

A CURRENCY AT CROSSROADS: LAW, POLICY AND SOCIO-ECONOMICS OF THE BITCOIN PHENOMENON

Trivikram Nayak

Hidayatullah National Law University
Raipur, India

Syed Zeeshan

Hidayatullah National Law University
Raipur, India

Abstract

Crypto-currency is one phenomenon that has taken the world by surprise. Governments across the globe are frenzied with this inception of Bitcoin, a virtual currency, which possess the the potential to become a game changer in the field of International Trade and Finance. By virtue of being highly market perceptive, liquid and with low operational costs, such digital currencies thereby have immense potential to revolutionize the Foreign Exchange Market.

The trading of Bitcoin is based on the principle of cryptography and peer-to-peer networking. However, it is partially anonymous, mostly unregulated and decentralized form of digital currency without the backing of any sovereign authority. On one side Bitcoin has the potential of becoming the new global currency, on the other side it can have a possible destabilizing effect on the international market as it exposes the market to unprecedented levels of volatility and thereby poses a risk for global slowdown. Further keeping an eye to Bitcoin transactions has been nothing less than a nightmare for various government agencies and tax authorities across the globe as they are ill equipped to deal with it. Also its treatment under the existing legal and financial systems is still in doubt.

Through this paper the authors shall try to explore the legal and policy implications of digital currencies. The authors shall also answer the questions pertaining to whether Bitcoin is a currency or a commodity? By whom, when and how can it be taxed in the present regime? And whether there is any need of transnational regulatory framework for Bitcoins?

Keywords: Crypto-currency, Bitcoin, International Trade, Finance