

*The total market cap of cryptocurrencies stood at \$127.61 billion globally as on Saturday, 23 September 2017 with bitcoin alone commanding a market cap of \$61.68 billion - **Siddarth Pai****

Blockchains are said to be a continuously growing list of known as blocks which are being secured using cryptography techniques. Each block consists of a hash pointer as a link to previous one, with a timestamp and transactional data. In the recent days, blockchains have been popular due to its application on digital cryptocurrency such as Bitcoins. As the blockchains serve as a distributed ledger between two parties efficiently in a permanent and verifiable way it is been trusted as secure by design.

As Cryptocurrencies have emerged as vital financial technological systems. They rely on a secure distributed ledger data structure; mining is an integral part of such systems.



Mining of Cryptocurrencies add records of historical transactions to the distributed ledger known as Blockchain, allowing users to reach safe and robust consensus for every transaction. Mining also introduces fortune to the miner in the form of new units of cryptocurrency. Cryptocurrencies lack a central authority to mediate transactions because they were designed as a peer to peer systems. They rely on miners to validate transactions. Hence, they have also been a grey area for Central Bankers. Cryptocurrencies require strong, secure mining algorithms.

Some of the Cryptocurrency systems in the market today are Bitcoin, Ethereum, Ripple, Namecoin, Auroracoin, Blackcoin, Decred, Litecoin, Peercoin, and Permacoin. These are some of the most popular Cryptocurrencies with highest market capitalisation and transactional frequencies.



Bitcoin is, of course, the most popular and oldest of these virtual currencies before this there were published articles about peer-to-peer currency systems but none were implemented. Following the success of Bitcoin, several others came into existence.

Most Central Banks don't consider Cryptocurrencies like bitcoin as a currency. The legality of Cryptocurrencies varies substantially from nation to nation and is still undefined or changing in many of them. Although people accept them as a platform for an exchange of goods and services.

Former Reserve Bank of India (RBI) governor Raghuram Rajan on 14th Feb 2014 expressed concerns over the regulation of digital currency Bitcoin, saying the virtual nature of the currency raised questions about how its value would be governed. "One of the values of a currency is stability and the extent of a currency is the target of speculation as opposed to primarily a means of an exchange, it does create some concerns for the user," Rajan added. "In that sense, it has a more diminished value as a means of exchange than something more stable but Rajan didn't rule out the need for Bitcoins entirely he said "I don't want to say that there is no future for these virtual currencies, I think it's a process of evolution, but for now all we've done is express the kinds of concerns we have about it, without determining in any which way what we intend to do,".

Later, Present RBI governor Urjit Patel reportedly told the Parliamentary panel that an inter-disciplinary committee has been formed to discuss the legality of cryptocurrencies. Reserve Bank of India (RBI) is keeping a close watch on transactions involving cryptocurrencies, Governor Urjit Patel is understood to have told the members of the Parliamentary panel on finance.

Earlier RBI had warned that any user, holder, investor and trader dealing with virtual currencies would be doing so at his/her own risk. Indian Govt in March said the use of virtual currencies like Bitcoins is not authorized by the RBI and could result in a breach of anti-money laundering provisions.

Earlier this year Union Minister of State for Finance while answering in the Rajya Sabha said: "The absence of counterparties in usage of virtual currencies, including Bitcoins, for illicit and illegal activities in anonymous/pseudonymous systems could subject the users to unintentional breaches of anti-money laundering and be combating the financing of terrorism laws".

Recently, Stock Exchange regulator Security and Exchange Board of India (SEBI) said it wants to ensure that bitcoins, its derivatives or any other cryptocurrencies are not being used as a medium for diverting black money or funding illegal activities through the virtual currency market and it is working on a framework to regulate bitcoin market. Regulators in India as well in other countries are yet to ascertain if these blockchain cryptocurrency exchanges, which compete with regulatory compliance payment gateways such as banks and Mastercard, Paypal VISA etc are legal or not.

The total market cap of cryptocurrencies stood at \$127.61 billion globally as on Saturday, 23 September 2017 with bitcoin alone commanding a market cap of \$61.68 billion.

Although there is a regulatory worry about the bitcoins here are some of its merits

- **Fraud:** Cryptocurrencies are digital and cannot be counterfeited or reversed arbitrarily by the sender like in the Credit Card frauds.
- **Lower Fees:** There aren't usually processing fees for cryptocurrency exchanges because the miners are compensated by the network.
- **Identity Theft:** Cryptocurrencies ask a cryptocurrency holder to send exactly what he or she wants to the merchant or recipient with no further information. Hence identity of the sender is protected.
- **Decentralization:** The use blockchain technology to jointly manage the database that records Bitcoin transactions. That is, Bitcoin is managed by its network, and not any one central authority. Decentralization means the network operates on a peer-to-peer basis.
- **Universal recognition:** Since cryptocurrencies are not bound by the Central Banks, exchange rates, transactions charges of any country, company, regulators, therefore, it can be used universally without experiencing any issues.



**Siddarth Pai is a Technologist, Entrepreneur having experience in building Tech Startups. An investor in Stock Market and Cryptocurrencies. Has a great passion for Public Policy, Diplomacy, Economics and Interest in Astronomy and Music*

The views and opinions expressed in this article are those of the authors and do not necessarily reflect the views of The Kootneeti Team.

Subscribe to the International Relations Updates by The Kootneeti

* indicates required

Full Name

Email Address *

Subscribe

made with  mailchimp



**CERTIFICATE COURSE IN
INTERNATIONAL RELATIONS**

SIX-WEEK ONLINE COURSE IN INTERNATIONAL RELATIONS
BY THE KOOTNEETI

JOIN TODAY!

 team@thekootneeti.com
 courses.thekootneeti.in
 (+91) 120 4565994

The views and opinions expressed in this article are those of the author and do not necessarily reflect the views of The Kootneeti Team

Facebook Comments