



Background Paper

Committee: ECOSOC

Topic B: The International Regulation of Cryptocurrencies

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An increasing number of people in the world are getting involved with cryptocurrencies. There are many types of cryptocurrencies but the best known is Bitcoin. People have used currency as a medium of exchange for centuries. In recent years these currencies have been national currencies controlled by national institutions that control the availability and the value of the currency. Some of the most commonly used national currencies are the United States Dollar and the Euro. These national currencies have a rigid set of rules nationally and internationally. The value of the national currency depends on the national government and national financial institutions to be the trusted third party that safeguards the value of the national currency. Cryptocurrency is different and the United Nations, as well as many national governments, are trying to understand the impact of these new mediums of exchange. Cryptocurrency is a digital currency. Some early examples appeared in the 1990s but they depended on a company guaranteeing the value of the particular currency. It did not work.

Bitcoin was the first Cryptocurrency that was radically different. In 2009 an anonymous programmer called Satoshi Nakamoto introduced Bitcoin. With Bitcoin, there is no central ledger and no third party guarantee of value. The legitimacy of each trade is established by a program called a blockchain which has all transactions of bitcoin recorded publicly and that information is web-based and cannot easily be changed. The exchange is verified by volunteers who must solve a complicated math problem to ensure the exchange is legitimate. The volunteer is rewarded with some bitcoin for their work. Using similar ideas many other Cryptocurrencies were developed and many are accepted by mainstream businesses including Apple as payment for products.

ECOSOC needs to look at the pros and cons of Cryptocurrency and decide on the international rules that need to be in place to enhance the pros and limit the cons. The concern is that these digital currencies are decentralized and exist without rules. People can remain anonymous so it may be used by people involved in illegal activities. Cryptocurrency may also mean there is no ability to raise money through taxes. The UN was recently debating the use of cryptocurrencies. The last debate that the UN had on this topic was on April 8 of 2018, when cryptocurrencies and their regulation was discussed. National governments are also struggling to decide on rules. In the United States, it's hard to find a consistent legal approach to cryptocurrencies. The Financial Crimes Enforcement Network doesn't consider cryptocurrencies to be legal tender but since 2013 has

considered exchanges as money transmitters. The Securities and Exchange Commission has indicated it views digital currency as security. Cryptocurrency exchange regulations in the United States are also in an uncertain legal territory, and several federal regulators claim jurisdiction. Cryptocurrency regulation in the EU union remains in its early stages as well.

In conclusion, Cryptocurrency is a recent innovation. It can help people invest and make profits. It may help countries develop their economy. On the other hand, there may be problems like hacking and stealing of money. Problems like enabling illegal activities and other problems. The ECOSOC committee needs to find new solutions to these problems.

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