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## Get real on cryptos

### What is the issue?

- Crypto currencies are becoming highly speculative. Ignoring the unregulated trade happening on domestic crypto currency platforms is not a good idea.

### Why crypto currencies should be considered risky?

- It has been a torrid time since November 2021 for investors in private crypto currencies such as bitcoin.
- Their values have fallen by more than 50% from the peak.
- The US Federal Reserve is expected to hike interest rate for the first time since the beginning of the pandemic and ends its monthly fund infusions.
- So, the slide is expected to intensify this year.
- A large wave of new investors had begun to trade using crypto currencies in unregulated platforms in India.
- They had been lured by the eight-fold appreciation in the value of bitcoin and other cryptocurrencies since early 2020.
- But the ongoing crash has wiped out almost half the gains in just two months.
- Many of the new investors who bought these assets last year would be staring at losses now.
- Hence these are highly speculative instruments with no underlying value, purely driven by demand.

### Why it should be regulated?

- Since the platforms are not registered with any regulator, their activities and actions go unmonitored
- They don't function with uniform rules either.
- A complete ban on domestic crypto-trading is also not a viable option.
- It will only push traders to shift to overseas platforms.
- Soon the Centre has to decide on its policy towards cryptos.

### What can be done?

- It will be best if the private cryptocurrencies such as bitcoin, litecoin, etc., are recognised as high-risk assets and their trading is brought under the supervision of a regulator.
- Gains made through the trading should be taxed at double the capital gains tax rate on direct equity instruments.
- Given the extremely risky and volatile nature of this investment, it is best that smaller investors are deterred from investing in them.

## What will be the benefits?

- There are multiple benefits in this solution.
- One, investor interest will be protected since only trustworthy entities will be allowed to operate exchanges based on rules framed by the regulator.
- Two, details about the investors buying and selling private cryptos can be accessed by the government and the Reserve Bank of India.
- Three, the exchequer will also earn revenue from these assets.
- Once the KYC is aligned with the Prevention of Money Laundering Act the Enforcement Directorate can also maintain strict vigil on large value transactions on these platforms.
- This will prevent money laundering or terror financing.

## Why there is a need for global consensus?

- Implement uniform rules for regulating private cryptocurrency trades and its use in cross-border payments.
- Since the cryptocurrency miners and traders are scattered across the globe and are mostly unregulated, unilateral ban or control by any one country will not suffice to control their misuse.

### Reference

1. <https://www.thehindubusinessline.com/opinion/crypto-regulation/article64937840.ece>



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