

***THE NEED OF BLOCKCHAIN REGULATIONS:
TAKING BITCOIN AS AN EXAMPLE***

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Accounting has changed over time, adopting its new forms, devices, technologies and roles, which has resulted in the cryptocurrency boom we have nowadays. It is gaining popularity: more and more services are beginning to accept them for payment of purchases through the Internet, purchases of services, etc. But the cryptocurrency market is the “Wild West”, where there are no written laws, the risks are incredibly high, and each participant fights to become the first in a new niche and to earn millions by any means. The emergence of such situations determines the need to regulate the turnover of cryptocurrencies in the world, the need of a global transaction tool which allows sharing money and data immediately all over the world. The rules and norms must be stated and be clear to everyone, so all the participants can trust other players involved.

Finally, the world's business community has realized the potential of the blockchain, a decentralized ledger technology which influence is spreading way beyond cryptocurrency, bringing revolution changes to everything from traveling to healthcare. So cryptocurrencies, which are based on very powerful and promising blockchain platform, can still be widely used; but it is necessary to provide more institutionalization, legislation, and governmental control in order to decrease volatility and ensure stability. Now specific features of this currency include (Cryptocurrency industry, 2014): decentralization – that is, each user stores all the data on all transactions made in the system in an encrypted form; anonymity; and the absence of intermediaries.

Bitcoins volatility, for example, is highly extreme; the value of ordinary currencies is underwritten by governments and stabilized by the central bank acting as a trust monopoly producer, but bitcoin and its rivals leave those vital roles free. Moreover, bitcoin has no fundamental value as an asset – no stream of future income, no ultimate assurance of liquidity or security, and unlike gold, for instance, has no alternative use. Its scarcity is purportedly guaranteed by the underlying technology, but most of its buyers do blindly trust it. The moment they start doubting that guarantee, the price will collapse. As Bitcoin was designed to operate outside of the banks and the government with being

anonymous, it has a greater appeal to hackers, drug dealers, money launderers and so on, especially now, since its value has skyrocketed 1500% against the dollar in 2017, bringing many investors: both retail and institutional.

So for regulations embodying evolution to start, blockchain should be institutionalized and an organization – regulatory body/legal entity has to be created. This will provide us with the set of implicit and explicit principles, norms, rules, standards, laws and decision-making procedures and stability around which actors' expectations converge. One of the main advantages of institutionalization is transparency. Transparency makes certain things visible or not, making them meaningful in the perception of the society. However, in order to implement the process of regulating cryptocurrency at the international level, it is necessary to create an institution for regulation and control of the crypto-currency market.

There are 2 options for the development of events: the establishment of an institute within the framework of the IMF or the creation of a separate organizational structure. The IMF believes that international regulation of operations with crypto-currencies is inevitable. The creation of a separate institute for the regulation of operations with crypto-currencies can become a more effective tool, since the policy of regulating operations, in this case, will be developed from scratch, based on the experience of various countries in the world. In this case, it is expedient to conduct detailed accounting and analysis of operations with the crypto currency, which is necessary for a clear understanding of the system of operations in the market of crypto-currencies and the identification of the risks of their turnover.

The European Parliament held public hearings (organized by the Committee on Economic and Monetary Affairs) to discuss the need and possible ways to regulate virtual currencies. Invited experts at this hearing were representatives of the European Commission and OECD, experts and specialists from the private sector, representatives of the scientific community. The problem is that the same technology can be used by the other party for illegal activities. Thus, it is obvious that this subversive technology requires regulation. The blockchain is a new technology, which until now has not revealed its full potential.

What we see today is just the tip of the iceberg. We do not yet know how this technology will evolve and what opportunities it will bring. Nevertheless, for now, the use of blockchain can be viewed by analogy with those entities that we know: as a currency, as a commodity, etc.

Among the instruments of regulation of the crypto-currency market are the following:

a) Tax regulation. Taxation deals most often with trading on exchanges, but it can affect mining, ICO and, in general, any operations with crypto currency. It

is used in the USA, Argentina, Singapore. But in some countries, the Tax Code introduces the opposite amendments, which exempt users from consumption taxes (Japan) or taxes on crypto-entrepreneurship (Belarus);

b) Licensing. Assumes the issuance of licenses for currency exchange, currency trading and so on. It is used, for example, in Japan;

c) Equalization of business to business. It is often introduced to collect taxes, but sometimes just to register miners. It is used, for example, in Belarus;

d) Official registration of exchanges. Allows you to open cryptographic exchanges in the jurisdiction of the state on certain conditions. The conditions may be the provision of information about users, about bidding, prohibiting or limiting the amount of transactions for certain users (who did not provide full personal information, for example), and so on. It is used in the USA, Japan, Luxembourg, Russia, Belarus and other countries;

e) KYC-procedure when registering on exchanges, exchanging sites and wallets. KYC-procedure assumes the user's personal data – usually passport (including scans), although different countries and different resources may require different data. It is used in the United States and Great Britain, although most of the countries that recognize the crypto-currencies – Sweden, Switzerland, Australia, Norway, Belarus, Japan and others – are required to provide personal data;

f) Recognition of the legality of the ICO. Often it requires disclosing the identity of the organizers. Introduced for taxation purposes by the ICO and for the purpose of regulating the ICO. For the purpose of taxation and regulation, the ICO is recognized, for example, in Russia, but with the aim of protecting investors – for example, in Belarus;

g) Recognition of the cryptocurrency or certain cryptocurrency investment asset. It supposes regulation by financial structures, the attraction of investments and protection of investors. It is used, for example, in the USA (bitcoin futures), Poland (futures), Hong Kong (where crypto-currencies are equated to securities);

h) Recognition of a cryptocurrency or a certain cryptocurrency payment instrument. It supposes regulation of turnover by financial structures. The state usually receives, with the help of banks, information about individuals or legal entities that use crypto-currencies. It is recognized, for example, in the United States (as a virtual currency), in Japan and Germany (monetary unit), in Luxembourg (means of payment), in Sweden (on a par with traditional currencies), in Switzerland (along with foreign currencies), and so on.

Many governments are stepping up with regulatory measures. They are drafting clearer guidelines on cryptocurrencies and cracking down on suspicious projects. We will see certain jurisdictions welcoming cryptocurrency companies with open arms. For example, Malta has welcomed Binance, and Gibraltar is

launching its own blockchain exchange. It is important for us to learn how to keep our cryptocurrencies safe and be vigilant of the risks in the industry. The International Monetary Fund has already started moving towards the creation of a crypto-currency regulation system.

G-20 Finance Ministers and governments' representatives of leading progressing countries should get together and create an organization, that can be the source of future institutionalization – exporting the norms to the field of practice. In fact, the G-20 meeting could become a proper venue for developing a comprehensive approach to the market side of cryptocurrencies and how to use blockchain technology to facilitate transactions and inter-governmental communication.

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