

Sultan Gurban NİFTALİYEV

Azerbaijan State University of Economics (UNEC)

Email: sultanniftaliyev95@gmail.com

ORCID: 0000-0002-0887-5210

REGULATION OF CRYPTOCURRENCIES IN DIFFERENT COUNTRIES

Summary

Although cryptocurrencies are not considered to pose a major risk to financial stability and monetary policy on a global scale, they may pose some problems in the future. The fact that cryptocurrencies have an anonymous structure, do not depend on any central authority and can be easily used in international transfers means that international investigations can be carried out on the laundering of proceeds of crime and the financing of terrorism. The specificity of cryptocurrency comes from the use of Blockchain technology. This technology is a decentralized and secure system in terms of the security of making payments and storing various information on transactions. With the high volatility of cryptocurrencies, the lack of oversight of cryptocurrency trading platforms is considered one of the important risks. As the central banks of various countries such as Canada, England, China, Russia, Sweden, Denmark and Iran continue their research on crypto/digital currencies, research on the compatibility of the technology with its possible effects on the financial system and macroeconomics is also ongoing. However, a study covering all legal arrangements in no country has yet been published.

Keywords: *Cryptocurrency, technology, Blockchain, international*

UOT: 336

JEL: F 31

Introduction

A 2014 report by The Financial Action Task Force, *Virtual Currencies: Basic Definitions and Potential AML/CTF Risks*, stated that because cryptocurrencies are interchangeable with fiat currencies, they can be used for money laundering and should therefore be followed. Lagarde (2017), the former head of the International Monetary Fund (IMF), stated that cryptocurrencies have risks for the economy, so it will be important to monitor and, if necessary, various regulations can be applied. Lagarde thinks that by assessing how cryptocurrency technology is, regulations can be made in the future where central banks can use this technology.

Analysis

Christoph N. Dellingshausen, Vice President of the German Digital Economy Association (2011), believes that crypto/digital currencies such as Bitcoin should adopt a law stating that they are responsible for protecting their citizens and society. Dellingshausen emphasizes the importance of cryptocurrency regulation for the safety and well-being of consumers, as well as the interests of merchants and online merchants. Additionally, one of the

most important reasons for regulating Bitcoin and cryptocurrencies is thought to be to try to prevent illegal applications such as drug activity. If no regulation is implemented, some problems may arise in government institutions and organizations due to lack of legal responsibility in bankruptcy or similar cases. Cryptocurrencies can vary from country to country when it comes to regulation. While some countries have published reports that there are risks associated with cryptocurrencies, others claim that there is no legal regulation, that it is not recognized as money and cannot be used as a financial instrument. Since cryptocurrencies are not subject to any regulation and have no central authority, there are legal loopholes. Other problem areas related to regulation and oversight stem from the decentralized nature of cryptocurrencies, money laundering and taxation issues. While some countries are considering banning cryptocurrencies altogether, some countries are also emphasizing the option of controlling them. In terms of the development and future use of cryptocurrencies, each country can cooperate at the global level by working on its own economic, financial and legal system [3].

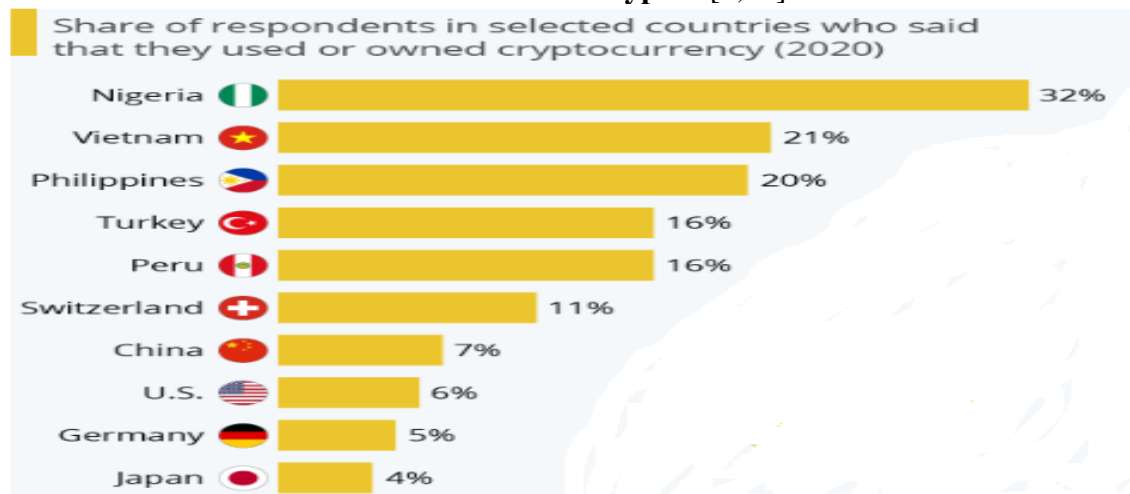
The Table below lists countries that have issued or are preparing to issue their own cryptocurrencies, either nationally or regionally. When the table is studied, it can be interpreted that these countries are mostly underdeveloped countries.

While discussions about using cryptocurrencies as a currency or an investment tool continue, the issue of taxation for countries is also

on the agenda. While Israel is working on taxing cryptocurrencies as an asset, Bulgaria is also implementing taxation as a financial asset. Denmark, Spain and Argentina are working to regulate cryptocurrencies as an income tax. Work is underway to introduce a similar regulation in Great Britain. The UK requires companies to pay corporate tax and individuals to pay capital gains tax on cryptocurrencies [6].

Table 1

How Common is Crypto. [1,85]



Unlike these countries, Switzerland treats cryptocurrencies as a foreign currency and conducts tax investigations. In addition to the issue of taxation of countries, there are also some investigations into the use of cryptocur-

rencies in money laundering or terrorist activities. Countries such as Australia and Canada have expanded their organized crime laws to include money laundering, counter-terrorism and cryptocurrency markets.

Table 2

Countries Applying Taxes and Laws to Cryptocurrencies [2, 87]

Tax Law Practice		Anti-money laundering and anti-terrorism laws		Both of
Argentina	Poland	Cayman Islands	Jersey	Australia
Austria	Russia	Latvia	Luxembourg	Denmark
Bulgaria	Slovakia	Estonia	Liechtenstein	Switzerland
Finland	South Africa	Costa Rica	South Korea	Canada
Israel	Romania	Czech Republic	Singapore	Japan
Iceland	Spain	Gibraltar		
Italy	Sweden	The island of man		
Norway	United Kingdom	Hong Kong		

Some countries around the world have banned investing in and dealing with cryptocurrencies. Countries such as Algeria, Bolivia, Morocco, Nepal, Pakistan and Vietnam have banned all activities related to cryptocurrency. Countries such as Qatar, Bahrain, Bangladesh, Iran, Thailand, Lithuania, Lesotho, China, and

Colombia have both not liberalized and banned transactions by limiting their citizens' local operations related to cryptocurrencies [5].

China is one of the most Bitcoin mining countries. Therefore, any regulation in China is thought to have a major impact on investors

and cryptocurrency users. In 2017, seven government agencies operating under the Chinese government issued a joint statement. Bank of China (PBOC), Cyber Administration of China (CAC), Ministry of Industry and Information Technology (MIIT), State Administration of Industry and Commerce (SAIC), China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission (CSRC),

and China According to a joint statement released by the Insurance Regulatory Commission (CIRC), cryptocurrencies are considered illiquid assets. The statement also warned that cryptocurrency is not backed by any monetary institution and therefore should not be used in circulation and is prohibited [2].

Table 3**Countries that ban cryptocurrencies [3, 102]**

It is forbidden	Partially Prohibited	
Bolivia	Bahrain	Lithuania
Egypt	Demon	Macau
Algeria	Bangladesh	Oman
Iraq	Colombia	train
Morocco	Dominican Republic	Taiwan
Pakistan	Indonesia	Saudi Arabia
United Arab Emirates	Iran	Thailand
Nepal	Lesotho	
Vietnam	Kuwait	

The long-standing People's Bank of China (PBOC) is investigating the legal status of cryptocurrencies. Zhou Xiaochuan, the former president of the bank, believes that Chinese regulators are still unable to use cryptocurrencies such as Bitcoin for retail payments. Zhou Xiaochuan stated that the Chinese banking system is not yet able to accept cryptocurrencies and provide related services. Although China has banned cryptocurrencies, it has decided to issue its own national cryptocurrency. The People's Bank of China (POBC) continues to work on a cryptocurrency that can perform the same function as fiat currencies [4].

Since the United States has the largest economic size in the world, has the most cryptocurrencies in the world, and is the world leader in terms of volume of cryptocurrencies, any regulation related to Bitcoin or cryptocurrencies affects the entire world and other countries as well.. Bitcoin and Cryptocurrencies in the United States despite the high interest, it is thought that consensus has not been reached. The Federal Reserve Bank of Chicago, affiliated with the United States Federal Reserve System (FED), published a report on Bitcoin in 2013. A report prepared by expert Economist Francois Velde (Bitcoin: A Primer - Federal Reserve Bank of Chicago (chicagofed.org)

states that when Bitcoin and similar cryptocurrencies were prosecuted. From 2009 to 2013, Bitcoin and cryptocurrencies were illegal excluding activities

The report considers Bitcoin and altcoins as a speculative investment opportunity. The United States Government Accountability Office published a report on Bitcoin and cryptocurrencies in 2014. While there is no legal definition for cryptocurrencies in the report, it defines a digital representation of value that is not recognized by the state. According to the report, it was stated that cryptocurrencies can perform the functions of fiat money as a unit of account and a medium of exchange, but because they are not widespread and still not accepted, regulation can be made [5].

Given a report published by the Financial Crimes Enforcement Network of the US Treasury Department in 2013, the International Revenue Service treats Bitcoin as a de facto currency, even though it has no legal status. In addition, the IRS stated that in addition to being treated as real currency, Bitcoin can also be converted and exchanged for real money [3].

A 2014 report by the US Securities and Exchange Commission stated that any investment in securities in the US remains subject to the jurisdiction of the SEC, regardless of whether

it is made in US dollars or crypto/virtual currency. However, the report also stressed the need for caution, warning against the possibility of fraud. For the first time in the United States, a final decision was made regarding Bitcoin from cryptocurrencies in 2015. According to a law enacted in the state of New York, USA, bitcoin can be bought and held as an asset [1].

In her assessment in 2017, Janet Yellen, the former chairman of the US Federal Reserve System (FED), said that Bitcoin is a speculative asset and still cannot justify it on legal grounds. In 2018, Morgan Stanley, one of the US investment banks, published a report on Bitcoin and cryptocurrencies. The report states that there may be regulation regarding Bitcoin in the future, but there is no consensus on this topic yet. In addition, according to the report, it was assessed that regulations regarding Bitcoin, cryptocurrencies or blockchain could lead to a decrease in interest in this technology [7, 54].

Hester Peirce, a member of the US Securities and Exchange Commission, stated in a statement in 2019 that digital assets are important and can be used as money in the future with the development of technology. Pierce believes the United States needs to move a little faster on regulation, which makes the United States less competitive. Pierce appreciated that the SEC is also working on this issue and that they need to move faster in regulation. There seems to be no consensus yet for cryptocurrencies in the US. The United States, which is described as the world's largest economy and has the world's largest stock exchange, is thought to attract the attention of the whole world if there is any regulation related to cryptocurrencies.

South Korea is one of the countries that is making bold moves regarding cryptocurrencies. Choe Heung, chairman of South Korea's Financial Supervisory Authority, announced that the government will support cryptocurrency trading and encourage financial institutions to facilitate cryptocurrency trading. The South Korean government passed a law in 2018 that allowed transactions with cryptocurrencies from real bank accounts. The govern-

ment, which does not allow any crypto-currency transactions anonymously, has also prevented foreigners from transacting with cryptocurrencies in the country. This enables state-controlled transactions with cryptocurrencies within the country for South Korean citizens [6].

Japan's Financial Services Agency has been working since 2018 to make significant regulation of the cryptocurrency market. The agency plans to protect people using these assets by making it mandatory to display fiat money in exchange for digital assets on cryptocurrency exchanges, according to a bill it is considering introducing. The Financial Services Agency is also working to make cryptocurrency public offerings legal.

One of the most attractive countries for setting up fintech and blockchain businesses is the United States. The country is trying to become a smart financial center. US-based Coinbase, the third-largest ICO marketplace with major cryptocurrency exchanges such as GDAX and Gemini, hosts the world's largest forum, the Singapore Fintech Festival. The development of the fintech ecosystem is supported through various tools, including. Working group Fintech and Innovation Group, the world's largest cryptocurrency center Looking Glass fintech laboratory was created to develop the regulation. The Monetary Authority of Singapore (MAS) regulates cryptocurrency transactions if they are products covered by the Securities and Futures Act. At this time, issuers must register the issue of tokens - securities (prospectus), intermediaries and trade organizers must obtain appropriate licenses. At the same time, these requirements do not apply to crypto-exchanges if they do not accept tokens - securities for trading. The regulator's position is set out in the ICO guidance. In case of a violation, the regulator, as a rule, warns the ICO organizer. In response to the warning, some ICO organizers simply return the funds received from Singapore during the ICO. The sale and exchange of cryptocurrencies for a certain monetary reward is known as provision of taxable services. The exchange of cryptocurrencies among themselves is not regulated and is not subject to AML procedures, which is also not applicable to procedures for transfers to fiat

currencies (Monetary Authority of Singapore, 2017). At the same time, these requirements do not apply to crypto-exchanges if they do not accept tokens - securities for trading. The regulator's position is set out in the ICO guidance. In case of a violation, the regulator, as a rule, warns the ICO organizer. In response to the warning, some ICO organizers simply return the funds received from Singapore during the ICO. The sale and exchange of cryptocurrencies for a certain monetary reward is known as provision of taxable services. The exchange of cryptocurrencies among themselves is not regulated and is not subject to AML procedures, which is also not applicable to procedures for transfers to fiat currencies (Monetary Authority of Singapore, 2017). At the same time, these requirements do not apply to crypto-exchanges if they do not accept tokens - securities for trading. The regulator's position is set out in the ICO guidance. In case of a violation, the regulator, as a rule, warns the ICO organizer. In response to the warning, some ICO organizers simply return the funds received from Singapore during the ICO. The exchange of cryptocurrencies among themselves is not regulated and is not subject to AML procedures, which is also not applicable to procedures for transfers to fiat currencies (4). The sale and exchange of cryptocurrencies for a certain monetary reward is known as provision of taxable services. The exchange of cryptocurrencies among themselves is not regulated and is not subject to AML procedures, which is also not applicable to procedures for transfers to fiat currencies [7,101].

One of the most attractive jurisdictions for blockchain companies is provided by progressive legislation, crypto industry-friendly regulation, tax regime and developed banking sector. In general, the legislation is based on the principle of technological neutrality. Cryptocurrencies have no official legal status. They are considered assets according to the report of the Swiss Federal Council and are reflected in the accounting documents accordingly, except for the purposes of applying VAT - they are equated to currencies.

Cryptocurrency exchanges must be members of a self-regulatory organization or obtain a regulated financial intermediary license from

FINMA before operating. In some cases, a banking license may be required. In February 2018, the Swiss Financial Market Supervisory Authority published recommendations for ICOs, which defined the following types of tokens: payment tokens, utility tokens, asset tokens, hybrid tokens. If the fundraising within the ICO exceeds 1 million francs, it is necessary to obtain licenses to collect funds. As a rule, activities related to the regulation of financial markets are not included in the regulation of financial markets, unless the company has an obligation to repay debt, does not issue means of payment, and does not have a secondary circulation market.

Conclusion

It is well known that international payments constitute a significant part of the bank's total income. In fact, according to 2015 data, cross-border payments account for twenty percent of all transactions and fifty percent of the revenue from such transactions. The current structure of banks can be changed and developed as a result of the widespread use of traditional banking applications, e-commerce, mobile banking and electronic wallets, especially in relation to cross-border payment processing. The introduction of blockchain technology could lead to profound changes in the method used to make payments between countries, as well as in most other financial areas. Because compared to the current system, blockchain's improved transparency.

Literature

1. Aksoy, EE (2018). Bitcoin The Greatest Invention Since Money. Istanbul: Abacus
2. Alpagó H. (2018). Cryptocurrency from Bitcoin to Selfcoin. *Journal of International Scientific Researches*, 3(2), 411–428
3. Antonopoulos, AM (2014). *Mastering Bitcoin: Unlocking Digital Cryptocurrencies*. Sebastopol: O'Reilly.
4. Baur, D. Hong, K. and Lee A. (2018). Bitcoin: Medium of exchange or speculative assets?, *Journal of International Financial Markets, Institutions and Money*. No. 54. pp. 177-189.
5. Nabilou H. & Prum A. (2019). Central banks and regulation of cryptocurrencies. *Rev. Banking & Fin. L.*, 39, 1003.

6. Taskinsoy J. (2019). Bitcoin: The Longest Running Mania–Tulips of the 21st Century?. Available at SSRN 3505953.

7. European Parliament (2018). Cryptocurrencies and Blockchain; Legal context and implications for financial crime, money laundering and tax evasion, July, p.33

Султан Гурбан НИФТАЛИЕВ

Азербайджанский Государственный Экономический Университет (UNEC)

ORCID: 0000-0002-0887-5210

E-mail: sultanniftaliyev95@gmail.com

РЕГУЛИРОВАНИЕ КРИПТОВАЛЮТ В РАЗНЫХ СТРАНАХ

Резюме

Хотя считается, что криптовалюты не представляют серьезного риска для финансовой стабильности и денежно-кредитной политики в глобальном масштабе, они могут создать некоторые проблемы в будущем. Тот факт, что криптовалюты имеют анонимную структуру, не зависят от какого-либо центрального органа и могут быть легко использованы в международных переводах, означает, что могут проводиться международные расследования по отмыванию доходов, полученных преступным путем, и финансированию терроризма. от использования технологии Блокчейн. Эта технология представляет собой децентрализованную и безопасную систему с точки зрения безопасности проведения платежей и хранения различной информации о транзакциях. При высокой волатильности криптовалют отсутствие надзора за торговыми площадками криптовалют считается одним из важных рисков. Поскольку центральные банки различных стран, таких как Канада, Англия, Китай, Россия, Швеция, Дания и Иран, продолжают свои исследования крипто/цифровых валют, исследования совместимости технологии с ее возможным влиянием на финансовую систему и макроэкономику также становятся все более актуальными. непрерывный. Однако исследование, охватывающее все юридические образования ни в одной стране, еще не опубликовано.

Ключевые слова: *Криптовалюта, технология, Блокчейн, международный*

Sultan Qurban NİFTƏLİYEV

Azərbaycan Dövlət İqtisad Universiteti (UNEC)

ORCID: 0000-0002-0887-5210

E-mail: sultanniftaliyev95@gmail.com

MÜXTƏLİF ÖLKƏLƏRDƏ KRİPTOKALYALARIN TƏNZİMLƏNMƏSİ

Xülasə

Kriptovalyutaların global miqyasda maliyyə sabitliyi və pul siyasəti üçün hal-hazırda böyük risk yaratmadığı düşünülə də, gələcəkdə bəzi problemlər yarada bilər. Kriptovalyutaların anonim bir quruluşa malik olması, heç bir mərkəzi orqandan asılı olmaması və beynəlxalq köçürmələrdə asanlıqla istifadə oluna bilməsi cinayətdən əldə edilən gəlirlərin yuyulması və terrorizmin maliyyələşdirilməsi ilə bağlı beynəlxalq araşdırmaların aparıla biləcəyini göstərir. Kriptovalyutanın spesifikliyi Blokçeyn texnologiyasının istifadəsindən irəli gəlir. Bu texnologiya mərkəzləşdirilməmiş və ödənişlərin həyata keçirilməsinin təhlükəsizliyi və əməliyyatlar üzrə müxtəlif məlumatların saxlanması baxımından təhlükəsiz bir sistemdir. Kriptovalyutaların yüksək volatilliyi ilə kriptovalyuta ticarət platformalarının heç bir nəzarətə məruz qalmaması mühüm risklərdən biri hesab olunur. Kanada, İngiltərə, Çin, Rusiya, İsveç, Danimarka və İran kimi müxtəlif ölkələrin mərkəzi bankları kripto/rəqəmsal valyutalar üzərində araşdırmalarını davam etdirərək, texnologiyanın maliyyə sistemi və makroiqtisadiyyat üzərində mümkün təsirlərinin uyğunluğu ilə bağlı araşdırmalar da davam edir. Ancaq heç bir ölkədə bütün hüquqi tənzimləmələri əhatə edən bir araşdırma hələ ortaya qoyulmayıb.

Açar sözlər: *kriptovalyuta, texnologiya, Blokçeyn, beynəlxalq*