



**Birla Model United Nations CONFERENCE 2021**

**COMMITTEE: Economic and Social Council**

**AGENDA: The regulation of crypto currencies and the fight against illicit activities**

**ECOSOC**  
United Nations

## Letter from The Executive Board

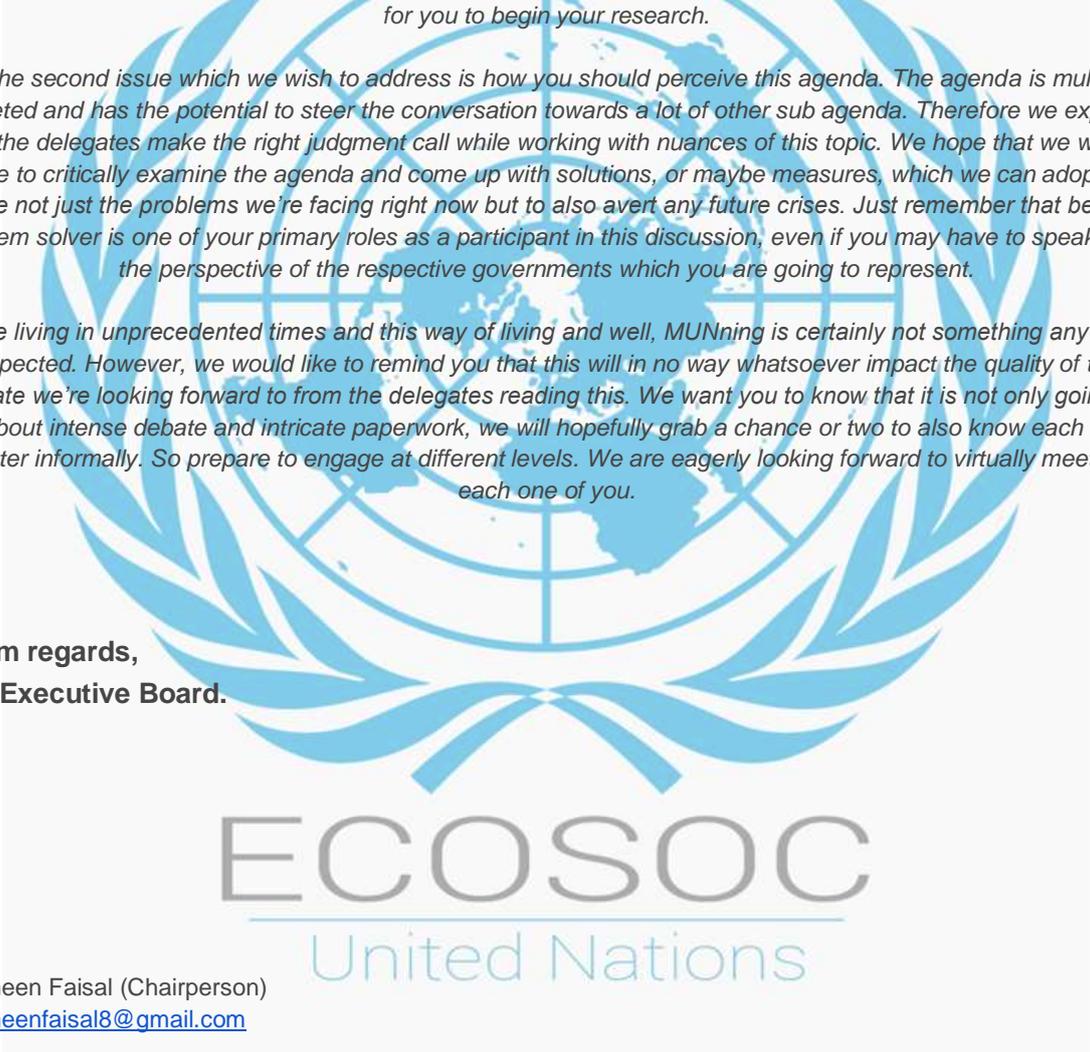
Greetings!

*At the outset, we would like to tell you that it gives us immense pleasure to serve as your Executive Board for the simulation of the Economic and Social Council at Birla MUN 2021. To begin with, this paper, called the “background guide” in common parlance, has been written with the thought that it will serve as a map for you to navigate through the mass of information which you may come across in your preparation for the conference. It will also guide you to understand the different angles to the forthcoming discussion, a sort of a reflection of what is in store for you. Thus, as the name “map” may be hinting, it will not provide you with all the information or analysis on the agenda at hand. To, unfortunately, break it, you will have to work a bit beyond just reading this paper. Be rest assured this piece of document will provide you with just the right amount of information required for you to begin your research.*

*The second issue which we wish to address is how you should perceive this agenda. The agenda is multi-faceted and has the potential to steer the conversation towards a lot of other sub agenda. Therefore we expect that the delegates make the right judgment call while working with nuances of this topic. We hope that we will be able to critically examine the agenda and come up with solutions, or maybe measures, which we can adopt to tackle not just the problems we’re facing right now but to also avert any future crises. Just remember that being a problem solver is one of your primary roles as a participant in this discussion, even if you may have to speak from the perspective of the respective governments which you are going to represent.*

*We’re living in unprecedented times and this way of living and well, MUNning is certainly not something any of us expected. However, we would like to remind you that this will in no way whatsoever impact the quality of the debate we’re looking forward to from the delegates reading this. We want you to know that it is not only going to be about intense debate and intricate paperwork, we will hopefully grab a chance or two to also know each other better informally. So prepare to engage at different levels. We are eagerly looking forward to virtually meeting each one of you.*

**Warm regards,  
The Executive Board.**



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## Proofs/Evidences in the Council

### Evidence or proof is acceptable from these sources:

1. Reuters – Any Reuters article which clearly makes mention of the fact or is in contradiction of the fact being stated by an ambassador in council.

([http:// www.reuters.com/](http://www.reuters.com/))

2. State operated News Agencies – These reports can be used in the support of or against the State that owns the News Agency. These reports, if credible or substantial enough, can be used in support of or against any Country as such but in that situation, they can be denied by any other country in the council. Some examples are,

RIA Novosti (Russia) <http://en.rian.ru/>

IRNA (Iran) <http://www.irna.ir/ENIndex.htm>

BBC (United Kingdom) <http://www.bbc.co.uk/>

Xinhua News Agency and CCTV (P.R. China) <http://cctvnews.cntv.cn/>

3. Government Reports: These reports can be used in a similar way as the State Operated News Agencies reports and can, in all circumstances, be denied by another country. However, a nuance is that a report that is being denied by a certain country can still be accepted by the Executive Board as credible information.

4. UN Reports: All UN Reports are considered credible information or evidence for the Executive Board of the Council.



## **Introduction to the committee**

### **Economic and Social Council**

The Economic and Social Council (ECOSOC) was created under Article 7 of the United Nations Charter in 1945. It consists of 54 Member States, elected by the General Assembly for three year time. Seats on the Council are allotted based on geographical representation with 14 allocated to African States, 11 to Asian States, 6 to Eastern European States, 13 to Western European and 10 to Latin America. USA, Russian Federation, UK, France and China are represented on a permanent basis.

ECOSOC coordinates the work of the 20 UN specialized agencies (for example, International Labour Organization ILO, Food and Agriculture Organization of the United Nations FAO, United Nations Educational, Scientific and Cultural Organization UNESCO), 9 functional commissions (e.g., the Commission on Social Development, the Commission on Crime Prevention and Criminal Justice) 5 regional commissions, 4 Standing Committees and 1 Ad hoc Body (the Ad Hoc Open- ended Working Group on Informatics). It also receives reports from 14 UN funds and programs and issues policy recommendations to the UN system and the Member States.

ECOSOC consults with member states, other UN organs, academic institutions, NGOs and the business sector representatives in the observation and decision making processes.

It's highest responsibilities are to promote better standards of living, full employment, economic and social progress, identification of solutions to the international economic, social and health problems, and to facilitate international cultural and educational cooperation. Its role in encouraging the protection of human rights and fundamental freedoms was also remarkable.

ECOSOC's contemporary role is considered to be highly crucial, by taking into consideration the efforts for a new economical order and for international social stability. Its role is also important since it constitutes the link between the United Nations and specialized agencies.

### **Introduction to the agenda**

#### **The regulation of crypto currencies and the fight against illicit activities**

The world has come a long way as far as the evolution of money is concerned. It is said history repeats itself. In the case of the evolution of the economy too, it stands true. We started with the C-C economy and may again step into a C-C economy. The only difference is that earlier it was Commodity-Commodity system (barter exchange) and now it is Crypto-Currency.

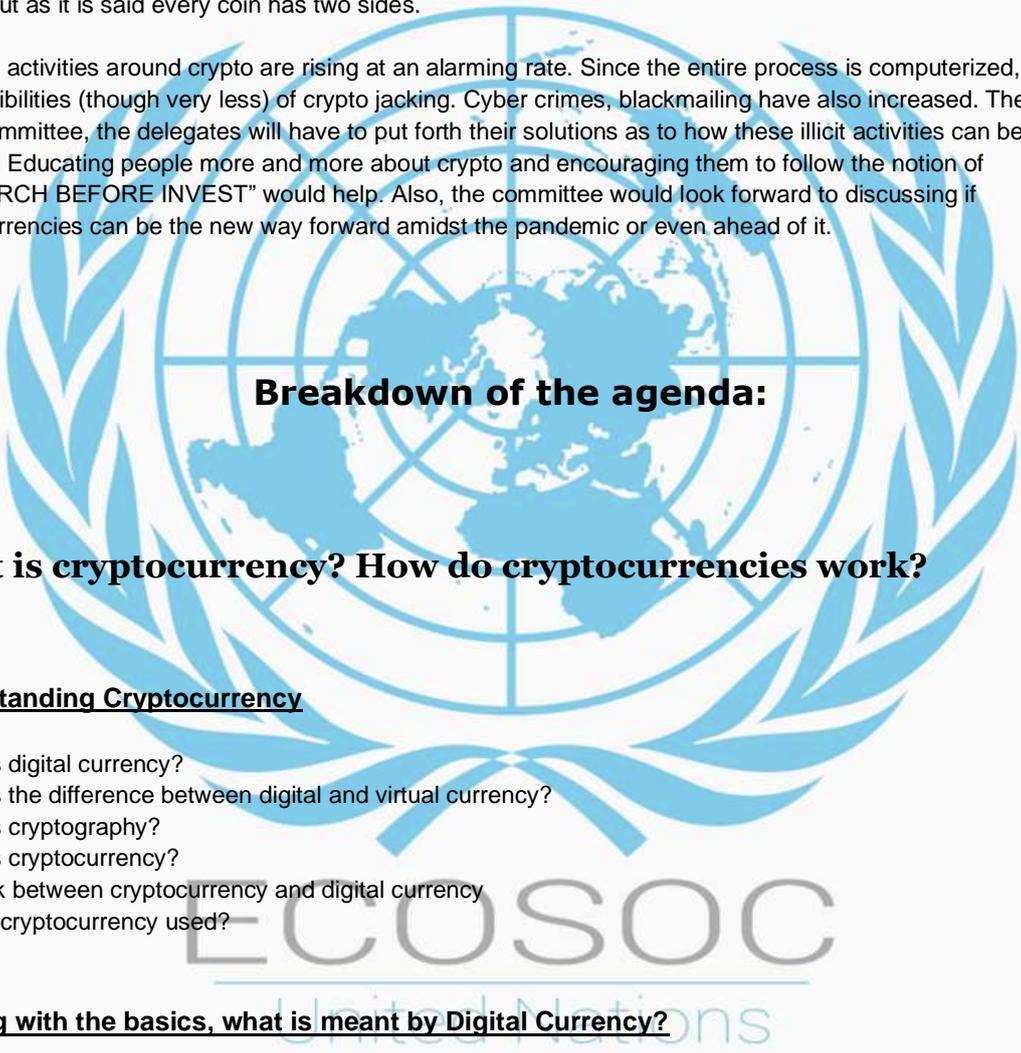
Cryptocurrencies are also a medium of exchange but at the same time it is a digital asset unlike the currency notes/coins that are in circulation in the economy. Crypto (as it is simply called) is decentralized in nature i.e., it is not controlled by a single authority. Its decentralization nature acts as a plus point as no single person/group of persons or institution can dominate its working/functioning and hence, adds to its transparency. It is rather influenced by the community of people who are involved in it.

Different countries have different regulations for crypto. There are many countries who look upon crypto as the future of tomorrow. On the other hand, some countries have declared it as illegal. Cryptocurrencies have huge potential if analyzed and studied carefully. Investment in cryptocurrencies has increased by a huge number in 2021. Investing in cryptocurrencies is not risk free and therefore, the reason for reluctance of countries is inevitable. Given the highly volatile nature of crypto, everybody will think twice before investing their precious money in this digital asset. It can turn anyone from rags to riches in seconds.

So, if this is the positive side, the negative side is dangerous enough to prevent people from investing in it. Also, there is no or very low regulating backing as far as cryptocurrencies are concerned which aggravates the ambivalence of people investing in it. Another reason which has become a hindrance for investors is lack of knowledge. Crypto is a general term used for different assets that fall under it. Bitcoin, the first cryptocurrency (launched in 2009), Ethereum (launched in 2015), Binance coin (launched in 2017) are a few examples. The transactions that take place with respect to cryptocurrencies are recorded through a system known as blockchain.

This blockchain, as the name suggests, is a chain or link between many blocks that are connected using strong and secure cryptography. Each block contains important data related to the transactions pertaining to cryptocurrencies. (Refer section 4.2 for detailed information on blockchain.) The agenda of the committee also covers the illicit (illegal) use of cryptocurrencies. As compared to other media of exchange, cryptocurrencies are secure but as it is said every coin has two sides.

The illicit activities around crypto are rising at an alarming rate. Since the entire process is computerized, there are possibilities (though very less) of crypto jacking. Cyber crimes, blackmailing have also increased. Therefore, in the committee, the delegates will have to put forth their solutions as to how these illicit activities can be reduced. Educating people more and more about crypto and encouraging them to follow the notion of "RESEARCH BEFORE INVEST" would help. Also, the committee would look forward to discussing if cryptocurrencies can be the new way forward amidst the pandemic or even ahead of it.



## **Breakdown of the agenda:**

### **What is cryptocurrency? How do cryptocurrencies work?**

#### **Understanding Cryptocurrency**

- What is digital currency?
- What is the difference between digital and virtual currency?
- What is cryptography?
- What is cryptocurrency?
- The link between cryptocurrency and digital currency
- How is cryptocurrency used?

#### **Starting with the basics, what is meant by Digital Currency?**

- As the name suggests, it is a form of currency that is available and used through digital or electronic wallets.
- Even after being quite easy to use, it often has restricted usage in specific online communities, like social networks or gambling portals.
- Digital currency has proven its worth during the pandemic where most of the transactions are done without physical forms and it comes in handy while money transactions across the border.
- One of the advantages of using digital currency is that it maintains transparency and keeps a record of all the transactions made through the portal.

#### **Is there a difference between Digital and Virtual Currency?**

Yes, the basic difference between them is that :-

- Digital currency can be both regulated or unregulated, and it is available in digital form, as mentioned previously.

- Whereas Virtual currency is mostly unregulated, that is solely controlled by its developers or particular network protocol.

Before moving onto Cryptocurrency, let's understand Cryptography :-

- "Crypt"- hidden, "graphy"- writing

- It is the technique of using codes to secure information so that only the user for whom it is meant for, can understand it.

- The reason why these 'codes' are used is to prevent any third party from accessing the information.

### **What is meant by Cryptocurrency?**

- A cryptocurrency is a form of digital currency that uses cryptography to manage and govern the currency units, as well as to safeguard and validate transactions.

- Ever heard of Bitcoin? Bitcoin and ethereum are one of the most popular types of cryptocurrencies.

### **What is the link between digital currency and cryptocurrency?**

- All cryptocurrencies are digital currencies, but not all digital currencies are crypto!

- Cryptocurrencies are exchanged via consumer mood and psychological triggers in price fluctuation, whereas digital currencies are steady and traded with the markets.

### **How exactly does Cryptocurrency work?**

- Cryptocurrency wallet software is used to send transactions between peers. The individual initiating the transaction uses the wallet software to move funds from one account (also known as a public address) to another.

- Peer-to-peer transactions are encrypted before being broadcast to the cryptocurrency's network and queued for inclusion in the public ledger. After that, a process known as "mining" is used to record transactions on the public ledger.

- If a user of a cryptocurrency chooses to access the ledger, they can do so by downloading and running a copy of the software known as a "full node" wallet (as opposed to holding their coins in a third party wallet like Coinbase). The transaction amounts are visible, but the identity of the sender is hidden (transactions are pseudo-anonymous).

- Each transaction is linked to a distinct set of keys. The quantity of cryptocurrency connected with a set of keys belongs to whoever holds those keys (just like whoever owns a bank account owns the money in it). A large number of transactions are added to a ledger at the same time. Miners add these "blocks" of transactions in sequential order. It is a "chain" of "blocks" of transactions, which is why the ledger and the technology behind it are termed "block" "chain."

## **What is a blockchain and should it be regulated?**

A Blockchain is a connection or link between many blocks where each block contains data of the transactions pertaining to cryptocurrency. The name of the owner, receiver etc. is stored in these blocks. Every block is connected to each other using strong and secure cryptography. Every block will also contain a summary of the previous block. The basic element of a blockchain technology includes P2P (Peer to Peer) network i.e., transactions taking place between peer to peer via a decentralized system.

Blockchain technology prevents counterfeiting. In simple words, this blockchain technology can also be called a ledger which records the entire data pertaining to cryptocurrencies.

### **SHOULD A BLOCKCHAIN BE REGULATED AT ALL?**

Whether a blockchain should be regulated or not is a very controversial topic.

When talking about regulation of blockchain, there are two aspects that one should consider:

- The uniqueness of the blockchain lies in the very aspect that it is not regulated by any single authority. If this aspect is eliminated, the true essence of blockchain technology will be tarnished. No interference from any institution adds to the transparent, secure and smooth functioning of the cryptosystem.
- On the other hand, many people are not willing to take a step ahead with crypto because of the fact that it is not regulated. When a single institution/government would take an initiative to regulate the system, then most of the illegalities revolving around the world of cryptocurrencies would minimize, creating better future prospects for the people who earlier refrained themselves from investing in this digital asset. Better regulations would ensure greater public faith in the crypto world.

The Executive Board encourages you to consider both the points carefully and put forth your opinion in front of the committee.

### **What is “illicit” about cryptocurrencies?**

- An illicit cryptominer is possibly undesirable or harmful software that is designed to take advantage of a device's idle processing power and utilise it to mine bitcoin. Without the user's or administrator's consent, mining activity is normally hidden or carried out in the background.

- Illicit cryptominers can be divided into two categories:

1. "Binary-based" malware is malicious software that is downloaded and installed on a target device in order to mine cryptocurrencies. Viruses in the form of Trojan horses make up the majority of these programmes.
2. "Browser-based malware is malicious JavaScript put in a web page or section of a web page with the intent of mining cryptocurrencies using the visitors' browsers. Crypto Jacking is the term for this practise, which has grown in popularity among cybercriminals since mid-2017. The bulk of cryptojacking scripts are flagged by ESET as possibly harmful apps (PUAs).

- But then again, according to the statistics :- A recent analysis by blockchain analytics firm Chainalysis, criminal activity among all cryptocurrencies accounted for less than 1% of overall cryptocurrency activity between 2017 and 2020.

## Relevance of cryptocurrencies in the modern day and age

Nothing is permanent, everything changes with time. The most evident example being the ongoing pandemic. Who thought we would be trapped in our own homes and stepping out of our houses would be detrimental! With the advent of the pandemic, much has changed -our lifestyle, routine, preferences, economy and what not! With these changes in a layman's life, the pandemic also displayed its effect on the economy. Market demand for the products changed.

Sanitizers and masks became the new 'hots' in everybody's list. Even the modes of payment underwent a change. The Government of India encouraged its citizens to opt for online payment methods to curb the spread of the deadly virus. In 2021, investment in cryptocurrencies increased and many countries have been looking forward to an increased use of it. A common confusion that persists in many minds is about the likeness of crypto and the online payment methods like NEFT, RTGS, Net banking etc. Cryptocurrencies do not come under the fiat or order of the government unlike the prevalent online modes of payments. The coronavirus has encouraged the world to undergo digitalization. Infact, going digital is the need of the hour to curb the spread of the virus.

Contactless deliveries won't have been possible without technology. Now, in this case, when the actual currency notes are being used in a digital way, a digital asset like crypto will be more than appropriate. A completely computerized system with high security is a great option to go for especially in today's time where there are a large number of hackers and conmen ready to extract your money. Because of blockchain technology, counterfeiting is next to impossible. What can be better if the aspect of sustainability is also taken care of. The entire process that revolves around cryptocurrencies is eco-friendly i.e., zero paper wastage. No pages needed for the receipt since every information is already present in the form of computerized data.

Therefore, countries should take one step forward with these cryptocurrencies. Despite the relevance and apt nature of the currency required today, some countries are still not ready or reluctant to take the big step. If the current scenario is to be considered; the pandemic has already put a lot of strain on the economies of undeveloped and developing countries.

The biggest challenge for these economies right now, is to provide its citizens with the best possible health infrastructure. Health is a priority now. When already countries have been financially drained to combat the virus, introducing a totally new concept of crypto can be risky enough.

## Why do states want to regulate cryptocurrencies?

Certainly, for one of the world's top two electronic payment systems to accept currency not issued by governments is a major issue for governments, which throughout most of history have enjoyed a monopoly on minting money.

Not to forget, for the states and especially the central bankers, the seemingly unstoppable rise of cryptocurrency is a much bigger problem than Elon Musk saying you can pay for Tesla with Bitcoin, the world's most popular and established cryptocurrency.

Most governments fear that the use of a wide range of virtual currency use will reduce their power to administer the financial supply. (This explains the very strong pushback by the US Congress to Facebook's ultimately failed launch of its own cryptocurrency Libra less than two years ago.) While paper dollars, euros, yuan and the like are not going away anytime soon, cryptocurrency is clearly becoming more popular — and superior with an estimated 106 million users worldwide. The question which then pops up, is, what can governments do about it?

So on one hand, governments do have some very valid reasons to want to ban or lets say, regulate cryptocurrencies. One major reason is that the value of some cryptocurrencies has increased so much, so fast recently that experts have very much feared another tech-driven bubble like the 2000 dot-com crisis, which has majorly sparked a mild downturn in the US. Another is that cryptocurrency facilitates and encourages anonymous

and absolutely untraceable transactions, so it can be used by criminals to buy and sell illegal goods and services as well as scam people.

Cryptocurrency mining can also be disastrous for the environment. The activity is majorly energy-intensive — and prevalent — that it currently consumes about 121.36 terawatt-hours of energy a year, more than the whole country of Argentina. With a lot of the mining taking place in low-income nations that get very cheap electricity from fossil fuels, it can be as pernicious as traditional mining. (Interestingly, much of the cryptocurrency mined in countries with absolutely weak environmental laws have ended up in the wallets of buyers in green-minded wealthy nations, so that regulation in the latter pushes more mining to the former.)

On the other hand, some governments are now very much warming up to cryptocurrencies, as long as they are in charge of it. Ironical, right?

A very good example is China, which has been trying for years now to launch its digital yuan to compete with the US dollar, the world's prominent as well as dominant paper currency. Central banks issuing their own sovereign digital currencies have been allowing states to track every single transaction that takes place, something that is very appealing to both democratic nations to ensure compliance to tax and to authoritarian governments for surveillance purposes.

Cryptocurrency is also a very beneficial and instrumental tool for a very small group of countries to bypass international EU and US sanctions. Russia and Venezuela have both recently launched their own digital currencies with that objective in mind, while Iran is rumoured to be building an army of state-controlled miners to allow local and small companies to make payments circumventing the US-based SWIFT platform.

What's the bottom line then? While cryptocurrency won't really replace conventional money in the long term, or even ever, its widespread and increased acceptance presents massive challenges that governments can no longer put off dealing with.

No matter what your opinion is over the cryptocurrency craze, it most certainly has the potential to completely disrupt monetary policy across the globe. Especially with hundreds of new tokens offered each month, it seems as though the effort to regulate cryptocurrencies will forever remain a game of cat and mouse.

## **Is crypto the future?**

After the financial crisis of 2008, cryptocurrency emerged as a decentralized currency. Many people believe that as more and more people start buying these coins, their value will increase and they may appear as a substitute for paper currency. This, along with the high level of trust in banks and financial institutions, led to the rise of the cryptocurrency.

Money, as we know it today, has been evolving and changing shape over the years. Paper money did not become popular until the 17th century. However, there are many challenges that can prevent cryptocurrencies from replacing the US dollar and the rupee.

Every economy is based on government control of its currency. This allows the government to decide how much currency should be printed in response to external and internal pressures. If the cryptocurrency replaces the rupee or the US dollar, then this power will be taken away from it. For example, the upper limit of Bitcoin is 21 million. This means that there are only 21 million Bitcoins in the world and there is no way to mint more. Even if necessary.

Bitcoin seems to be difficult to completely replace the rupee, the US dollar or any other paper currency. The coexistence of the two is more practical, which is why regulations have become more important. Currently, cryptocurrencies are susceptible to tweets or reactions from major investors, participants, stakeholders, observers, and even government decisions. The regulatory framework will protect it from all these influences.

There is no doubt that digital currency is the future. It is very likely that by the end of this decade, physical wallets will go extinct and you will deposit money on your smartphone, but it is unlikely that this money will only be cryptocurrency. Several governments are trying to develop their own digital currencies.

## **The interesting case of Ethereum**

“Ethereum” was proposed as a concept in 2013. An open source platform that uses the same basic concepts as the blockchain to help develop and implement new decentralized applications.

The difference between Ethereum and Bitcoin has attracted the attention of major market participants such as Goldman Sachs, who recently pointed out to investors that Ethereum is likely to exceed Bitcoin's market value of \$660 billion.

The Ethereum network shows more hope because of its real-world applications and ability to store value. Ethereum represents the future of programmable currencies and smart contracts in ways that traditional cryptocurrencies such as Bitcoin cannot.

Ethereum even supports development and can create new applications on its infrastructure, it may be a more valuable resource in the long run.

Ethereum represents a sustainable, role-oriented cryptocurrency approach that will support the future of DeFi. But many people still stay on the side-lines, waiting for the implementation of government regulations.

Although cryptocurrency investors have long complained that regulation restricts the freedoms currently available in the market, large investors and companies see the inevitable implementation of such regulation as a source of stability that may lead to mass adoption

## **Where do we stand in the next 50 years?**

Some of the current limitations of cryptocurrencies are: a person's digital wealth can be erased by a computer failure or the virtual vault can be looted by hackers, which for that matter can still be overcome through technological advancements. What is harder to overcome is the basic paradox affecting cryptocurrencies: the more popular they are, the more regulation and government scrutiny they can attract, weakening the basic premise of their existence.

Although the number of merchants accepting cryptocurrencies has steadily increased, they are still a minority. For cryptocurrencies to be used more widely, they must first gain worldwide acceptance from consumers. However, compared to traditional currencies, their relative complexity can put off most people except those who are highly skilled in dealing with them.

A cryptocurrency that aspires to be part of the conventional financial system may have to meet various standards. It must be mathematically complex (to avoid fraud and piracy) but easy for consumers to understand; decentralized but with sufficient consumer protection and protection; and keep users anonymous, and not become a channel for tax evasion, money laundering and other evil activities. The most popular cryptocurrency in a few years is likely to have attributes between the strictly regulated fiat currency and the current cryptocurrency.

But it is undeniable that Bitcoin in particular and its successful face in meeting challenges can determine the future. The fate of other cryptocurrencies in the last years.

## Cryptocurrencies: Fear or Embrace; A case study

Let's take the example of how a few nations have managed cryptocurrency well and how it's beneficial for them and also how other nations are not able to regulate the same.

- The United Kingdom, Singapore, and the United States can all teach us something in this area.
- The United Kingdom has classed cryptocurrency as property, paving the stage for cryptocurrencies to be included in the country's economy within a controlled legal framework.
- The United Kingdom has attempted to regulate the operation of crypto-businesses while also putting various limits in order to protect investors' interests.
- While there is no precise legal classification of cryptocurrency in Singapore, the amenability of cryptocurrency transactions to the country's contract law system has been thoroughly established, and a legal framework for cryptocurrency trading has already been developed.
- The open attitude taken by the government in the United States has resulted in the taxation and regulation of cryptocurrency trading. While the measures are tailored to the economic circumstances of the countries and cannot be replicated in India without modification, the global regulatory approach to cryptocurrencies provides significant insight into different approaches to achieving balanced regulation.
- The lack of a legal classification for cryptocurrencies in India should not be used as a reason to prevent its use. The government should take advantage of this opportunity to give private citizens the flexibility to employ a powerful new technology while adhering to reasonable regulatory requirements.

### Conclusion

The world of cryptocurrencies is quite fascinating and riveting. As the whole world has come a long way with technology, a digital medium of exchange like crypto can be a great option to choose. Without a doubt, there are some points that are very important to consider before you start crypto-trading. The highly volatile nature of cryptocurrencies and the crimes related to it should be taken care of. The pandemic has reinforced the need to go techno-savvy, hence, this can be the right time for many countries to extend their steps towards cryptocurrencies. As Aristotle said, "There's opportunity in every crisis", hence, the opportunity of legitimizing crypto shouldn't be ignored.

The Reserve Bank of India has planned to introduce a digital currency. So, there's a big possibility that cryptocurrencies won't be given greater importance than the digital currency. Also, Indians who are already investing in crypto may stop doing so in future if they start seeing digital currency as an alternative for crypto. The regulations pertaining to cryptocurrencies are different in different countries. If some country has declared it illegal, it doesn't mean it will be illegal in other countries. Crypto-trading can come a long way if proper regulations exist. But it is also important to keep in mind that centralization of cryptocurrencies may become a hindrance in the transparency of the system. Political interference may/may not hamper it.

### Questions to ponder upon:

1. Do the users of cryptocurrencies need any protection from it?
2. Is the world prepared for unforeseen exposure to cryptocurrencies?
3. How does cryptocurrency facilitate money laundering and other illicit activities?
4. What are the government's concerns around use of cryptocurrencies? Are the government's concerns valid?
5. To what lengths can the government regulate and mediate the use of cryptocurrencies?

6. What will be the effects of a ban on cryptocurrencies?
7. What is the intrinsic value of cryptocurrencies? They work purely on demand and supply. Given its volatility, isn't it an extremely unsafe class of financial assets, and open to manipulation?
8. What does the future hold for the regulation of cryptocurrencies?
9. How can the risks imposed by cryptocurrencies be mitigated and managed?

## **Glossary:**

### **Address**

Cryptocurrency coins are identified on the blockchain by unique addresses. You can think about the blockchain as a GPS and your cryptocurrency address as its targeted mailing address. Without an address, no coin is stored; the blockchain can't confirm nor verify its existence. So, without a proper wallet address, you can't own a coin.

### **Blockchain**

A blockchain is a digital ledger composed of all the transactions ever made in a particular cryptocurrency. These transactions are made up of 'blocks'. When a block reaches its capacity, a new block is created and so forth. Some blockchains have a limited number of blocks by design, whereas others have an infinite market cap.

### **Cryptocurrency**

Digital currency that is based on mathematics and uses encryption techniques to regulate the creation of units of currency as well as verifying the transfer of funds. Cryptocurrencies operate independently of a central bank.

### **Cryptography**

A method for secure communication using code. Symmetric-key cryptography is used by various blockchain networks for transfer of cryptocurrencies. Blockchain addresses generated for wallets are paired with private keys that allow transfer of cryptocurrency. Paired public and private keys allow funds to be unlocked.

### **Digital Currency**

A digital currency can be linked to fiat currency too. In fact, most major nations have a digital currency tied to their fiat right now, including the US and China.

A digital currency depends on trust—you rely on multiple institutions to carry out a transaction. Crypto, on the other hand, is trustless, you can verify transactions and records of the address you are transacting with in real-time.

### **Mining**

Mining is the process of verifying new transactions on a blockchain. When someone donates computer power to a miner to complete an encryption challenge, that donor is then awarded crypto.

### **Private Key**

This is the super-important string of numbers and letters you should not share with anyone. If someone is able to access your private key, you can lose your funds in a matter of seconds. This key is necessary to verify transactions when selling or withdrawing your crypto.

### **Public Key**

A public key is a string of characters used to purchase cryptocurrency. If a content creator, for example, wants to receive cryptocurrency instead of fiat for his or her content, they can list their public key. Fans can easily send cryptocurrency using the content creator's public key.

### **Public Ledger**

Each blockchain has its own ledger. Here's a link to Bitcoin's public ledger. This is the place where you can view every transaction ever made on a blockchain, given that it's public. Some coins distinguish themselves by operating on an anonymous or private ledger.

## Wallet

A crypto wallet is the place where your coins are stored. Your wallet must contain seeds, keys, and addresses to function properly. There are several types of wallets, such as hardware and software. If you use a mobile app to store your crypto, that is an example of a software wallet.

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