

Chapter-10

CRYPTOCURRENCY REGULATION: ANALYSING LEGAL IMPLICATIONS AND ETHICAL CONSIDERATIONS

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ABSTRACT

This research paper critically examines the growing influence of cryptocurrency on global financial systems, emphasizing their economic, regulatory and policy implications. Cryptocurrencies since the inception of bitcoins in 2008, have emerged as a novel, digital form of currency, independent of traditional financial institution and government control. While proponents highlight their efficiency, security and potential to revolutionize electronic payment system, critics raise concerns regarding their volatility, limited use of money and potential misuse of illicit. This study explores how cryptocurrencies perform fundamental monetary functions-serving as a medium of exchange, unit of account and store of value and evaluates their practical effectiveness compared to conventional currencies. The paper also delves into the challenges posed by the decentralization and pseudonymous nature of these systems, including regulatory inadequacies, consumer protection issues and risk to monetary policy transmission. Through a comparative analysis of regulatory framework across jurisdictions, the paper identifies common challenges such as investors protection, taxation, and enforcement gaps. The research paper further considers the potential role of central bank, digital currencies as a regulated response. Concluding with policy recommendations, the study seeks to promote a balanced approach that supports, logical innovation, while ensuring robust, financial oversight and consumer safeguards.

Keywords: Cryptocurrency, Financial Regulation, Monetary Policy, Blockchain Technology, Consumer Protection, Central Bank Digital Currency (CBDC)

INTRODUCTION

Cryptocurrencies represent a digital form of currency within electronic payment systems, characterized by their independence from government backing and traditional intermediaries like banks. Users within the system validate transactions through specific protocols. Since the advent of Bitcoin in 2008, the cryptocurrency landscape has witnessed significant growth and subsequent fluctuations in value. As of March 12, 2024, an estimated 13,217 cryptocurrencies valued at approximately 1.32 trillion were in circulation.

Money functions as a medium of exchange, unit of account, and store of value. The effectiveness of cryptocurrencies in fulfilling these roles relative to existing systems will significantly impact their future value and importance. Advocates argue that cryptocurrency systems are more efficient and secure than traditional monetary and payment systems. Sceptics, on the other hand, question their ability to act as effective currency due to various obstacles.

THIS IS A LIMITED PREVIEW OF THE CHAPTER.

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