

## New crypto currency bill seeks to ban private players The Hindu

The **Union Government** will introduce a Bill to regulate crypto currency and ostensibly **ban all private crypto currencies**, along with 25 other pieces of legislation, in the winter session of Parliament that begins on November 29.

The **Crypto currency and Regulation of Official Digital Currency Bill, 2021**, which is yet to be officially approved by the Cabinet, seeks to create a facilitative framework for creation of the official digital currency to be issued by the Reserve Bank of India.

### **What do you mean by crypto currency?**

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**.

### **Key things about crypto currency:**

- A cryptocurrency is a form of **digital asset** based on a network that is distributed across a large number of computers. This decentralized structure allows them to exist outside the control of governments and central authorities.
- The word “cryptocurrency” is derived from the **encryption techniques** which are used to secure the network.
- **Blockchains**, which are organizational methods for ensuring the **integrity of transactional** data, are an essential component of many cryptocurrencies.
- Many experts believe that blockchain and related technology will **disrupt many industries, including finance and law**.
- Cryptocurrencies face **criticism** for a number of reasons, including their **use for illegal activities, exchange rate volatility, and vulnerabilities of the infrastructure underlying them**. However, they also have been **praised** for their **portability, divisibility, inflation resistance, and transparency**.

### **History of crypto currency:**

- ✓ **Bitcoin** was launched in **2009** by an individual or group known by the **pseudonym "Satoshi Nakamoto"**. As of November 2021, there were over 18.8 million bitcoins in circulation with a total market cap of around \$1.2 trillion, with the figure updating frequently. **Only 21 million bitcoins will ever exist, preventing both inflation and manipulation.**
- ✓ Some of the competing cryptocurrencies spawned by Bitcoin’s success, known as “altcoins,” include Solana, Litecoin, Ethereum, Cardano, and EOS. By November 2021, **the aggregate value of all the cryptocurrencies in existence is over \$2.4 trillion—Bitcoin currently represents approximately 42% of the total value.**

### Crypto currency Pros:

- ❖ **No Fraud and Scam in Crypto currency:** It is not possible to do manipulation with the crypto currency because it is secure and digital.
- ❖ **No Chance of Personal Information Leakage:** You don't need to share your private key with anyone. Even the payment you will make will be 100% encrypted, no one can check your payment information, and it can never leak. So for anonymous payments, it is the best way.
- ❖ **Immediate and Secure Ownership Transfer:** For ownership transfer no fee is required, no hectic situation will happen and no paperwork is required. But if you compare it with the other situations like property transfer, or bank account closing, you need to move through the big paperwork and have to pay the commission fee.

### Crypto currency Cons:

- ❖ **Illegal Activities can be Perform:** But no government can ban it because no one has authority over it. Governments and high authorities of the country can apply restrictions but can't ban them.
- ❖ **Loss Risk is High:** In case of any mishap, you can't claim to anyone. You can't protect your crypto currency from loss because of any technical error in the wallet. No company is controlling this currency so you can't claim.
- ❖ **Crypto currency Market is Highly Volatile:** The crypto currency market value is highly volatile. You can't predict when values grow or when down.

### How would this threaten monetary policy?

- ❖ But if these currencies gain credibility and acceptance over time, there will be every incentive for network owners to break free from fiat currencies pegs to generate monetary discretion.
- ❖ Once that happens, all bets are off with private network owners effectively running independent monetary policy. IMF warns — to a profit-maximising network owner, who may not have any incentive to use monetary policy to smooth shocks or issue emergency liquidity when needed.
- ❖ The fate of economies to respond to shocks, at least in part, would be in the hands of private firms. This would present an existential threat to monetary policy as we know it.
- ❖ This will also directly impact the currency market.

#### About block chain:

- **Blockchain** is a type of shared database that differs from a typical database in the way it stores information; blockchains **store data in blocks** that are then linked together via cryptography.
- As new data comes in it is entered into a fresh block. Once the block is filled with data it is chained onto the previous block, which makes the data chained together in **chronological order**.
- Different types of information can be stored on a blockchain but the most common use so far has been as a ledger for transactions.
- In Bitcoin's case, **blockchain is used in a decentralized way** so that no single person or group has control—rather, all users collectively retain control.
- Decentralized blockchains are immutable, which means that the data entered is irreversible.

El Salvador has become the first country in the world to formally adopt bitcoin as legal tender.

	Advantages	Disadvantages
1	High potential returns	High volatility, large potential losses Not all cryptocurrencies are the same
2	Diversification	Positive correlation with equities and gold Not all cryptocurrencies are the same
3	Limited supply of individual cryptos	Unlimited supply of cryptocurrencies in general
4	Protection against currency debasement and inflation	Poor store of value due to volatility and restricted usage
5	Growing acceptance and usage	Unregulated and exposed to unscrupulous behaviour

Source: EFGAM