as a way to raise funds. Interested investors can buy into an initial coin offering to receive a new cryptocurrency token issued by the company. This token may have some utility related to the product or service that the company is offering, or it may just represent a stake in the company or project.”⁶

Mining cryptocurrency

“Bitcoin mining is the process of creating new bitcoin by solving puzzles. It consists of computing systems equipped with specialized chips competing to solve mathematical puzzles. The first bitcoin miner (as these systems are called) to solve the puzzle is rewarded with bitcoin. The mining process also confirms transactions on the cryptocurrency's network and makes them trustworthy. For a short time after Bitcoin was launched, it was mined on desktop computers with regular central processing units (CPUs). But the process was extremely slow. Now the cryptocurrency is generated using large mining pools spread across many geographies. Bitcoin miners

⁴ “Definitions for Cyberpunkcyber•Punk.” What Does Cyberpunk Mean?, www.definitions.net/definition/cyberpunk.

⁵ Tardi, Carla. “Decentralized Market Definition.” Investopedia, Investopedia, 8 Feb. 2022, www.investopedia.com/terms/d/decentralizedmarket.asp#:~:text=Decentralized%20currency%2C%20peer%2Dto%2D,central%20bank%2C%20like%20U.S.%20dollars.

⁶ Frankenfield, Jake. “Initial Coin Offering (ICO).” *Investopedia*, Investopedia, 7 Jan. 2022, www.investopedia.com/terms/i/initial-coin-offering-ico.asp.

aggregate mining systems that consume massive amounts of electricity to mine the cryptocurrency.”⁷

Mooning

“It refers to the price of a certain cryptocurrency rising in price rapidly and sharply.”⁸

Non-Fungible Token (NFT)

“Non-fungible tokens or NFTs are cryptographic assets on a blockchain with unique identification codes and metadata that distinguish them from each other. Unlike cryptocurrencies, they cannot be traded or exchanged at equivalency. This differs from fungible tokens like cryptocurrencies, which are identical to each other and, therefore, can be used as a medium for commercial transactions.”⁹

Software

“Software comprises the entire set of programs, procedures, and routines associated with the operation of a computer system.”¹⁰

BACKGROUND INFORMATION

A cryptocurrency is a decentralized, digital, and encrypted mode of exchange. Unlike the US dollar or the Euro, there is no central authority that manages and maintains the value of a cryptocurrency. Instead, these obligations are distributed over the internet among cryptocurrency users. Crypto can be used to purchase everyday products and services, but most individuals invest in cryptocurrencies in the same way they would other assets such as stocks. While cryptocurrency is a fresh and fascinating asset class, investing in it can be risky because it requires a significant amount of knowledge to completely comprehend how each system operates. Satoshi Nakamoto

⁷ Frankenfield, Jake. “Bitcoin Mining.” Investopedia, Investopedia, 14 Feb. 2022, www.investopedia.com/terms/b/bitcoin-mining.asp

⁸ “What Is Mooning: Mooning Definition.” Unblock.net, 28 May 2018, www.unblock.net/glossary/mooning/

⁹ Sharma, Rakesh. “Non-Fungible Token (NFT).” Investopedia, Investopedia, 8 Feb. 2022, www.investopedia.com/non-fungible-tokens-nft-5115211.

¹⁰ “Software.” *Encyclopædia Britannica*, Encyclopædia Britannica, Inc., www.britannica.com/technology/software.

first proposed Bitcoin as a peer-to-peer electronic cash system in a 2008 paper titled "Bitcoin: A Peer-to-Peer Electronic Cash System."¹¹

How cryptocurrency contributed to the financial world at the start of its founding

According to a revelation in Bitcoin Magazine, one of the earliest attempts to create a cryptocurrency is around 20 years older than bitcoin. Thefts from gas stations in the Netherlands occurred at night. Rather than stationing guards and jeopardizing their safety, a group of engineers tried to attach money to newly created smartcards. Truck drivers would use these cards instead of cash to get access to the stations, and the stations would not have any paper money on hand. This could have been the first example of electronic cash, which has ties to today's digital currencies. When bitcoin was first created in 2009, it ushered in a new era of digital currencies. Bitcoin is distinct from many of its forerunners due to its decentralized nature and use of blockchain technology. However, it's difficult to conceive the development of bitcoin, much alone the hundreds of other digital currencies that have since appeared, without the decades of prior attempts at cryptocurrencies and electronic cash.

How cryptocurrency value has raised and fallen over the times

On trading platforms, cryptocurrency might appreciate in value. Its value rises as supply and demand increase. The amount of new coins issued and the number of current owners who seek to sell their coins define the supply of a cryptocurrency. A number of things influence the demand for cryptocurrencies. The use of the coins will increase demand for the coins. This indicates that demand for crypto will rise if the crypto monetary system performs well (i.e., fast transactions and low prices), smart contracts become more frequently employed, and more firms adopt crypto. Bitcoins are also gaining in popularity as a store of value investment.

Different cryptocurrencies

Bitcoin

Because Bitcoin is encrypted, it is classified as a cryptocurrency. There are no physical bitcoins; instead, balances are kept on a public ledger that everyone can access (although each record is encrypted). A large amount of computational power is used to verify all Bitcoin transactions, a process known as "mining." Bitcoin is not issued or backed by any banks or governments, and

¹¹Bitcoin: A Peer-to-Peer Electronic Cash System. www.bitcoin.org/bitcoin.pdf.

a single bitcoin has no monetary value. Despite the fact that Bitcoin is not legal tender in most countries, it is very popular and has spawned hundreds of competing cryptocurrencies known as altcoins. Bitcoin is sometimes shortened as BTC when it is traded.

The Bitcoin system is made up of a network of computers called "nodes" or "miners" that run Bitcoin's code and record its blockchain. A blockchain can be conceived of as a collection of blocks in metaphorical terms. Each block contains a set of transactions. No one can trick the system because all computers running the blockchain have the same list of blocks and transactions and can observe these new blocks as they're filled with fresh Bitcoin transactions in real time. These transactions may be seen in real time¹² by anyone, whether or not they run a Bitcoin "node." To carry out a criminal deed, a bad actor would need to control 51 percent of Bitcoin's computational power. Bitcoin had around 13,768 full nodes as of mid-November 2021, and this number is growing, making such an attack exceedingly unlikely.

However, if an attack were to occur, Bitcoin miners—computer users who participate in the Bitcoin network—would most likely splinter off to a rival blockchain, rendering the bad actor's endeavor fruitless.

To maintain track of Bitcoin token balances, public and private "keys," which are long sequences of numbers and characters connected by the mathematical encryption algorithm that creates them, are employed. The public key (which is comparable to a bank account number) is the public address to which people can send Bitcoin.

¹² Money, www.money.com/what-is-cryptocurrency/



Figure 1: What is Cryptocurrency?¹³

Dogecoin

Dogecoin started out as a joke, but it soon gained traction after its release. It has become a participant in the cryptocurrency bubble by late 2017, when the value of many coins skyrocketed. Dogecoin's value plummeted when the bubble broke in 2018, but it still maintains a following of traders and users who use it to tip for content on Twitter and Reddit.

On digital currency exchanges, users can purchase and sell Dogecoin. They have the option of storing their Dogecoin on an exchange or in a wallet. Dogecoin is a "inflationary coin," whereas Bitcoin and other cryptocurrencies are deflationary due to a limit on the amount of coins that may be minted.

Ethereum

Ethereum, like other cryptocurrencies, is built on the blockchain platform. The Ethereum blockchain network is maintained by a massive network of computers all over the world, and any changes to the blockchain require distributed consensus (majority agreement). To successfully manipulate the Ethereum blockchain, an individual or group of network members would need to achieve majority control of the Ethereum platform's computational power—a job that would be enormous, if not impossible. ETH and other cryptocurrencies can only support a limited number of applications on the

¹³ Money, www.money.com/what-is-cryptocurrency/.

Ethereum platform. On the Ethereum platform, users can create, publish, monetize, and use a wide range of applications, and they can pay with ETH or another cryptocurrency.

Why cryptocurrency is so hard to counterfeit

Since Bitcoin's inception, the problem of security has been a major concern. On the one hand, thanks to the blockchain technology that underpins Bitcoin, it is exceedingly difficult to hack. Because Bitcoin users analyze the blockchain on a frequent basis, hacks are unlikely. However, the fact that Bitcoin is difficult to hack does not mean it is a secure investment. At many stages of the trading process, there is the possibility of security hazards.

Bitcoins are stored in digital currency wallets and traded on digital currency exchanges such as Coinbase. Each of these two components has its own set of security threats. Developers are constantly enhancing wallet security, however some people are looking to get unauthorized access to other people's wallets in order to steal their tokens and cash. Two-factor identification is frequently employed as a security mechanism during the transaction process. Of course, when a transaction's security is tied to an email address or a phone number, anyone with access to those components can authenticate transactions. Hackers may be able to infiltrate your cryptocurrency transactions regardless if they have access to some of your non-cryptocurrency personal information.

The dangers that come with cryptocurrency

As mentioned prior, cryptocurrency is a great way to stay anonymous. This however creates a big risk involving transactions and illegal purchases.

The dark web and its abuse of cryptocurrency

Silk Road was a Bitcoin-based digital black market that was known for facilitating money laundering and illegal drug sales. Silk Road, widely recognized as the first darknet bazaar, debuted in 2011 and was shut down by the FBI in 2013. Silk Road developed a refuge for drug dealers by combining data anonymization technology with a feedback trading mechanism. The site was only accessible through the Tor network, which was created to anonymize user data and internet activity. Tor obfuscates users' addresses, making them appear concealed to those parties interested in monitoring their transactions and activities. As a result, Silk Road buyers and sellers were free to conduct illegal drug transactions without fear of having their IP addresses traced back

to them. Another reason Silk Road succeeded was the platform's implementation of buyer feedback. After receiving the items, buyers are expected to offer feedback to the seller. The site then used the feedback to screen out bogus vendors, while legitimate dealers had their products in high demand. This increased buyer trust in the online marketplace.



Figure 2: The Silk Road¹⁴

How cryptocurrency is contributing to the economy today

There is some debate over the best appropriate approach to describe and measure cryptocurrency's carbon footprint. What is obvious is that due to crypto's decentralized nature, each transaction must be logged on the blockchain and disseminated to and processed by tens of thousands of computers, resulting in enormous energy consumption for each transaction. Although not all cryptocurrencies consume as much energy as Bitcoin, each has its own carbon footprint and contributes to the climate catastrophe in different ways.

There are already hints that the crypto sector could pivot to become a force for good in the world. Miners will naturally seek out lower-cost renewable energy sources, providing a channel for renewable projects to offload supplies. Crypto mining can help expedite the shift from fossil fuels to renewable energy over time.

¹⁴ "Silk Road." CoinDesk Latest Headlines RSS, CoinDesk, 5 June 2020, www.coindesk.com/company/silk-road/.

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

United States of America

With the market in the midst of a major crash connected to uncertainties over the Federal Reserve's fight against inflation, the Biden administration is prepared to reveal a government-wide policy to regulate cryptocurrencies as early as February 2022. According to a White House official, the upcoming National Security Council (NSC) memorandum would assign federal agencies the duty of assessing the threats and potential that crypto presents, as well as delving into the mechanics of a central bank digital currency. The move will also examine the impact of digital assets on financial stability, as well as the harmonization of crypto legislation with those of other countries.

Russian Federation

According to a government announcement¹⁵ Russia's government and central bank have achieved an agreement on how to regulate cryptocurrencies. The accord comes after the Bank of Russia suggested banning Bitcoin miners and other crypto businesses earlier this month, citing fears that they could cause financial instability, harm residents' well-being, and jeopardize the country's monetary policy autonomy. The Russian government and central bank are currently drafting legislation that will describe cryptocurrency as a "analogue of currencies" rather than digital financial assets. According to reports, the draft bill will be released on February 18 2022.

China

In one of the world's most severe crackdowns, China's authorities prohibited cryptocurrency trade and mining last year. Other uses of blockchain technology and non-fungible tokens (NFTs) are being pursued by China's government, as long as the technology remains under their control. Alibaba, the Chinese e-commerce behemoth, released a collection of 16,000 NFT artworks in June, which sold out in minutes using its Alipay mobile payments program. It was important to distinguish between NFTs and cryptocurrencies at the time. In the months that followed, Alibaba, along with other tech giants such as Tencent, Bilibili, and JD.com, renamed NFT offerings as "digital collectibles," a move that experts saw as an attempt to dodge regulatory attention.

¹⁵Новости - Правительство России. www.government.ru/news/44519/.

Ethiopia

In Ethiopia, blockchain technology is being more widely used. Experts gathered in Addis Ababa in November 2017 to discuss a UNECA research aimed at examining potential opportunities for blockchain technology in Africa. The Ethiopian government has inked a memorandum of understanding (MOU) with Cardano, a cryptocurrency startup. The parties will build a nationwide database of student and instructor IDs to hold educational records and track academic performance as part of this agreement. This is the largest blockchain agreement ever signed by a government. It is unlikely that the project will begin before January 2022.

Venezuela

The Venezuelan government declared in December 2017 that it will develop its own cryptocurrency, the Petro, which may be issued, mined, and traded in Venezuela, in accordance with Decree 3196. The government planned for the petro to be backed by Venezuela's oil and mineral assets when it was established in February 2018. The Asamblea Nacional (Venezuelan legislature) proclaimed the petro illegal and unconstitutional in March 2018. Despite this, President Nicolas Maduro announced the petro to be legal tender in Venezuela; however, no one appears to be holding, trading, or accepting the petro as of yet. In early 2019, the National Superintendence of Cryptocurrencies ("SUNACRIP") replaced Venezuela's first effort at building a regulatory framework/institution for cryptocurrency. Venezuela developed a new legal framework for cryptocurrency and related operations by presidential decree. SUNACRIP would have the broadest authorities within the legislative framework to govern the formation, issuance, organization, operation, and usage of cryptoassets, according to the decree.

The European Union

Cryptocurrencies are legal throughout the European Union, but each member state has its own set of rules. Cryptocurrency taxes vary by nation, with some charging as little as 0% to as much as 50% on derived earnings.¹⁶ The European Union's Court of Justice concluded in 2015 that trades between traditional currency and crypto or virtual currencies could be tax-free because cryptocurrencies are services rather than products. The European Union (EU) has taken the lead in building a strong regulatory framework for crypto, known as MiCA (Regulation of Markets in Crypto-assets). The EU recognizes the need for internationally standardized AML/CFT standards, but its

¹⁶ "Travel Rule Crypto in European Union by EBA [2021]." *Notabene*, 14 Dec. 2021, www.notabene.id/world/eu#:~:text=Cryptocurrencies%20are%20legal%20across%20the,rates%20of%200%20to%2050%25.

regulatory output on cryptocurrency has been delayed and fragmented. The European Union is a group of countries that have come together to collaborate in many areas.

World Bank

El Salvador's adoption of Bitcoin as legal cash has been met with skepticism by the World Bank, which says it cannot endorse the plan owing to "environmental and transparency" issues. However, the development agency may be required to accept bitcoin payments from nations that have adopted the money in the near future.

The 1944 Articles of Agreement, the World Bank's founding agreement, lays out the methods and principles by which it will operate with sovereign countries. The document's promise to accept payments in local currencies from member nations is a prominent element.

International Monetary Fund (IMF)

The International Monetary Fund is concerned about cryptocurrencies, particularly because the embryonic sector is growing at such a rapid rate and regulatory oversight is lagging behind. According to data collected by the IMF, the entire market value of all crypto assets topped \$2 trillion in September this year, signifying a 10-fold increase from levels recorded at the start of 2020. "The crypto ecosystem has grown tremendously," Evan Papageorgiou, a deputy division chief at the IMF, told CNBC in October. Although the process has shown incredible durability, it has also undergone some fascinating stress tests." One of the issues raised by the IMF is that many individuals and financial institutions trading these assets "lack good operational, governance, and risk standards."¹⁷

TIMELINE OF EVENTS

1983	David Chaum developed e-Cash
1995	David Chaum continues his research with Digicash
1998	The term "cryptocurrency" was established
August 18 th 2008	The domain "Bitcoin.org" is registered and the Document "peer-to-peer cash

¹⁷ Amaro, Silvia. "Three Reasons the IMF Is Worried about Cryptocurrencies." *CNBC*, CNBC, 3 Jan. 2022, www.cnbc.com/2021/12/24/cryptocurrencies-why-the-imf-is-concerned.html.

	electronic cash system” was published
January 12 th 2009	The first Bitcoin transaction takes place
2010	Bitcoin was hacked for the first time
February 2011	First sighting of the Silk Road
November 6 th 2013	The FBI takes down the Silk Road
July 30 th 2015	Ethereum was created
2016	ICOs are seen as Ponzi schemes
2017	Japan allows Bitcoin as a legal payment method
January 31 st 2018	Samsung developed specific chips to mine Bitcoins
June 13 th 2019	Elon Musk endorses Dogecoin
January 7 th 2021	The total Market pack surpasses 1 trillion USD

RELEVANT RESOLUTIONS, TREATIES AND EVENTS

World Economic Forum: Navigating Cryptocurrency Regulation¹⁸

This regulatory guide from the Global Future Council on Cryptocurrencies represents the viewpoints of a diverse cross-section of the cryptocurrency ecosystem and should be used as a tool to aid financial regulators around the world in developing prudent policies, regulations, and ideation to mitigate risks and enable opportunities related to cryptocurrencies. Using insights from renowned authorities on blockchain technology and financial regulators navigating these alterations to the global financial and monetary system, this guide addresses key themes and implications for the financial regulation of cryptocurrencies.

¹⁸ *Community Paper September 2021 - Weforum.org.*
www3.weforum.org/docs/WEF_Navigating_Cryptocurrency_Regulation_2021.pdf

European Parliament: Cryptocurrencies and blockchain¹⁹

Criminals are increasingly exploiting cryptocurrencies for illegal operations such as money laundering, terrorism financing, and tax avoidance, according to regulators. The problem is significant: while the full scope of virtual currency misuse is unknown, its market worth has been estimated to be in excess of EUR 7 billion globally. Policy Department A's report delves deeper into this problem from a legal standpoint, concentrating on the use of cryptocurrencies for financial crime, money laundering, and tax evasion. It includes policy suggestions for future European Union standards.

United Nations: Exploring the potential of cryptocurrencies for positive change²⁰

At the United Nations Headquarters in New York on February 1, two renowned specialists in the subject, Ferdinando Ametrano of the Università Milano Bicocca and David Yermack of the NYU Stern School of Business, discussed Bitcoins, blockchains, and everything in between. The attendees learnt more about what is commonly referred to as "digital gold," a term used to characterize Bitcoin because of its resemblance to gold in terms of value. Bitcoin allows users to send money without the use of banks, and its appeal stems from its portability, inability to be replicated or manipulated, and security. This revolutionary technology has the potential to transform societies all around the planet.

IMF: The crypto ecosystem and financial stability challenges²¹

Many crucial concerns relating to regulatory frameworks for crypto assets and digital money have been examined at length by the IMF. Some topics not covered in depth and this chapter can be found in IMF (2020a) and IMF (2021), as well as analyses of financial integrity issues like anti-money laundering and countering terrorist financing (AML/CFT) (IMF 2020a; IMF 2020b); central bank digital currencies (CBDCs); and more (He and others 2016; Mancini-Griffoli and others 2018; IMF 2019).

¹⁹ *Cryptocurrencies and Blockchain - European Parliament.*

www.europarl.europa.eu/cmsdata/150761/TAX3%20Study%20on%20cryptocurrencies%20and%20blockchain.pdf.

²⁰ "Exploring the Potential of Cryptocurrencies for Positive Change | UN DESA Department of Economic and Social Affairs." *United Nations*, United Nations, www.un.org/development/desa/en/news/policy/potential-of-cryptocurrencies-positive-change.html.

²¹ The Crypto Ecosystem and Financial Stability Challenges; October 1, 2021

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

Cryptoasset promotions²²

This consultation seeks feedback on a government proposal to bring the advertising of some forms of cryptoassets under the regulatory umbrella of financial promotions. The measure aims to improve consumer protection while encouraging responsible innovation. This document outlines what this proposal entails, discusses why it was made and how it might be implemented, and solicits feedback on the proposal.

Marketing Strategies²³

Cryptocurrency marketing is critical for this industry's growth and success. No matter what business one is in, having a marketing strategy is critical. When it comes to ICOs and cryptocurrency initiatives, having a cohesive and successful marketing plan is even more important. Over the last two years, the cryptocurrency market has grown tremendously. Thousands of crypto businesses have sprouted up all over the place. Some ways to promote cryptocurrency and ICOs are: Networking on LinkedIn, PR and Media outreach, Affiliate and Email marketing and publishing major Events

EU regulations²⁴

The European Union is preparing a reaction to the rise of crypto-assets like bitcoin, as well as the impact these new technologies will have on how financial assets are issued, exchanged, transferred, and accessed. This includes reducing the dangers associated with crypto-assets (fraud, cyberattacks, market manipulation). This effort will assess: 1. the extent to which crypto-assets are covered by current EU legislation; and 2. the impact of current EU legislation on crypto-assets. 3. whether new legislation is required in this field and 4. whether issuing guidelines is sufficient.

Other

There have been countless attempts to promote cryptocurrency through public speaking, press conferences and speaking in favour of cryptocurrency. Major

²² *Cryptoasset Promotions - Gov.uk.*

www.assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902891/Cryptoasset_promotions_consultation.pdf.

²³ Ian. "Crypto: Top 16 Ico and Cryptocurrency Marketing Strategies 2021." *Pressfarm*, Pressfarm, 8 Dec. 2021, www.press.farm/top-9-ico-and-cryptocurrency-marketing-strategies/.

²⁴ "Initiative." *Have Your Say*, www.ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12089-Financial-services-EU-regulatory-framework-for-crypto-assets_en.

celebrities and companies have invested in Stocks of different kinds of cryptocurrency, which prompted other people to buy Stocks as well. Moreover, with the rise of NFT's the market of Digital Art has rebranded itself. By creating and selling Non Fungible Tokens from everything around the price range of 100 US Dollars (0,033 ETH) up to 70 Million US Dollars (22847,74 ETH), NFT's have become a source of income for many. People take pride in owning one or multiple NFT's.

POSSIBLE SOLUTIONS

The promotion of cryptocurrency by banks

Even though cryptocurrencies are not regulated by banks, they could be promoted by them. Despite all of this activity, many bank executives are unsure how to best use digital currencies, how to avoid the issues they bring, how to manage transactions into and out of fiat (government-issued) currency, and what precautions and procedures to follow. Fortunately, as the industry learns from its mistakes and regulators and financial leaders respond to the new reality, the route forward is becoming increasingly evident. In addition, banks still have time to set themselves apart in this space and be first to market in their respective regions. Financial institutions that educate themselves today and implement well-designed trials and products will be well positioned to dominate the sector in their regions, if not globally.

Cryptocurrency becoming more accessible to everyday people

Despite its significant volatility, cryptocurrency can help investors develop wealth over time, particularly if they invest in digital coins over a long period of time. It's a portfolio strategy that's gained traction in recent months and is catching up to stock trading as a source of wealth for Americans. According to a recent survey by NORC at the University of Chicago, 13% of Americans had purchased or exchanged cryptocurrencies in the past year.²⁵ The study discovered that 24 percent of people traded stocks within the same time period. By making cryptocurrencies more accessible to all civilians, this would mean that more people would be investing into Stocks, they could build their wealth and would have another way to pay for assets.

Making cryptocurrency a way of paying for multiple things

The epidemic has resulted in an increase in credit card fraud; in April 2020, the dollar amount of attempted fraudulent transactions increased by 35% over April 2019. In

²⁵ Iacurci, Greg. "13% Of Americans Traded Crypto in the Past Year, Survey Finds." *CNBC*, CNBC, 29 July 2021, www.cnbc.com/2021/07/23/13percent-of-americans-traded-crypto-in-the-past-year-survey-finds.html.

2020, credit and debit cards accounted for the bulk of fraud reports across all payment methods.²⁶ Small businesses, regrettably, are frequently the target of this form of fraud. The epidemic has resulted in an increase in credit card fraud; in April 2020, the dollar amount of attempted fraudulent transactions increased by 35% over April 2019. In 2020, credit and debit cards accounted for the bulk of fraud reports across all payment methods. Small businesses, regrettably, are frequently the target of this form of fraud.

Making secure laws regarding cryptocurrency

The challenge for regulators around the world is to establish adequate regulatory instruments to handle the dangers associated with increased cryptocurrency use. Existing regulatory instruments have shortcomings in tackling consumer and financial crime and money laundering issues. As a result, regulatory scrutiny of cryptocurrencies has intensified, as money launderers have turned to digital currencies like Bitcoin, Ether, and Ripple to "pay out" their earnings, rapidly and anonymously bouncing transactions around the world. For the financial industry, policymakers, and consumers, these new forms of money clearly bring both potential and challenges. Digital currencies can make foreign payments more effective, convenient, and secure by eliminating the inefficient operational and security processes associated with the movement of traditional money, hence increasing overall economic efficiency.

Accepting cryptocurrency as a legal currency

El Salvador made Bitcoin legal money on September 7, making the cryptocurrency a widely accepted medium of exchange for goods and services. While El Salvador is Central America's smallest country, its acceptance of Bitcoin has made an influence on some of the region's larger countries. According to a recent poll done by YouGov²⁷, an international online research and data analytics organization, 27 percent of Americans support making Bitcoin legal tender. 11 percent of the 27 percent strongly approve the notion, while the remaining 16 percent support it "somewhat." In 2017, fewer than 20% of Americans stated they expected to buy Bitcoin in the next five years, indicating a 7 percent increase in Bitcoin's popularity. With making cryptocurrencies a medium of exchange, this could not only make paying more efficient, such as having your crypto wallet on you (just like credit cards), but also prompt exchanges between countries.

²⁶ Steele, Jason. "Credit Card Fraud and ID Theft Statistics." *CreditCards.com*, 11 June 2021, www.creditcards.com/credit-card-news/credit-card-security-id-theft-fraud-statistics-1276/.

²⁷ "Daily Question: 09/09/2021." *YouGov*, www.today.yougov.com/topics/politics/survey-results/daily/2021/09/09/92f58/3.

Regulatory Organisation for Cryptocurrency

Lastly, with the creation of a new Non-Governmental Organisation which would monitor and regulate cryptocurrencies and laws regarding cryptocurrencies the establishment of crypto in the financial world would be much safer. A possibility would be for those Organisations to work alongside Banks of each region to develop rules and regulations fitting for each country.

BIBLIOGRAPHY

Brian Martucci Brian Martucci writes about credit cards, et al. "What Is Cryptocurrency – How It Works, History & Bitcoin Alternatives." *Money Crashers*, www.moneycrashers.com/cryptocurrency-history-bitcoin-alternatives/.

"The Business Benefit of Using Cryptocurrency." *Deloitte United States*, 1 Sept. 2021, www2.deloitte.com/us/en/pages/audit/articles/corporates-using-crypto.html.

Contributor John Hyatt. "Decoding Crypto: What Was the First Cryptocurrency and Who Created It?" *Nasdaq*, www.nasdaq.com/articles/decoding-crypto%3A-what-was-the-first-cryptocurrency-and-who-created-it-2021-08-18.

Cryptocurrencies and Political Finance - Idea. www.idea.int/sites/default/files/publications/cryptocurrencies-and-political-finance.pdf.

"Cryptocurrencies in the Global Space." *Shs-Conferences*, www.shs-conferences.org/articles/shsconf/pdf/2019/08/shsconf_NTI-UkrSURT2019_06031.pdf.

Davies, Pascale. "Russia's Government and Bank to Recognise Cryptos as Currency." *Euronews*, 10 Feb. 2022, www.euronews.com/next/2022/02/09/russia-s-government-and-central-bank-agree-to-treat-cryptos-as-currency.

Freeman, Jason B. "Ethiopia and Cryptocurrency." *Freeman Law*, 9 Jan. 2022, www.freemanlaw.com/cryptocurrency/ethiopia/.

Freeman, Jason B. "Venezuela and Cryptocurrency." *Freeman Law*, 9 Jan. 2022, www.freemanlaw.com/cryptocurrency/venezuela/.

Giudici, Giancarlo, et al. "Cryptocurrencies: Market Analysis and Perspectives - Journal of Industrial and Business Economics." *SpringerLink*, Springer International Publishing, 17 Sept. 2019, www.link.springer.com/article/10.1007/s40812-019-00138-6.

Marr, Bernard. "A Short History of Bitcoin and Crypto Currency Everyone Should Read." *Forbes*, Forbes Magazine, 10 Dec. 2021, www.forbes.com/sites/bernardmarr/2017/12/06/a-short-history-of-bitcoin-and-crypto-currency-everyone-should-read/?sh=1592a5bd3f27.

McGregor, Grady. "China Banned Cryptocurrencies, but It's Going All in on Nfts." *Fortune*, Fortune, 18 Jan. 2022, www.fortune.com/2022/01/14/china-nfts-cryptocurrency-bitcoin-blockchain-ban/#:~:text=Last%20year%2C%20China's%20government%20banned,technology%20stays%20under%20its%20control.

Rivers, Martin Leo. "Bitcoin Must Be Accepted by World Bank, According to Charter." *Forbes*, Forbes Magazine, 17 June 2021, www.forbes.com/sites/martinrivers/2021/06/17/el-salvador-can-pay-world-bank-in-bitcoin-according-to-charter/?sh=3bc7aba43d87.

Studio, HT Brand. "How Are Cryptocurrencies Created and Priced?" *Mint*, 23 Sept. 2021, www.livemint.com/brand-stories/how-are-cryptocurrencies-created-and-priced-11632384596064.html.

"Travel Rule Crypto in European Union by EBA [2021]." *Notabene*, 14 Dec. 2021, www.notabene.id/world/eu#:~:text=Cryptocurrencies%20are%20legal%20across%20the,rates%20of%200%20to%2050%25.

"White House to Enter Crypto Regulation Fray, with Eye on Financial Stability." *Yahoo! Finance*, Yahoo!, www.finance.yahoo.com/news/white-house-to-enter-the-fray-on-crypto-regulation-with-an-eye-on-illicit-flows-080056833.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAALkPBlzE-FoelloovNUmV629vrU6PI_E1zCtR2P0tstOgWx0Wls2RHzzC9sH5zE3xocz3ze_7EL7z5iT8CPHxyC4rD5t76Z9JJrX_EXmSEo8gHIBRWQOj7rr8DUPO_TwyCBT4IZFjq5kYcWrarTA_Wl8kiwpyqCiePbR5O4Z6u74.

"Why Is Crypto so Important and Should I Care?" *Conyers*, 15 Nov. 2021, www.conyers.com/publications/view/why-is-crypto-so-important-and-should-i-care/.