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## Cryptocurrencies

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## Cryptocurrencies

- **Rise of Cryptocurrencies:** The pioneer cryptocurrency, Bitcoin, was traded at just \$0.0008 in 2010 and commanded a market price of about \$65,000 in April 2021.
- Many newer coins have also been introduced since Bitcoin's launch and their cumulative market value touched \$2.5 trillion by May 2021.

## Significance of Cryptocurrencies:

- **Corruption Check:** As blocks run on a peer-to-peer network, it helps keep corruption in check by tracking the flow of funds and transactions.
- **Time Effective:** Cryptocurrencies can help save money and substantial time for the remitter and the receiver, as it is conducted entirely on the Internet, runs on a mechanism that involves very less transaction fees and is almost instantaneous.
- **Cost Effective:** Intermediaries such as banks, credit card and payment gateways draw almost 3% from the total global economic output of over \$100 trillion, as fees for their services.
- Integrating blockchain into these sectors could result in hundreds of billions of dollars in savings.
- **Cryptocurrencies in India:** In 2018, The RBI issued a circular preventing all banks from dealing in cryptocurrencies. This circular was declared unconstitutional by the Supreme Court in May 2020.
- Recently, the government has announced to introduce a bill; **Cryptocurrency and Regulation of Official Digital Currency Bill, 2021**, to create a sovereign digital currency and simultaneously ban all private cryptocurrencies.
- In India, the funds that have gone into the Indian blockchain start-ups account for less than 2% of the amount raised by the sector globally.
- The current approach towards cryptocurrencies makes it near- impossible for blockchain entrepreneurs and investors to acquire much economic benefits.

## Issues Associated with Banning Decentralised Cryptocurrencies

- **Blanket Ban:** The intended ban is the essence of the Cryptocurrency and Regulation of Official Digital Currency Bill, 2021. It seeks to prohibit all private cryptocurrencies in India.
- However, categorising the cryptocurrencies as public (government- backed) or private (owned by an individual) is inaccurate as the cryptocurrencies are **decentralised but not private.**
- Decentralised cryptocurrencies such as bitcoin aren't or rather, can't be controlled by any entity, private or public.
- **Brain-Drain:** Ban of cryptocurrencies is most likely to **result in an exodus of both talent and business from India**, similar to what happened after the RBI's 2018 ban.
- Back then, blockchain experts moved to countries where crypto was regulated, such as Switzerland, Singapore, Estonia and the US.
- With a blanket ban, blockchain innovation, which has uses in governance, data economy and energy, will come to a halt in India.
- **Deprivation of Transformative Technology:** A ban will deprive India, its entrepreneurs and citizens of a transformative technology that is being rapidly adopted across the world, including by some of the largest enterprises such as Tesla and MasterCard.
- **An Unproductive Effort:** Banning as opposed to regulating will only create a parallel economy, encouraging illegitimate use, defeating the very purpose of the ban.
- A ban is infeasible as any person can purchase cryptocurrency over the internet.
- **Contradictory Policies:** Banning cryptocurrency is inconsistent with the Draft National Strategy on Blockchain, 2021 of the Ministry of Electronics and IT (MeitY), which hailed blockchain technology as transparent, secure and efficient technology that puts a layer of trust over the internet.