

# Group of Twenty (International Financial Systems/Stability)

Regulating the Implementation of  
Cryptocurrencies in Financial Markets



<b>Forum</b>	G20
<b>Issue:</b>	Regulating the implementation cryptocurrencies in Financial Markets
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## Introduction

Cryptocurrency was a unique opportunity in 2009. Bitcoin emerged as a complicated currency when it was first introduced to the world. It presented security for the user and was easy to a degree that had never been seen before. With the help of cryptocurrency, transactions could be done quicker as well as being exempt of the complications related to monetary transactions between currencies. Bitcoin being the first cryptocurrency, it took just over 2 years for its value to reach 1 US dollar. The early stages created stigma towards the viability of the currency but despite this, its popularity began to grow. This novelty gradually became a threat to the comparatively fragile, Debt Based US dollar.

The blockchain's security by virtue of its decentralized nature has resulted in a financial superpower controlled entirely by the private sector. In blockchains, transactions do not require to pass through a central authority and no banks are involved. This is not the case for any other currency. Governments believe that this may be concerning as there is room for criminal activities such as money laundering and tax evasions. These conditions facilitated by cryptocurrency pose a threat to the government, especially if left unregulated.

## Definition of Key Terms

### Blockchain

A system in which a digital record of transactions by all members of a crypto community is accessible to all users. This system is modelled on a peer-to-peer networking system which distributes tasks between computers across a network making them interdependent and of equal importance.





### Cryptocurrency

Cryptocurrency or “Crypto” is an alternative to physical currencies. They are represented by coins and utilize encryption algorithms to carry out payment transactions.

### Cryptography

A method that encrypts transactions making them more safe for those who are making the transactions and only giving the details to the sender and receiver. This is done by using codes.

### FIAT

Government approved currencies that can be used as legal payment.

### Mining

A process in which a group of computers sharing a network process transactions thus making sure that the transactions are sealed and added to the cryptocurrency’s blockchain. This is done in exchange for a payment in bitcoin.

### Pseudonymous

Not displaying one’s real identity when making public transactions online. This cuts ties transactions and those who made them.



## General Overview

### The creation of cryptocurrencies

No one was able to create digital cash and some even thought it was impossible. In late 2008, Satoshi Nakamoto came up with the first-ever blockchain database, also known as bitcoin. The transactions are done fast and people do not have to make any “real” contact to do so. This increased the popularity of Bitcoin significantly.

### Authorization

People are drawn to this technology because transactions can be conducted without the need for a centralized authority. In actuality, it lacks a central authority and is entirely decentralized. Initially, governments did not see this as a problem, but as the blockchain community grew, concerns also did.

### Criminal activities

Cryptocurrencies cannot be regulated because they are not fiat money. This makes criminal activity possible. Governments have added legislation to address this issue, despite the fact that they are unable to regulate technology.

## Major Parties Involved

### Japan

The Japanese financial services administration has been heavily investigating cryptocurrencies as a result of numerous attacks in the blockchain sector in Japan. The Payment Services Act has the most influence of the regulations that the government has made as a result. They have accepted cryptocurrencies as a form of payment, but they will watch the exchanges to make sure no illegal activity is taking place.

### China

Since it is thought that cryptocurrencies may support illegal activities like fraud and money laundering, China has outlawed all cryptocurrencies. They also think that the government ought to examine financial transactions. However, China is currently promoting its own virtual yuan currency.



## European Union

The method taken by the European Union is to investigate cryptocurrencies. After speaking with numerous cryptocurrency businesses, they founded the EU Blockchain Observatory and Forum, an organization that is dedicated to tracking blockchain activities and fostering its growth. The European Union is seeking to hold a secure position in the blockchain sector.

## India

India is apprehensive about cryptocurrency, yet the government still wants its citizens to invest in it, and cryptocurrency is on the increase in India. Regulations have been enacted to reduce illegal activity involving cryptocurrencies. For instance, banks are prohibited from operating or facilitating the sale of these digital assets at the federal level.

## Timeline of Key Events

Date	Description of event
October 31th, 2008	The creation of bitcoin
February 10th, 2010	The first official transaction using cryptocurrency
August 16th, 2010	The first attack
February 3rd, 2011	Competition such as swift coin is released
June 19th, 2011	Mt. Gox Hack
October 29th, 2013	The first cryptocurrency ATM is released Bitstamp Hack
July 2nd, 2015	Significant Increase of Bitcoin Value
March 7th, 2017	Cryptocurrency becomes an accessory for crime
December 16th, 2017	Biggest crash in crypto-markets (due to countries passing out laws)
June 9th, 2021	El Salvador is the first nation to accept cryptocurrency as a legal tender
July 1st, 2022	The European union makes it mandatory to trade with a license



## UN involvement, Relevant Resolutions, Treaties and Events

- All that glitters is not gold, 13 June 2022, UNCTAD Policy Brief No. 100  
This action has not been successful yet since it is just a recommendation and not an actual resolution.

## Previous Attempts to solve the Issue

The majority of nations in the world agree that cryptocurrencies should be regulated, but they all want to go about it differently. While some nations have regulations that forbid the usage of cryptocurrency altogether, others, like China, have outright outlawed the technology. These acts are effective for such nations, but they disprove the idea that cryptocurrencies can revolutionize society. Instead of considering the possible advantages, these nations focus on the potential problems that cryptocurrencies may bring.

## Possible Solutions

The representatives of the member states should look for a mechanism to govern cryptocurrencies while preserving their potential. Blockchains cannot function without crypto-coins, which can only be acquired by swapping them for fiat money. The closest thing they can do in lieu of regulating transactions is to regulate exchanges. The government can closely monitor exchanges in nations where fiat money can be converted into cryptocurrency in order to lower criminal activity. Another option for nations is to form a blockchain-focused organization. Governments have only lately begun to look into blockchain technology because it is still relatively new. Governments may create ways to ensure safe but just regulations with the aid of this.

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- White, Kathryn, et al. “What Is the Current State of Cryptocurrency Regulation?” *World Economic Forum*, 28 Mar. 2022, [www.weforum.org/agenda/2022/03/where-is-cryptocurrency-regulation-heading/](http://www.weforum.org/agenda/2022/03/where-is-cryptocurrency-regulation-heading/).



## Appendix or Appendices

### Appendix I.

UNCTAD, all that glitters is not gold

[https://unctad.org/system/files/official-document/presspb2022d8\\_en.pdf](https://unctad.org/system/files/official-document/presspb2022d8_en.pdf)

### Appendix II.

Model UN, app on smartphones

<https://bestdelegate.com/4-useful-apps-for-model-un-students/>

### Appendix III.

Investopedia.com, what is crypto

<https://www.investopedia.com/terms/c/cryptocurrency.asp>

### Appendix IV.

Crypto-Finance, Law and Regulation, book by Joseph Lee

<https://www.routledge.com/Crypto-Finance-Law-and-Regulation-Governing-an-Emerging-Eco-system/Lee/p/book/9780367086619#>

