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**REGULATION OF THE USE OF CRYPTOCURRENCY: TECHNOLOGIES, LIMITATIONS,
AND DEVELOPMENT PROSPECTS**

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Abstract

The article is devoted to studying the current state of legal regulation of cryptocurrency circulation. Cryptocurrency has appeared relatively recently and immediately gained popularity among a certain part of users of modern financial services, as well as a misunderstanding or even complete rejection by others. In different states, the attitude to cryptocurrency also varies. Some countries, while allowing for the circulation of cryptocurrency, are developing its legal regulation, others have failed to find a better solution than to impose restrictions or even a complete ban.

Keywords

Cryptocurrency – Legal tender – Digital financial assets – Digital rights – Virtual money

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Introduction

The development of the world cryptocurrency market is an accomplished fact, including for Russia¹. Over the past few years, cryptocurrencies have been traded in Russia via the Internet using various specially created trading platforms. According to various calculations, by 2018, there were more than 1,500 types of cryptocurrencies in the world². It can be said with certainty that almost every month a new cryptocurrency appears in the world. There are forecasts that the average rate of capitalization of cryptocurrency in 2017-2023 will be 33%, and the economy of banks from the use of blockchain in 2022 is projected at \$ 20 billion. According to the same forecast, in 2027, 10% of the world gross domestic product will be stored in blockchain systems³.

It is important for the development of cryptocurrency as a financial instrument to be used as a means of payment. Unlike stock exchanges, where trading in shares is carried out and transactions are controlled by banks, the cryptocurrency market does not have proper legal regulation both in the Russian Federation and worldwide. Profits resulting from changes in the exchange rate of cryptocurrency are now freely withdrawn through payment systems, bypassing the state taxation system⁴.

The growing demand of investors for the cryptocurrency carries not only systemic risks but also threats to use digital financial assets for illegal purposes⁵.

The use of different digital currencies is conditioned, on the one hand, by the search for an optimal legal tender and, on the other hand, by the fact of using the modern trend for fraudulent purposes, which increases the risks of using such currencies. Nowadays, it is technically very difficult to trace who acted as a buyer or seller of this currency. Thus, the facts of the creation of financial pyramid schemes based on cryptocurrencies are already noted, which makes some consumers wary of this area⁶. The anonymity of a transaction

¹ N. Artemov; L. Arzumanova; A. Sitnik; Y. Smirnikova y S. Zenin, “El modelo de regulación legal de la circulación de monedas virtuales: La investigación sociológica y legal”, *Jurídicas CUC* Vol: 16 num 1 (2020): 127–144 y Y. V. Mikhalenko; E. G. Shadrina y A. I. Rashidova, “On the Issue of Criminal Prosecution for Market Abuse in Russia and the EU”, *Journal of Advanced Research in Law and Economics* Vol: 9 num 4 (2018): 1362-1364.

² S. S. Kravtsov; G. V. Bondareva y A. V. Galushko, *V sbornike: Aktualnye problemy teorii i praktiki ugolovnogo protsessa. Sbornik materialov Mezhdunarodnoi nauchno-prakticheskoi konferentsii. 2019.*

³ A Gartner Special Report. Top 10 Strategic Technology Trends for 2020. Retrieved from: <https://www.gartner.com/en/doc/432920-top-10-strategic-technologytrends-for-2020>

⁴ S. V. Korolev; Y. L. Shulzhenko; E. P. Rusakova; A. R. Batyaeva y M. N. Dudin, ‘Wrong Price Tag’ at a Supermarket in the Focus of General Principles of Law”, *Journal of Advanced Research in Law and Economics* Vol: 9 num 3(33) (2018): 1004-1010; T. Pogodina; N. Khoroshavina; E. Lobacheva; P. Pilipenko y G. Rybina, “Transformations of Consumer Behaviour In The “New” Economy”, *Amazonia Investiga* Vol: 9 num 29 (2020): 95-106 y T. P. Nikolaeva; T. A. Panovaz y A. A. Vershinina, “Specifics of the Microfinance Market Development in Russia”, *Journal of Advanced Research in Law and Economics* Vol: 10 num 2 (2020): 625 – 630.

⁵ K. Pisenko y S. Botvinnik, “Protección contra la imposición de cláusulas abusivas por parte de la posición dominante en la legislación rusa: aspectos para garantizar un equilibrio de intereses”, *Jurídicas CUC* Vol: 16 num 1 (2020): 251–268 y I. A. Strelkova; V. V. Antropov; V. V. Zubenko y P. I. Tolmachev, “The role of E-Commerce in global SCM practice”, *Revista Inclusiones* Vol: 7 num Especial (2020): 414-423.

⁶ O. I. Larina y N. V. Moryzhenkova. Problemy regulirovaniya tsifrovyykh finansovykh aktivov. Materialy II mezhdunarodnogo nauchnogo foruma «Shag v budushchee: iskusstvennyi intellekt i tsifrovaya

and lack of centralized control over it lead to the popularity of cryptocurrency among criminals of various categories and its use as a means of payment for crimes. The results of practical research show that the format of virtual currency has become the basis for financial regulation in the areas of illicit drug trafficking, weapons, financing terrorism and extremism, counterfeiting plastic cards and documents, etc.⁷.

Therefore, regulators in different countries have to take measures to regulate the circulation of such assets. Such measures may vary from simply informing the subjects of possible risks to the adoption of detailed laws establishing rules for the circulation of such assets, rights and obligations of the subjects, up to complete prohibition of circulation. At the same time, there are very different national approaches not only to regulation but also to defining the essence of cryptocurrencies (money, assets, and rights). The Russian mechanism of legal regulation is still far from being formed, and the existing draft law on the circulation of digital financial assets has not yet been agreed upon.

Currently, the topic of research on the digital economy and digital technologies in the financial sector is quite popular. Thus, several works cover the problems of application of the blockchain technology⁸; other works touch upon information risks and cyber-risks and threats⁹. There are relatively few works analyzing legal aspects of the possibility of applying digital technologies in the financial sphere. Meanwhile, to establish in the legislation reasonable mechanisms of control by the state over the activities of digital economy entities, comprehensive studies of normative regulation of digital relations are required. Therefore, studies in the sphere of cryptocurrency turnover, which allow estimating the possible efficiency of certain regulatory mechanisms, are very relevant, and, if there are new solutions, are in demand as a base of ideas for lawmakers. The hypothesis of this study: the main trend in the development of legal regulation of cryptocurrency turnover both in Russia and worldwide is the permissive and restrictive legal mechanism.

Methods

Considering that the sphere of the future regulation of digital currencies belongs to both civil and financial law, the study uses general and special scientific research methods typical of private and public law sciences. The dialectical method of cognition of reality is the main one in the presented research. Besides, the statistical method was used that allowed confirming the topicality and necessity of working out of legal regulation by the concrete figures showing the scale of distribution of cryptocurrency in modern civil circulation. The method of synthesis and the method of deduction were also used. The comparative method

ekonomika. Revolyutsiya v upravlenii: novaya tsifrovaya ekonomika ili novyi mir mashin» (Moscow: GUU, 2018).

⁷ D. A. Bezzubikov, K voprosu ispolzovaniya kriptovalyuty v prestupnoi deyatel'nosti. V sbornike: LKh Mezhdunarodnye nauchnye chteniya (pamyati N.N. Luzina). Sbornik statei Mezhdunarodnoi nauchno-prakticheskoi konferentsii. 2019.

⁸ R. K. Chitchyan, Pravovye osnovy obrashcheniya kriptovalyuty v Rossii i regulirovaniya blokcheina. V sbornike: Teoreticheskie i eksperimentalnye issledovaniya v sovremennoi nauke Materialy mezhdunarodnoi nauchno-prakticheskoi konferentsii. Sbornik nauchnykh statei. 2019 y M. Iansiti y K. R. Lakhani, "The Truth About Blockchain", Harvard Business Review num January– February (2017): 118-127.

⁹ M. R. Druzhinin, "Pravovoe regulirovanie kriptovalyut v zarubezhnykh stranakh: ugovovno-pravovoi aspekt", Voprosy rossiiskoi yustitsii num 3 (2019): 729-746 y P. Bachas; P. Gertler; S. Higgins y E. Seira, Banking on Trust: How Debit Cards Enable the Poor to Save More. NBER Working Papers, No. 23252. 2017.

of research showed the possibility of developing legal regulation, using approaches that consider international experience. The formal legal method allowed operating with the terminology necessary to define the legal essence of digital rights, digital money, and other related terms. To prove the hypothesis, based on the principle of random sampling, we found sources of information, among which were Internet sites specializing in the problems of financial markets and financial technologies, information bases of reference and legal systems, and published studies of legal regulation of cryptocurrency for 2019-2020.

Results

The global interest in private digital currencies and trends in technological development has led to rapid growth and diffusion. There are emerging new digital currencies, which differ from one another in some features. For example, there are cryptocurrencies with a stated maximum issue limit and currencies that do not have an issue limit¹⁰. Another difference of such currencies is the presence or absence of the possibility of the anonymity of the payment subject. Most cryptocurrencies are used with a pseudonym, meaning that all transactions are publicly available and the identity of the holder can be established if the necessary additional information becomes known. The concept of anonymity makes it possible to use such a unit of account in criminal segments. Besides, cryptocurrencies can be created as secured and unsecured. The majority of cryptocurrencies are categorized as unsecured¹¹ (Bitcoin, Ethereum). Recently, however, secured digital currencies, such as Tether and Digix Gold Token (which is more of an advertisement to stimulate demand), have also started appearing to stimulate demand. A cryptocurrency is considered secured if real assets with investment characteristics are pledged as security. Cryptocurrencies can be divided into goals pursued by their creators as follows: to accelerate payments or to finance start-ups¹². Table 1 shows the comparative characteristics of the three most popular cryptocurrencies.

Cryptocurrency	Issue	Centralization	Security
Bitcoin	Limited	Decentralized	Unsecured
Ethereum	Unlimited	Decentralized	Unsecured
Tether	Limited	Centralized	Secured

Table 1
The comparison of cryptocurrencies

Some cryptocurrencies have features of securities. The cryptocurrency of Pavel Durov's blockchain project TON — GRAM was recognized by the US court as a security that could not be transferred without preliminary registration¹³, which prevented the transfer of tokens to the project investors and eventually led to its collapse.

The existence of private cryptocurrency systems and peering payment systems is a fact that should not be ignored. It is necessary to develop an adequate legal framework for the existence of these systems within the national payment and financial systems. It should

¹⁰ O. I. Larina, "Perspektivy razvitiya pravovogo regulirovaniya rynka kriptovalyut v Rossii", E-Management num 4 (2019): 11-21.

¹¹ O. I. Larina, Perspektivy razvitiya pravovogo regulirovaniya rynka...

¹² O. I. Larina, Perspektivy razvitiya pravovogo regulirovaniya rynka...

¹³ Sud SSHA priznal kriptovalyutu Telegram tsennoi bumagoi. March 25, 2020. Retrieved from: <https://www.rbc.ru/crypto/news/5e7b02729a7947bafa0c48>

be noted that the project "Normative regulation of the digital environment"¹⁴ in Russia provides for the adoption of a federal law regulating the circulation of cryptocurrency and ICO (a form of attracting investments by selling new cryptocurrency units), as well as the status and possibilities of using digital technologies used in the financial sphere. Another area of the above-mentioned project includes the adoption of a federal law providing for regulation of crowdfunding activities (investment attraction activities using investment platforms). However, the legal regulation of digital assets has not yet been formed due to the lack of understanding among various Russian regulators on several conceptual issues of the existence of an "ecosystem" of cryptocurrency. Sometimes the concepts of digital currency and electronic money are mixed up, which is not correct enough. From the point of view of the analysis of legal norms, there is currently no concept of digital currency in Russia, while there is electronic money. The officially recognized form of a monetary unit is the Russian ruble. This is established by the Constitution of the Russian Federation and several federal laws, and only one subject, the Central Bank, has the right to issue money. From the point of view of analyzing the forms of possible payment instruments, they can be cash and non-cash in Russia¹⁵. Non-cash payments can also be made in the electronic form of payments implemented with the help of digital technologies¹⁶. At the same time, in the practical sphere today, the total amount of electronic money can be distinguished as fiat (i.e. legally-established form of payments) electronic money and non-fiat electronic money (i.e. referred to money surrogates, the legality of the use of which in payments is not defined). A special kind of non-fiat electronic money is virtual money (network money, crypto money, etc.), including game currency¹⁷. Despite the scope of application of electronic money in Russia, which has been regulated since 2011, the adoption of a federal law regulating the circulation of cryptocurrencies in Russia has not yet taken place, and their legal status and the possibilities of using blockchain technology in the financial sphere have not yet been defined. Only electronic money in Russia is still an official legal category. "Electronic money is money that has been previously provided by one person (the person who provided the money) to another person who considers the information about the amount of the provided money without opening a bank account (the obliged person) to fulfil the money obligations of the person who provided the money to third parties and in respect of which the person who provided the money has the right to give orders solely using electronic means of payment"¹⁸. At the same time, "money received by organizations engaged in professional activity on the securities market, clearing activity and/or activity on the management of investment funds, mutual funds, and private pension funds and accounting of information on the amount of provided money without opening a bank account in accordance with the legislation regulating the activity of these organizations are not electronic money

¹⁴ Proekt Federalnogo zakona № 419059-7 «O tsifrovyykh finansovykh aktivakh i o vnesenii izmenenii v ot del'nye zakonodatelnye akty Rossiiskoi Federatsii (o tsifrovyykh finansovykh aktivakh)» 2019. Retrieved from: <https://sozd.duma.gov.ru/bill/419059-7>

¹⁵ Grazhdanskii kodeks Rossiiskoi Federatsii (chast pervaya) ot 30.11.1994 N 51-FZ (red. ot 16.12.2019, s izm. ot 12.05.2020). Rossiiskaya gazeta N 238-239. December 8, 1994. Retrieved from: <https://rg.ru/2008/03/24/gk1-dok.html>

¹⁶ Polozhenie Banka Rossii ot 19.06.2012 N 383-P (red. ot 11.10.2018) «O pravilakh osushchestvleniya perevoda denezhnykh sredstv» «Vestnik Banka Rossii», N 34. June 28, 2012.

¹⁷ V. A. Bykov; R. V. Kolesov; S. A. Sirotkin; A. Y. Tarasova y A. A. Fedulin, "Improving external state financial control at the regional and municipal level", Revista Inclusiones Vol: 7 num Especial (2020): 178-187 y A. E. Suglobov; O. A. Repushevskaya; A. V. Tkach; L. P. Dashkov y E. I. Balalova, "E-Commerce development prospects in the entrepreneurship of the Russian Federation", Revista Inclusiones Vol: 7 num Especial (2020): 342-349.

¹⁸ Federalnyi zakon ot 27.06.2011 N 161-FZ (red. ot 27.12.2019) «O natsionalnoi platezhnoi sisteme». Sobranie zakonodatelstva RF, N 27, st. 3872. July 4, 2011.

resources"¹⁹. In the Russian Federation from October 1, 2019, the amendments to the Civil Code of the Russian Federation came into force²⁰. They determine the possibility of using in the civil circulation of "digital rights", understood as "mandatory and other rights, the content and conditions of which are determined in accordance with the rules of the information system that meets the legal requirements" (part 1 of Article 141.1 of the Civil Code)²¹. Part 2 of Article 141.1 of the Civil Code of the Russian Federation states that the holder (not the owner) of the digital right is recognized as a person who, in accordance with the rules of the information system, can dispose of this right, as well as on other grounds that should be provided by law, another person may be considered the owner of the digital right. An order includes the transfer, pledge, and encumbrance of the digital right by other means or restriction of the disposal of the digital right. Besides, the holder has the option of exercising the digital right.

In accordance with the new Federal Law "On Attracting Investments with the Use of Investment Platforms and on Amendments to Certain Legislative Acts of the Russian Federation"²², this organization implies the introduction of new types of digital assets into civil circulation: "utilitarian digital rights" and "digital certificate" — a non-issue non-documentary security (such securities are registered by depositaries). The above-mentioned innovation seems to be significant, as it proves the desire of Russian regulators to differentiate between the monetary sphere and circulation of digital assets, which, in their opinion, today cannot be a means of payment in Russia but can be a type of property. At the same time, such a position of the Russian regulator is not a global approach, and, therefore, it is not the only possible and correct. As it has already been noted before, both views of lawmakers on the nature of digital financial assets and their prospects differ considerably.

The following is a new legislative initiative. On 14.05.2020, the Ministry of Economic Development of the Russian Federation received from the Financial Market Committee of the State Duma of the Russian Federation a version of the draft Federal Law "On Digital Financial Assets and Amendments to Certain Legislative Acts of the Russian Federation" № 41059-7. This draft law proposes amendments to the Criminal Code of the Russian Federation, Article 151 of the Code of Criminal Procedure of the Russian Federation and the Code of Administrative Offences of the Russian Federation. In particular, several articles providing for very severe administrative and criminal penalties are introduced in the Criminal Code²³. For example, Article 187.1 of the Criminal Code of the Russian Federation "Organization of illicit circulation of digital rights" proposed in the mentioned draft law looks as follows. "1. The realization of activities for the provision of services aimed at ensuring the

¹⁹ Polozhenie Banka Rossii ot 19.06.2012 N 383-P (red. ot 11.10.2018) «O pravilakh osushchestvleniya perevoda denezhnykh sredstv». «Vestnik Banka Rossii», N 34. June 28, 2012.

²⁰ Grazhdanskii kodeks Rossiiskoi Federatsii (chast pervaya) ot 30.11.1994 N 51-FZ (red. ot 16.12.2019, s izm. ot 12.05.2020). Rossiiskaya gazeta N 238-239. December 8, 1994. Retrieved from: <https://rg.ru/2008/03/24/gk1-dok.html>

²¹ Proekt Federalnogo zakona № 419059-7 «O tsifrovyykh finansovykh aktivakh i o vnesenii izmenenii v ot del'nye zakonodatelnye akty Rossiiskoi Federatsii (o tsifrovyykh finansovykh aktivakh)» 2019. Retrieved from: <https://sozd.duma.gov.ru/bill/419059-7>

²² Federalnyi zakon «O privilechenii investitsii s ispol'zovaniem investitsionnykh platform i o vnesenii izmenenii v ot del'nye zakonodatelnye akty Rossiiskoi Federatsii» ot 2 avgusta 2019 g. № 259-FZ. Sobranie zakonodatelstva RF, N 31, st. 4418. August 5, 2019.

²³ Federalnyi zakon «O privilechenii investitsii s ispol'zovaniem investitsionnykh platform i o vnesenii izmenenii v ot del'nye zakonodatelnye akty Rossiiskoi Federatsii» ot 2 avgusta 2019 g. № 259-FZ . Sobranie zakonodatelstva RF, N 31, st. 4418. August 5, 2019.

issuance and/or circulation of mandatory and other rights, the content and conditions of which are determined in accordance with the rules of an information system that does not meet the requirements of the law, with the use of objects of the Russian information infrastructure, if these acts have caused major damage to citizens, organizations, or the state, or are associated with the extraction of income on a large scale — shall be sanctioned with a fine of five hundred thousand to one million roubles or at the rate of wages or other income of the condemned for the period from one year to two years or imprisonment for the period up to four years with the penalty at the rate of 500 thousand roubles or the rate of wages or other income of the condemned for the period up to one year or without it. 2. The same acts which have caused particularly serious damage or have resulted in the extraction of income on a particularly large scale shall be punished by forced labour for up to five years or imprisonment for up to seven years with a fine of up to one million roubles or at the rate of the salary or other income of the convicted person for a period of up to five years or without it"²⁴.

The proposed administrative liability measure in the new version of the draft law (in the absence of damage to third parties) is a fine from 50,000 to 500,000 roubles for individuals for the organization of illegal turnover of digital financial assets (DFA) and digital currencies, transactions with them, including foreign DFA and digital rights (including DFA and other rights), or for the provision of services for the production of digital rights and digital currency with the use of sites registered in Russia or technical facilities located in the country²⁵.

In the absence of a legal concept of cryptocurrency turnover, the authors of this draft law propose to introduce a complete ban on cryptocurrency turnover in the Russian Federation.

Discussion

As part of this study, it would be useful to analyze the legal and political infrastructure surrounding the cryptocurrency around the world. Whereas in 2014, about 40 jurisdictions were known that adopted different mechanisms to regulate cryptocurrency operations, now (2020), a much larger number of countries (about 130) have already issued laws or adopted information policy doctrines on this issue²⁶. This expansive growth is primarily due to the fact that over the last five years, cryptocurrencies have become widespread, encouraging the authorities to take regulatory measures²⁷. The information on how different jurisdictions handle the cryptocurrency market allows us to identify emerging patterns and develop better regulatory policies and practices. One of the interesting aspects of the rapidly growing cryptocurrency market is the variability and heterogeneity of the terms used, while these terms imply the same phenomena and processes. Thus, countries that use the term "digital currency" — Argentina, Thailand, Australia; "virtual goods" — Canada, China, Taiwan; "crypto-token" — Germany; "payment token" — Switzerland; "cyber currency" — Italy, Lebanon; "electronic currency" — Colombia; "virtual asset" — Mexico²⁸. However, the

²⁴ V Dume predlozhili lishat svobody za nezakonnyi oborot kriptotaktivov. May 21, 2020. Retrieved from: https://www.rbc.ru/finances/21/05/2020/5ec54f6a9a7947448e60319a?from=from_main

²⁵ V Dume predlozhili lishat svobody za nezakonnyi oborot kriptotaktivov. May 21, 2020. Retrieved from: https://www.rbc.ru/finances/21/05/2020/5ec54f6a9a7947448e60319a?from=from_main

²⁶ O. I. Larina, Perspektivy razvitiya pravovogo regulirovaniya rynka...

²⁷ Regulation of Cryptocurrency Around the World. The Law Library of Congress, Global Legal Research Center. June 2018.

²⁸ O. I. Larina, Perspektivy razvitiya pravovogo regulirovaniya rynka...

different names above are not different forms but are synonymous with the word "cryptocurrency" and are based on the same type of decentralized technology known as blockchain with its inherent encryption. Many of the resolutions submitted — warnings available in various countries — also highlight the opportunities that cryptocurrencies provide for illegal activities, such as money laundering and terrorism.

Some countries have gone beyond a simple public warning, expanded their laws on money laundering and combating terrorism and organized crime to include cryptocurrency markets in facilities that require control, and outlined requirements for due diligence for banks and other financial institutions that operate in designated markets and what is imposed on them under such existing laws. In Australia and Canada, for example, there are requirements under laws on the conduct of foreign exchange cryptographic transactions and institutions carrying them out, as well as under laws on money laundering and combating terrorism financing. Several countries regulate cryptocurrency as a mechanism for fundraising (ICO9). Some countries (China, Pakistan) out of the jurisdictions that use ICO mechanism prohibit them completely, while most of them tend to focus on their regulation²⁹.

In the majority of these latter cases, the regulation of ICO and the relevant regulatory acts of the institution differ depending on how ICO is classified. In New Zealand, for example, specific obligations may apply depending on whether the proposed token is a debt security, equity security, a managed investment product, or a derivative financial instrument³⁰. Likewise, in the Netherlands, the rules applicable to a specific ICO depend on whether the proposed token is a security or a unit in the collective investment, and the evaluation is performed on an individual basis³¹.

It should be noted that not all countries see the emergence of blockchain and cryptocurrency technology as a threat to economic security and stability. Many jurisdictions do not recognize cryptocurrencies as legitimate means of payment but see the potential in the technology behind them and develop a regulatory regime favourable to cryptocurrency, using them as a means of attracting investment in technological companies that are successful in this sector. These countries include Spain, Belarus, and Luxembourg. Some jurisdictions seek to go even further and develop their own cryptocurrency system. This category includes such countries as the Marshall Islands, Venezuela, member states of the Eastern Caribbean Central Bank, and Lithuania³².

Some countries, conscious of the risks of cryptocurrencies, have issued public warnings about the pitfalls of investing in cryptocurrency but have found that the size of the cryptocurrency market is too small to be a cause for sufficient concern and to justify regulation and/or ban at this stage. These countries are Belgium, South Africa, and the United Kingdom³³. One of the most important issues for regulators when deciding whether to invest in cryptocurrencies or use cryptocurrencies for this purpose is taxation. Therefore, the challenge is how to classify cryptocurrencies and specific activities related to them for taxation purposes.

²⁹ O. I. Larina, Perspektivy razvitiya pravovogo regulirovaniya rynka...

³⁰ O. I. Larina, Perspektivy razvitiya pravovogo regulirovaniya rynka...

³¹ O. I. Larina, Perspektivy razvitiya pravovogo regulirovaniya rynka...

³² O. I. Larina, Perspektivy razvitiya pravovogo regulirovaniya rynka...

³³ I. V. Sheverdina, "Analiz zarubezhnogo opyta pravovogo obespecheniya gosudarstvennogo regulirovaniya kriptovalyut", *Intellektualnye resursy — regionalnomu razvitiyu* Vol: 5 num 1 (2019): 212-215.

This is important because profits derived from mining or selling cryptocurrency are classified as income or capital gains, which is unambiguously treated as a taxable entity. There is also no unified opinion on this issue. Different countries have classified cryptocurrencies differently for tax purposes: Israel taxes as an asset; Bulgaria taxes as a financial asset; Switzerland taxes as a foreign currency transaction; Argentina and Spain taxes as income tax; Denmark taxes as income tax and losses are deductible; in Great Britain, corporations pay corporate tax, individuals pay income tax. It should also be noted that due to the decision of the European Court of Justice in 2015, the increase in the value of cryptocurrency is not subject to value added tax in member states of the European Union³⁴.

Many countries are in the process of developing rules for the taxation of transactions with cryptocurrency. In a small number of jurisdictions, cryptocurrency is accepted as a means of payment. In the Swiss canton of Zug and the municipality of Ticino, cryptocurrency is accepted as a means of payment even by public institutions. The Isle of Man and Mexico also allow for the use of cryptocurrency as a means of payment along with their national currency. Thus, the regulation of cryptocurrency turnover in the form of a total ban is not typical for most developed countries, and it is likely that the freedom of circulation of cryptocurrencies, with few restrictions, will be the most prominent trend in the development of cryptocurrency legal regulation in the world.

Conclusion

Thus, the legislator's goal in developing the normative legal basis for the circulation of cryptocurrency is to find a balance of risks and opportunities that such a circulation carries for users. The results of the analysis conducted within the presented article confirmed the research hypothesis. To achieve the mentioned balance, the legislator should give answers to the following questions: 1. How to protect consumers by providing them with a maximum degree of protection; 2. How to protect markets and preserve the integrity of the financial system; 3. How to provide maximum convenience of using cryptocurrency as a financial instrument.

It appears that the development and implementation of legislative regulation require close cooperation with regulatory authorities in other countries to establish common standards and approaches to cryptocurrency turnover. Such cooperation is also necessary for the uniform definition of the concepts of the digital economy in different jurisdictions. Considering the potential for cross-border use, international cooperation would contribute to the security of digital financial transactions.

It seems advisable to continue scientific research on cryptocurrencies towards the possibility of taxing the profits derived from their transactions.

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