

## Cryptocurrency : Legality, Investment and Usage

Divya Srivastav<sup>1</sup>, Suvarna Ranade<sup>1</sup>, Lopita Das<sup>2</sup>

<sup>1</sup>MSC Statistics, MITWPU, Pune, Maharashtra, India

<sup>2</sup>MSC Statistics, K.C. College, Mumbai, Maharashtra, India

### ABSTRACT

From 1680-1980 paper currency gained popularity and is used across the world that is how modern currency came into existence. Modern currency includes paper currency, coins, cards, and digital wallets and all of this is controlled by banks and governments which means all transactions are observed by the centralized regulatory authority. In the year 2009 cryptocurrency was born as a form of digital payment currency. Cryptocurrency value is increasing another way we can mine cryptocurrencies like bitcoin. Over the years there has been an ongoing debate regarding its use, whether it is a good and/ or safe investment, is it legal to use cryptocurrency the same way we use paper currency, etc. This paper gathers information by analyzing and studying the different laws, legality, trading, and how different countries have used it as an approach to boost their economy, some countries have allowed individuals to trade without their profits being taxable, while those of business profits are and how some countries have allowed its use but are banned by the banks.

**Keywords:** Crypto Currency, Banks, Legalize, Investment, Taxable

### I. INTRODUCTION

A cryptocurrency, cryptocurrency, or crypto is digital or virtual money created from code. It is an encrypted string of data or a hash encoded to signify one unit of money. It is an asset designed as a medium of exchange wherein individual coin possession records are held on a ledger. Existing in a kind of computerized database using strong cryptography to secure dealings records, to regulate the creation of extra coins, and to verify the transfer of coin ownership. Bitcoin is the first cryptocurrency released in 2009 and later many cryptocurrencies came into existence. In simple words, payment can

be exchanged using cryptocurrency for online goods and services.

Cryptocurrency works using blockchain, where blockchain is a technology that records and manages transactions. More than 6,700 cryptocurrencies are in trade today with a total value of \$1.6 trillion. People around the world have various opinions and perspectives regarding investment in cryptocurrencies where many believe it to be profitable whereas some call it the, "greater fool investment theory".

Cryptocurrency is popular among its supporters because of the technology behind it and the blockchain method which is more secure than the

regular transaction method. Although cryptocurrency is legal in some countries and illegal in some, it seems most people treat it as a volatile buy. Cryptocurrency exposes you to the risk of the threat, but as you "*Risk hai, toh ishq hai*", it can be a very good investment choice.

## II. ABOUT CRYPTOCURRENCY

Suppose you face some error like a technical issue while doing a transaction, or the account gets hacked or the amount is exceeded in the account. Now imagine a transaction between two individuals, one of them having a bitcoin app, and his transactions are done in a few seconds since there is no fund limit transfer, accounts cannot be hacked and there's no central point of failure.

A cryptocurrency is a digital or virtual currency that is a medium of exchange without a physical embodiment. Cryptocurrencies work in a decentralized manner. The features like – little to no transaction costs, 24/7 access to money, no limits on purchase and withdrawals, freedom for anyone to use, faster international transactions make cryptocurrency special. Crypto is a method that uses encryption and decryption to secure communication.

### A. Five global cryptocurrency exchanges

Because of its legal status, Bitcoin is gaining popularity. Several websites sell bitcoin and altcoin trading services, but just a handful of them are the most trustworthy group in terms of ease of use and popularity. Cryptocurrency exchanges function similarly to stock exchanges, enabling investors to purchase, sell, or hold cryptocurrencies. Since it is difficult to track the movement of funds in cryptocurrency, governments around the world are taking various measures to control cryptocurrency transactions.

Here are some of the cryptocurrency exchange platforms that have gained prominence:

#### 1) WazirX

The word Wazir comes from the game of chess where it means queen piece, and it's the strongest piece in chess since it can make any desired move. So the company believes in providing the most powerful piece of cryptocurrency for trading.

WazirX is a Bitcoin crypto trading exchange in India offered by Zankai Labs Pvt. It was released on 7th March 2018. One can buy bitcoin and 100+ cryptocurrencies in INR in India instantly through UPI/IMPS. It is said to be one of the secured and trusted cryptocurrency exchange apps. It's built by a team of traders and blockchain believers and has advanced security features like 2FA and in-app passcode.

Current version available on play store: 2.12 (as of 11th March 2021)

Number of downloads:1M+

Play Store rating:4.4

App permissions required: camera, telephone, storage

Website:<https://wazirx.com/>

#### 2) Bitbns

It claims to be a reliable app in terms of security for cryptocurrency trading. For a better trading experience, it provides margin trading, stop-limit orders, P2P INR mechanism, etc. Bitbns is offered by Bitbns cryptocurrency trading exchange India, which is a part of Buyhatke Internet Pvt. Ltd- the parent organization. It was released on 21st January 2018. Bitbns, which currently lists 98 cryptocurrencies, enables users to buy and sell cryptocurrencies at the best available prices and offers better trading convenience.

Current version available on play store: 4.4.10 (as of 11th March 2021)

Number of downloads:100K+

Play Store rating:3.1

App permissions required: camera, storage

Website:<https://bitbns.com/>

**3) Zebpay**

Zebpay has been in the business of cryptocurrencies since 2014 and has conducted \$3 Billion worth of transactions since its inception. Zebpay is offered by Zebruary Technologies Pvt. Ltd. and released on 8th August 2014. It allows users to instantly purchase Bitcoin and several altcoins with guaranteed execution and minimal slippage. Controls to block all outgoing transactions with the Disable Outgoing Transactions feature are among the robust security mechanisms. It aims to bring the power of decentralized digital finance to everybody.

Current version available on play store: 3.12.02 (as of 11th March 2021)

Number of downloads:1M+

Play Store rating:3.4

App permissions required: camera, contact, storage

Website:<https://zebpay.com/in/>

**4) CoinSwitch**

CoinSwitch acts as a crypto trading aggregator, partnered with many wallet services, cryptocurrency exchanges, etc. It was released on 31st May 2020 and is a trading platform that has processed more and \$5 billion taking care of trust and security concerns.

Current version available on play store: 2.2.0 (as of 11th March 2021)

Number of downloads:1M+

Play Store rating:3.8

App permissions required: camera, microphone, storage

Website:<https://coinswitch.co/>

**5) Giottus**

Giottus is a cryptocurrency platform that is led by the all-Indian team- IIM Calcutta behind this venture. It is owned by Giottus Technologies Pvt. Ltd and is released on 1st February 2021. Giottus Cold wallets are protected by a 100% cyber-theft insurance policy. They've also partnered up with Bitgo, a global

custodial service leader, to provide insurance for your savings. It offers free instant deposit and withdrawal of Rupees 24 hours a day, 7 days a week, with transactions taking just 10 seconds.

Current version available on play store: 2.1.25 (as of 11th March 2021)

Number of downloads:50K+

Play Store rating:4

App permissions required: camera, storage

Website:<https://www.giottus.com/>

**B. Five global cryptocurrencies****1) Bitcoin**

Bitcoin is a cryptocurrency that was launched in January 2009. There are no actual bitcoins; instead, balances are stored on a public ledger that anyone can see. A vast amount of computational power is used to verify all bitcoin transactions. Individual bitcoins are not valuable as commodities since they are not distributed or guaranteed by any banks or governments. Despite the fact that it is not legal tender, Bitcoin is incredibly common and has spurred the development of hundreds of other cryptocurrencies known as altcoins. "BTC" is a common abbreviation for Bitcoin.

Current price:\$56,557.48 (As on 12th March,2021)

Market cap: \$1,059,720,601,417 (As on 12th March,2021)

Website: [www.bitcoin.org](http://www.bitcoin.org)

Market cap is the current price x circulating supply.

It is the total market value of a cryptocurrency circulating supply.

**2) Ethereum**

Ethereum is an open-source, decentralised blockchain with smart contract features. The platform's native cryptocurrency is Ether (ETH). After Bitcoin, it is the second-largest cryptocurrency

in terms of market capitalization. The Ethereum blockchain is the most commonly used.

Current price: \$1,812.59(As on 12th March,2021)

Market cap: \$207,661,786,339 (As on 12th March,2021)

Website: [www.ethereum.org](http://www.ethereum.org)

### 3) Binance coin

Binance is a cryptocurrency exchange that offers a trading network for a range of digital currencies. In terms of trading volume, Binance was the largest cryptocurrency exchange in the world in January 2018.

Current price: \$282.62(As on 12th March,2021)

Market cap: \$43,615,274,516 (As on 12th March,2021)

Website: [www.binance.com](http://www.binance.com)

### 4) Tether

Tether is referred to as a stablecoin because it was produced with the intention of always being worth \$1.00, with \$1.00 in reserves for each tether released. Tether Limited, on the other hand, argues that tether owners have no contractual rights, other legal claims, or promise that their tethers will be reclaimed or exchanged for dollars.

Current price: \$1.00 (As on 12th March,2021)

Market cap: \$38,111,032,905 (As on 12th March,2021)

Website: [www.tether.to](http://www.tether.to)

### 5) Cardano

Cardano is a cryptocurrency and open source project that seeks to create a shared blockchain network for smart contracts. Cardano's internal cryptocurrency is named Ada. The Cardano Foundation, based in Zug, Switzerland, oversees and supervises the project's production. It was only released on the 14th of October, 2020.

Current price: \$1.11(As on 12th March,2021)

Market cap: \$35,493,389,646 (As on 12th March,2021)

Website: [www.cardano.org](http://www.cardano.org)

## III. LEGALITY

### A. Four Countries where cryptocurrency is considered legal with taxation.

Japan, is one of the world's fastest-growing technology markets, has very little option but to legalize cryptocurrencies sooner or later. as of April 2017, accepts Bitcoin and other digital currencies as legitimate property under the Payment Services Act. the government has put into effect a PSA (Payment Services Act)-based program that allows some cryptocurrencies and exchanges to be used for transactions and trading. In Asia, Japan is now largely viewed as a hub for cryptocurrency trade activities. Japan has the most advanced regulatory climate for cryptocurrency in the world

Germany is among the few European countries that not only acknowledges but are also actively involved in blockchain advancement. Germany has entirely authorized bitcoin to allow citizens to trade in this cryptocurrency. The German government's acknowledgment of Bitcoin has increased the appeal of these coins to the global market. As part of the country's wider blockchain policy, the German government has introduced new laws to introduce all-electronic tokens. The new law, according to the country's ministry of finance, relaxes requirements that issuers and shareholders of shares register transactions with a paper certificate.

In 2013, the US accepted bitcoin as a digital virtual currency that can be used for payment. In September 2015, the CFTC classified it as a commodity. Only if the selling of crypto constitutes a sale of securities under federal or state law, or if it is deemed a money exchange under state law, is it regulated. Same as a property, Bitcoin is also taxable. To clarify, bitcoin is legal in the United States, however, the legality of other cryptocurrencies is uncertain. The Commodity Futures Trading Commission has approved digital

currencies as commodities and it will continue to do so. Any digital currency exchanged in the United States that is labeled as a security, and also any trading platform that meets the Securities and Exchange Commission's definition of exchange should be registered. The regulatory framework also includes tax legislation and accountability laws for FINCEN between financial markets and individuals and companies with which they do business.

Under Canadian legislation, digital money is classified as an asset. As a result, according to the Financial Consumer Service, "you must disclose any profits or losses from selling or purchasing digital currency when you file your taxes." Any gains or liabilities arising from this may be net revenue or capital for the taxpayer. Canada is allowing the use of cryptocurrency. According to the Government of Canada website on digital currency, digital currencies can be used to purchase products and services on the Internet and in shops that support digital currencies. You can also purchase and sell digital currency on open markets, called digital currency or cryptocurrency exchanges. However, cryptocurrencies are not known to be legal tender in Canada. According to the Financial Consumer Agency of Canada, only the Canadian dollar is considered the official currency of Canada. The Currency of Act describes legal tenders' as 'banknotes issued by the Bank of Canada under the Bank of Canada Act' and 'coins issued under the Royal Canadian Mint Act.'

#### **B. Four Countries where cryptocurrency is considered illegal**

Algeria is one of the countries in Northern Africa that has outright banned the use of cryptocurrencies. It is illegal to buy, sell, use, or store as such digital currencies. The term "virtual currency" refers to the money that is traded over the internet. It is distinguished by the lack of tangible assistance such

as coins, checks, cheques, or credit card payments. Any violation of this section is subject to the relevant laws and regulations.

Bolivia is one of the few nations that has outright banned cryptocurrencies. According to the authorities, the resolution was passed to shield residents from some form of Ponzi or pyramid scheme. Any currency not issued and regulated by a country or an approved body is forbidden. Despite recent opposition to the bill, there is still insufficient 'force' to reverse it.

North Macedonia seems to be the only European country that forbids the use of cryptocurrencies such as Bitcoin, Ethereum, and many others. Investing in cryptocurrencies is banned, and national banks have cautioned that crypto transfers are related to illegal activity. The Central Bank also cautioned its people that speculating in cryptocurrency is a risky business because the markets where these transactions take place aren't controlled and regulated by-laws

Morocco also outright outlawed Bitcoin and other cryptocurrencies. You will be fined or even imprisoned if you possess, sell, or have something to do with the crypto room, depending on the seriousness of the offense. These rules won't change for this country any time soon, and if you're from there, you can forget about all this entirely.

### **IV. INVESTMENT**

#### **A. How it works: Investment in cryptocurrency**

Cryptocurrencies are digital assets that people use to invest in and make online transactions. To buy "coins" or "tokens" of a cryptocurrency, you must first exchange real money, such as dollars. Cryptocurrencies are unique in that they can't be duplicated, making them simple to monitor and recognize as they're exchanged.

## B. Mining in cryptocurrencies

The word "crypto mining" refers to the process of obtaining cryptocurrencies by the use of computers to solve cryptographic equations. Validating data blocks and applying transaction records to a shared record (ledger) known as a blockchain is part of this method.

Let's consider the example of Bitcoin for a better understanding.

Bitcoin is a digital currency that was first introduced in January of 2009. It is based on ideas outlined in a whitepaper by the elusive and pseudonymous Satoshi Nakamoto. The identity of the individual or individuals who developed the invention is still unknown. Bitcoin promises lower transaction costs than conventional online payment methods, and it is run by a decentralized authority, unlike government-issued currencies.

Cryptocurrencies, such as Bitcoin, are a form of digital currency. There are no actual bitcoins; instead, balances are stored on a public ledger that anyone can see. A vast amount of computational power is used to verify all bitcoin transactions. Individual bitcoins are not valuable as commodities since they are not distributed or guaranteed by any banks or governments. Even though it is not a legal tender, Bitcoin is incredibly common and has spurred the development of hundreds of other cryptocurrencies known as altcoins. "BTC" is a common abbreviation for Bitcoin. The bitcoin system is made up of a group of computers (known as "nodes" or "miners") that all run bitcoin's code and store its blockchain. A blockchain can be thought of as a series of blocks metaphorically. Each block contains a set of transactions. No one can cheat the system because all machines running the blockchain have the same list of blocks and transactions and can see all new blocks being filled with new bitcoin transactions transparently.

These transactions can be seen in real-time by everyone, whether or not they run a bitcoin "server." A bad person will need to control 51 percent of the computational power that makes up bitcoin to commit a criminal act. As of January 2021, Bitcoin has about 12,000 nodes, and this number is increasing. Bitcoin Mining: The method of releasing bitcoins into circulation is known as bitcoin mining. In general, mining involves solving computationally challenging puzzles to locate a new block to add to the blockchain.

Bitcoin mining adds and verifies transaction records through the Bitcoin network. Miners get rewarded with some bitcoins for adding blocks to the blockchain; the reward is halved per 210,000 blocks.

## C. Trading in cryptocurrency

The act of speculating on cryptocurrency price fluctuations via a CFD trading account, or buying and selling the underlying coins via an exchange, is known as cryptocurrency trading.

Cryptocurrency CFDs (contract-for-difference)- CFD trading is a type of derivative that allows you to bet on cryptocurrency price fluctuations without having to own the underlying coins. You can go long ('buy') if you believe the value of a cryptocurrency will increase, or short ('sell') if you believe the value will fall.

Both are leveraged goods, which means you only need a small deposit (known as margin) to gain maximum exposure to the underlying market. Since your benefit or loss is always measured based on the overall size of your position, leverage magnifies all gains and losses.

Buying and selling of cryptocurrencies.

When you buy cryptocurrencies on an exchange, you're buying the coins. To open a spot, you'll need to open an exchange account, deposit the full value of the asset, and keep the cryptocurrency tokens in your wallet until you're ready to sell.



#### D. Safety of cryptocurrency

Currency must be legal if it is to be sustainable. The United States maintains a neutral stance on cryptocurrencies. Instead of currency, they would regard it as a piece of land, subjecting it to all property taxes. Australia, too, did not accept it as a legal tender, instead of imposing tariffs on goods and services. Cryptocurrency is not common in Russia. Canada is the only nation that imposes a virtual currency levy.

The current situation in India is that the majority of people believe it is unsafe and illegal. In India, however, cryptocurrency is never considered illegal. In July 2018, the Reserve Bank of India prohibited banks from facilitating cryptocurrency transactions.

Cryptocurrency transactions are then stopped. People also filed writ petitions to overturn the ban. The supreme court ruled against the RBI's ban in March 2020.

The Reserve Bank of India (RBI) has declared that it would investigate its own central bank digital currency (CBDC) with the help of some legislation. It's good news because it may be the first move toward digital currency. However, there is a risk that they will place limits or taxes on other private cryptocurrencies, or even outright ban them.

#### E. Is it safe to invest in India?

It is right that cryptocurrency is not banned in India. However, unlike traditional investing avenues, there is no legal promise of the survival of the deposited funds.

Between July 2018 and March 2020, cryptocurrency exchanges were unable to open bank accounts due to a banking prohibition. The banking ban was overturned by India's Supreme Court in 2020.

The current Budget session of Parliament is scheduled to discuss a bill that bans all private

cryptocurrencies in India and establishes a Reserve Bank of India-issued official digital currency.

The government plans to pass a Bill in Parliament shortly that would specifically prohibit private cryptocurrencies such as bitcoin, agreeing with the central bank that allowing private parties to play with currencies might jeopardize financial market stability.

The Blockchain and Regulation of Official Digital Currency Bill of 2021, on the other hand, would make it easier to introduce any official digital currency and improve the ecosystem that supports it. The Reserve Bank of India (RBI) is on the verge of launching a new currency.

#### V. USAGE

Using cryptocurrency for daily transactions, trading, or hoarding it for future use is easy and secure. It is just that it is taxable and we need to pay taxes on its transactions the same as we do for currency while paying online using payment gateways

Since digital currencies are not considered securities or legal tender in Malaysia, cryptocurrency trades are tax-free, and cryptocurrencies may not count for capital gains tax.

Cryptocurrencies are only taxable in Portugal if they are used as professional trading practice, which requires you to register as a broker and pay taxes on your profits; otherwise, they are considered non-taxable in Portugal because they do not fall into any of the categories.

Businesses that accept digital currency as payment for goods and services, on the other hand, may be subject to income tax.

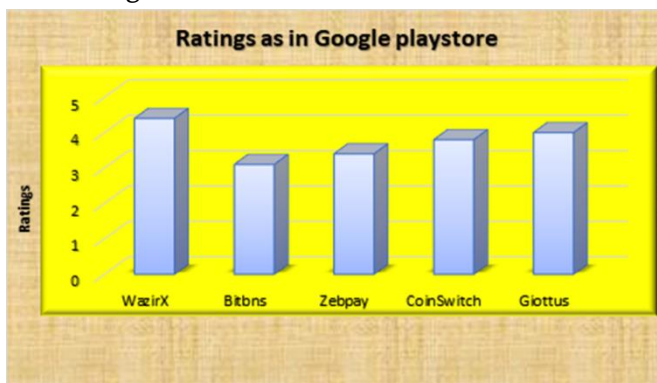
In Singapore, there are no capital gains levy, but neither persons nor companies that possess cryptocurrency are responsible.

Companies operating in Singapore, on the other hand, could be subject to income tax whether their primary

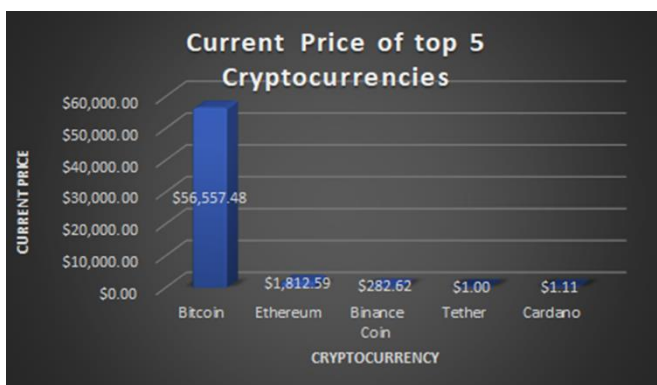
activity is cryptocurrency dealing or accepting cryptocurrency as payment.

Businesses who want to adopt digital currencies like Bitcoins as payment or sales are subject to ordinary income tax laws. They will be taxed on wages earned in Singapore or collected there. Where permitted by our tax laws, tax deductions will be eligible. If you purchase, sell, or keep cryptocurrencies for personal benefit in Switzerland, you will not be subject to capital gains taxes. Ethereum and Shapeshift are two well-known Swiss-based firms. There is no digital service levy in Switzerland.

#### F. Figures



The above graphs show ratings (as in the play store) of all the five cryptocurrency exchange platforms mentioned above. From the graph, we get a better visual that WazirX tops the play store rating with 4.4 stars while Bitbns has the lowest rating of 3.1 stars.



The above graph shows the current market price of top 5 cryptocurrencies.

## VI. ACKNOWLEDGEMENT

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## VII. CONCLUSION

People in India can keep And trade bitcoin but cannot exchange in cash which is possible in few developed countries and they can change the cryptocurrency in their country. It is a good investment for the developing and the developed countries across the globe as the value of this digital currency is rising day by day as it is safe to trade and secure for payment. Giottus Cold wallets are safe and it protects the trading by a 100% cyber-theft insurance policy. For Cryptocurrency, while trading, the coins cannot be hacked. Although the understanding and usage of it are a bit difficult to the layman in the starting but once into this market it is easy and rewarding. It has the potential to succeed and give healthy competition to the share market. Few countries have accepted cryptocurrency but are not considering it a medium for trade or use in banks in their countries. Cryptocurrency exchanges are prepared to work with the government to share information on how to frame authorities. However, the Indian government is preparing to introduce its digital currency. The Reserve Bank of India and the government are not prepared for private players. If



they are ready in the future, they will almost certainly enforce a tax or GST.

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