

THE BENEFITS OF BLOCKCHAIN

Relevant for: Science & Technology | Topic: Computer Technology incl. 3-D Printing

A range of cryptocurrencies

The Banning of Cryptocurrency and Regulation of Official Digital Currency Bill, 2019 has proposed stringent penalties, including 10 years of imprisonment, for holding, selling or dealing in cryptocurrencies such as Bitcoin. Given the high chances of cryptocurrencies being misused in money laundering, various government bodies such as IT, CBDT, and the customs departments have endorsed this endeavour.

Also read

Bitcoin: the birth of an asset

While it is important to put mechanisms in place to deter bad actors, a blanket ban on all forms of cryptocurrency transactions will result in India missing out on what may become one of the biggest technology revolutions since the Internet.

While an oversimplification, blockchain can be described as a way for people to share extra space and computational power in their computers to create a global supercomputer that is accessible for everyone. Every computer connected to a blockchain network helps validate and record transactions. People who connect their computers to a network are known as validators and receive transaction fees in the form of tokens.

Regulating cryptocurrencies

Many technologists believe that the blockchain industry is poised for an explosion similar to what happened to the smartphone industry. None of us could have imagined services such as Google Maps or Uber which came to fruition due to the new mobile platform. Start-ups have already built thousands of apps on blockchain platforms like Ethereum. However, these apps aren't easily available to non-tech savvy consumers through an app store, and hence their usage remains low. They also face technical problems including scalability and slowing down of the network when many people use these apps simultaneously. New companies such as Algorand and CasperLabs are investing millions in research and development and are close to solving these issues.

Blockchain technology has the potential to create new industries and transform existing ones in ways we cannot imagine. For instance, it has the capacity to facilitate nano-payments proportionate to an individual's contribution and value creation in the Internet, making it an ideal wealth redistribution tool for our digital age.

Also read

The rise and fall of bitcoin

Even big technology companies have started to take blockchain applications seriously. Facebook, for instance, recently announced its own cryptocurrency to facilitate payments globally with minimal fees and no dependency on a central bank. Venture capitalists invested \$2.4 billion in blockchain and cryptocurrency start-ups in 2018. So far, 2019 is poised to exceed this benchmark.

None of the above is possible without the underlying tokens that facilitate transactions in a blockchain network. A law to ban holding or transacting in cryptocurrency would not only prevent Indians from reaping economic benefits by participating in blockchain networks as validators and earning transaction fees, but also stifle any innovation related to this disruptive emerging technology.

The European Parliament and European Council are working on an anti-money laundering directive, known as AMLD5. The deadline for its implementation is January 2020. All crypto exchanges and wallet custodians operating in Europe will have to implement strict know-your-customer (KYC) on-boarding procedures and need to register with local authorities. They will also be required to report suspicious activities to relevant bodies. This will not fully solve the problem since it is not always possible for the exchange to know a beneficiary's details.

The EU Commission is aware and has been mandated to present further set of amendment proposals regarding self-declaration by virtual currency owners, the maintenance of central databases registering users' identities and wallet addresses, and norms while using virtual currencies as payment or investment means by 2022. This is a more reasonable approach, and the Indian government could follow suit.

Anil K. Antony is Convener of INC-Kerala Digital Media; Ankur Prasad is the Head of Product for Amazon Moments

Please enter a valid email address.

The Trump administration's successive punitive actions against Iran can only be interpreted as a desire for direct conflict

Support Quality Journalism

Subscribe to our new online experience with zero ads.

Already a user? [Sign In](#)

To know more about Ad free news reading experience and subscription [Click Here](#)

or Please whitelist our website on your Adblocker

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com