M.P. Birla Institute of Management

Associate Bharatiya Vidya Bhavan

Faculty Seminar

Topic of the seminar:

"CRYPTOCURRENCY- RAMIFICATIONS ON THE BUSINESS AND THE ECONOMY"

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ABSTRACT:

Money is an officially-issued legal tender generally consisting of currency and coin. It acts as medium of exchange, a unit of accounting and a store of value. The current exchange rate determines how much of one currency must be used to purchase a specified amount of the other currency. Currency is a medium for exchange and also possesses basic requirements i.e. it acts as a unit of account and also a store of value.

Crypto currency is a digital or virtual currency that uses cryptography for security. A crypto currency is difficult to counterfeit because of this security feature. A defining feature of a crypto currency is that it is not issued by any central authority, rendering it theoretically immune to government interference or manipulation. The first crypto currency to capture the public imagination was Bitcoin, which was launched in 2008. A number of competing crypto currencies such as Litecoin, Namecoin, RIPPLE and PPCoin have emerged.

The financial crises of 2008-2009, the US Quantitative easing programs, the Cyprus crises and other issues have led to the more concentration on the virtual currencies. Crypto currencies make it easier to transfer funds between two parties in transactions; these transfers are facilitated through the use of public and private keys for security purposes. These fund transfers are done with minimal processing fees, enabling users to avoid the steep fees charged by most banks and financial institutions for transfer. They do not have a central repository. The user's digital crypto currency balance can be wiped out by a computer crash. Since prices are based on supply and demand, the price at which it can be exchanged for another currency can fluctuate widely. The anonymous nature of crypto currency transactions makes them well-suited for a host of nefarious activities such as money laundering and tax evasion.

Bit coin is a "crypto-currency". A currency that is decentralized, P2P, and virtually anonymous. It was first created in 2008 by Satoshi Nakamoto. Bit coin uses cryptography, hence the title of "crypto-currency", as

a means of transferring and creating the currency. Bit coin “miners" generate more Bit coins through a series of de-encryption of public hashes. Bit coins use what is called sha256, but there are other crypto-currencies that use different encryption methods. This "hashing" on the network also provides payment verification and is the means of transferring Bit coins from one user to another .Every account consists of the public key (= bit coin address) and the private key. Anyone who knows the public key can send the bit coins to us. To spend bit cons, you have to know the private key. The transaction is broadcasted to the bitcoin network. The miners confirm the transactions.

Various issues regarding the crypto currency (bit coins etc) are:

- *Is BC a currency or commodity- BC is similar to fiat money, no intrinsic value necessary to be a commodity, valued not set by a governing body but however set amount of BC can be created.*
- *Who is legally liable for BC?*
- *Will hoarding affect the Bitcoin value?*
- *Can the existing legislation be utilized to legalize or regulate BC?*
- *Are crypto currencies a form of investment security?*
- *Where exactly is crypto currency “deposited”?*
- *Since a block chain is a transaction database, is the block chain the “bank” and should it be regulated just as a bank would?*
- *If crypto currencies are once something of value, once they are transmitted across borders, should they be automatically regulated?*
- *Even if crypto currencies are recognized legal tender, how will you know who to tax?*
- *Does the public need to be protected against crypto currency trading risks?*
- *And on a more academic point, is the real challenge to innovate without innovation being abused?*

The above mentioned questions were discussed in the faculty seminar.