

Should cryptocurrency be legalized?

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Cryptocurrency is based on a blockchain technology which allow monetary policies and monetary supply to be managed by a computer. Cryptocurrency are generated as a commodity to award miners when they solve a cartographic problem and fulfill a challenge. Downfall of this is that miners are engaging in fraudulent activities of by using malicious code to hijack idle devices to utilize their processing power to mine cryptocurrency¹. There have been many ransomware reported in which a hacker blocks access to a system or restricts access of the data by using a malicious software which encrypts the data on the system, until a sum of money in form of cryptocurrency is paid. Ransomware in which cryptocurrency are being requested as ransomware payments have become common these days.

Ransomware payments are requested in cryptocurrency because cryptocurrency transactions even though are publicly available they do not disclose the identity or the destination address associated with the ransom demand. Unlike bank accounts, no personally identifiable information is required to obtain a crypto wallet. The identity of the crypto wallet address holder remains hidden unless deduced through other means.

Bitcoin is the most sought after cryptocurrency by most hackers due to its popularity and accessibility. Also, as it provides transacted by through a bitcoin wallet address which does not provide identification information. Thus, the anonymity provided by the use of bitcoin wallets to receive and send payments make cryptocurrency a good choice for terror funding and money laundering activities.

Further, the prices of cryptocurrencies vary from exchange to exchange as the pricing depends strictly on supply and demand. This makes investors to benefit from exploit the difference in exchange prices through tax havens.

The government of India in the budget discussion of 2022 announced that all the profits earned by trading cryptocurrency would be taxed at 30% and 1% tax would be deducted at source². However, the government of India did not provide any clarity about legalizing the cryptocurrency.

Many countries have emphasized on an urgent requirement of crypto regulations to prevent associated criminal activities. In December 2020, FINCEN proposed a new cryptocurrency

¹ 'OPEN, SAFE AND TRUSTED AND ACCOUNTABLE INTERNET', FREQUENTLY ASKED QUESTIONS (FAQs) on Cyber Security Directions of 28-04-2022 Annexure-1 Explanation for Types of Cyber Security Incidents to be Reported to CERT-In

² Amitoj Singh, 'Making Sense of India's New Crypto Rules' (*Desk Hub*, 21 Feb 2022)
<<https://www.coindesk.com/policy/2022/02/21/making-sense-of-indias-new-crypto-rules/>>

regulation which proposes data collection requirements on cryptocurrency exchanges and wallets above a certain limit.³

Since, cryptocurrencies are transferable over the internet throughout the world with anonymity irrespective of border jurisdictions. Country-wise regulations based on their personal choices is not a practical solution. Therefore, a consolidated and world-wide compliance regulations are required to be implemented together by all countries to check the illegal activities which are being funded using cryptocurrencies.

³ 'Cryptocurrency Regulations Around The World' (*Comply Advantage* 10 June 2022)
<<https://complyadvantage.com/insights/cryptocurrency-regulations-around-world/>>