

## THE WORLD PRACTICE AND CRYPTOCURRENCIES

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**Abstract:** *In recent years, cryptocurrencies have become increasingly present on the public and economic scene. The fact is that many new digital money are being born every day, and that the lives of many of them are too short and they fail to establish themselves as a reliable means of payment. In this regard, in order to maintain, validate and preserve their value, many of them try to link their value with both payment systems and other resources. The aim of this study is to analyze the world practice in the world of cryptocurrencies as a new financial instrument. The world practice in the world of cryptocurrencies and digital technologies shows that the subject of discussions is the status of cryptocurrencies at national and supranational level, as there are many positions of state institutions and the private sector on their status as a means of payment and trade.*

**Keywords:** blockchain, business, digital money, economic, finance, cryptocurrency, world practice of cryptocurrencies,

**JEL CLASSIFICATION:** A10, F15, M21, G23, O16

The use of cryptocurrencies and in particular blockchain technologies can be defined as a challenge to the global economic world, which arises in connection with the imperfection of state and market regulators. In this regard, the following can be cited as reasons:

- cryptocurrencies are a product of the digitalization of the economy;
- the process of creating digital money is associated with algorithms that are based on mathematical laws;
- the control of the spread of digital money is carried out by specially designed cyber system technologies, which aim to increase stability in comparison with the use of intermediaries;
- the use of cryptocurrencies reduces transaction costs.

There are many questions about the viability of digital money worldwide. The answers would be related to proving the practical benefits of using cryptocurrencies. In fact, cryptocurrencies as a means of payment are not secured either by goods or by supranational authorities. The life of different types of digital money is related to the trust of economic agents in them and their desire to integrate them into public life. Although the opportunities for trading and buying and selling with them are limited, a significant part of public attention is focused on them and they play the role of money. According to the author's observations, individuals are interested in digital money trading operations because they limit the intervention of third countries and the state. Following the applicability of cryptocurrencies based on author's research, there is a difference in their use by economic entities, the state and the business sector. The creation of crypto units, according to the author, can also be defined as an advantage as it increases investment and investors willing to participate in business projects.

From a practical point of view, the attitude towards cryptocurrency is positive in some Latin American countries, where there have been economic shocks that have caused the devaluation of national currencies and, as a result, hyperinflation. These countries depend on the export of goods

purchased for US dollars and euros. To reduce the impact of currency appreciation, the governments of these countries have decided to use cryptocurrency as a means of payment. The rapid devaluation of the national currency of Venezuela - the bolivar, provoked an increase in demand for various cryptocurrencies among the population. The most common in this country is Dash. More than 3,000 companies use this altcoin as a means of payment. Venezuela also issues the world's first national cryptocurrency, Petro. With its help, the government plans to obtain funds for oil exports, bypassing US sanctions. In addition to the oil trade, the Venezuelan government is proposing that the cryptocurrency be used within the Bolivarian Alliance of Nations, which includes a dozen countries in Latin America. [1]

Ordinary entrepreneurs and residents of this country use digital currencies to circumvent the constraints of the economy. If the implementation of the government's plans for the use of cryptocurrency passes with varying success, then for the population cryptocurrency is a way out of the complex economic situation. Another Latin American country, Argentina, is a leader in bitcoin trading. [2] The reason is the same as in Venezuela - many years of hyperinflation. It has the fastest growing bitcoin vending machine market in the world. According to forecasts, the number of such devices in the country by the end of 2019 will exceed 2,000, and their introduction, according to the government, will overcome the negative effects of hyperinflation. Following the ban on the use of bank cards to pay fees in the Argentine Uber, this system began to accept bitcoins. In addition, thanks to the Alto Viaje service and the Latin American cryptocurrency Bitex, it is possible to fill in the SUBE card, which is used to pay for public transport. [3]

A special cryptocurrency ApperCoin has been developed for Latin American countries. For payments that use it, it is enough to install a special application on a smartphone. A distinctive feature is the lack of commission and high speed of transactions (average 10 seconds). [4] Some retail companies offer discounts of up to 40% when using this cryptocurrency.

One of the most attractive jurisdictions for companies operating in the field of blockchain, in which there is progressive legislation, friendly regulation of the crypto industry and the tax regime, and a developed banking sector, is Switzerland. Within the canton of Zug, the necessary ecosystem for the blockchain is being formed - „Crypto valley“ (Crypto Valley Association). [5] In general, the legislation in the country is based on the principle of technological neutrality. Cryptocurrencies have no official legal status. They are treated as assets in accordance with the report of the Swiss Federal Council and are accordingly reflected in accounting documents, except for the purposes of applying VAT - they are equal to currencies. The use of cryptocurrencies does not require a license. When performing activities on a commercial basis, compliance with the specified requirements is required. The provisions of the Swiss Penal Code (305bis SCC) are provided for the legalization (laundering) of money obtained in a criminal way through the use of cryptocurrencies. Crypto exchanges must either become members of a self-regulatory organization or obtain a license from a controlled financial intermediary in FINMA (DSFI) before starting operations. In some cases, a bank license may be required (eg storage/management of the client's money). [6]

In February 2018, the Swiss Financial Market Supervisory Authority (FINMA) published recommendations for conducting an ICO, which identified the following types of tokens: payment tokens, user tokens, asset tokens, hybrid tokens. In case the funds raised within the ICO exceed 1 million francs, then it is necessary to obtain a license to raise funds. As a rule, fundraising activities do not fall under the regulation of financial markets if the company has no obligation to return the funds raised, has not issued means of payment and has no secondary market for circulation.

Singapore is also one of the most attractive countries for setting up companies in the field of financial technologies and blockchain. The country is striving to become a "smart" financial center. The third largest ICO market, which features such large cryptocurrencies as the US-based Coinbase, GDAX and Gemini, is the world's largest forum Singapore Fintech Festival. [7] The development of fintech ecosystems is supported by a variety of tools, including an established Fintech and Innovation Group, a fintech laboratory Looking Glass @ MAS and the world's largest crypto hub. [8]

The Monetary Authority of Singapore (MAS) regulates cryptocurrency transactions if they are products covered by the Securities and Futures Act. In this case, the issuers must register the issuance of tokens - securities (prospectus), and intermediaries and organizers of cryptocurrency trading - to obtain the appropriate licenses. At the same time, these requirements do not apply to cryptocurrencies if they do not accept tokens - securities, for trading. The position of the regulator is fixed in the ICO manual. In the event of a breach, the regulator usually issues a warning to the ICO organizer. In response to the warning, some ICO organizers are simply returning funds received from Singapore during the ICO.

The sale and exchange of cryptocurrencies for a specified monetary consideration is recognized as a taxable service. The exchange of cryptocurrencies between them is not regulated and does not fall under the influence of AML procedures, which at the same time does not apply to fiat currency transfer procedures.

One of the most popular offshore jurisdictions with a developed financial services sector is the Cayman Islands. They provide a relatively low cost of starting a business. Cryptocurrencies, including issues of their taxation, are not regulated. ICO's activity is not recognized as an investment in securities, therefore a license from the Cayman Islands Monetary Authority (CIMA) is not required. However, the activities of cryptocurrency investment funds are subject to the Mutual Funds Act, so obtaining a license is necessary. With regard to the use of cryptocurrencies as a means of payment, the Monetary Services Act and the Electronic Transactions Act may apply.

In fact, Gibraltar (British Overseas Territory), often referred to as a „crypto port“, is one of the most attractive countries for cryptocurrency transactions. It hosts such large cryptocurrencies as BTCC, CEX and eToro. The general principle of regulation is the application of existing EU legislation in cases where activities in the field of distributed registers (DLT technologies) go beyond the scope of this area, for example in the exchange of fiat currencies. No special regulation has been introduced due to the fact that the development of regulation for ICO has started, as well as a license for companies in the field of DLT technologies has been presented.

Cryptocurrency transactions are completely banned in Bangladesh, Bolivia, Indonesia, Iceland, Lebanon, Nepal and Ecuador. Banned only for financial institutions are in Vietnam, India, Italy, Iran, China and Lithuania. Cryptocurrency transactions are partially allowed only to intermediaries licensed/registered with the regulator or subject to certain requirements (capital adequacy, introduction of accounting, etc.) in the following countries: UAE (in respect of financial tokens); Bermuda, Cayman Islands (in terms of investment funds); Canada (cryptocurrency exchanges); Cyprus; USA (New York, Washington); Thailand; Japan (cryptocurrency exchanges).

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In a world of globalization and increased use of Internet services, it is quite logical for many economic entities to look for new ways to pay and trade. Cryptocurrencies, as a representative of the blockchain system, are used in many technological systems worldwide. Analyzing the above, it can be concluded that in world practice there is no consensus on the use and applicability of digital money

in the financial and economic system in a global aspect, and there is a long way to establish the benefits of using digital money in public life.

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