Letter from the Executive Board:

Dear Delegates,

It takes us immense pleasure in welcoming you to the Anna University Model United Nations 2021 conference. We are honoured to serve you as Executive Board members in this edition of the conference.

We believe that each and every delegate should go through this guide, to have a clear understanding of the agenda at hand. However, this would only serve as a "Background" of the agenda and would not be covering all the aspects linked to it. Your real research lies beyond this guide and we are eager to see all of you discussing possible solutions together, applying all of your extensive research and great knowledge of the topics discussed in this committee.

Understanding both the importance and complexity of this agenda, we strongly recommend you to be prepared and well researched in committee, and at the same time request you to participate at all times, making it a learning experience for all of us. Also note, it will be important for you to have a basic understanding of how various rights get affected in the socio-legal context.

If you are participating in a MUN conference for the very first time, we would request you to have an idea of the UNA USA rules of procedure followed in committee, links to the same would be provided at the end of this guide. The rest of the work as a delegate remains the same for you, wherein you research about the agenda, your foreign policy and laws relating to the same. Please take the initiative and research accordingly.

We strongly hope that you all will come prepared and motivated to discuss the situation at hand, brainstorm together to find out solutions of the same, applying legal frameworks and in the process, take back a lot from committee. Our goal for you in this committee is to have an enriching experience by learning the art of diplomacy and at the same time see you solve real life problems happening in this world.

We are looking forward to see you in committee,

Happy Researching!

Regards,

Arvind Krishnan

Chairperson

Keerthana

Vice-Chairperson

1. Mandate

The Economic and Financial Committee, also known as ECOFIN is the second of the six committees of the United Nations General Assembly. It was formed with the rest of the General Assembly when the UN was established after the Second World War in 1945. The committee first met in London in January 1946. Since then, the committee meets once every year in October for a 4-5 week session. Its primary roles include addressing issues related to economic growth and development with specific regard to macroeconomic policy on international trade and external debt sustainability, securing financing for sustainable development, poverty eradication and globalization and interdependence.

The mandate of a committee is the expressed powers or topic areas that it has the jurisdiction to cover and discuss. According to the United Nations, ECOFIN functions to discuss issues relating to economic growth and development (including international trade, international financial system, external debt sustainability and commodities), financing for development, sustainable development, human settlements, poverty eradication, globalization and interdependence, operational activities for development, and information and communication technologies for development. Its mandate further explores groupings of nations such as Least Developed Countries to encourage regional growth and support for all nations, which is just one of the many subgroups that are formed under ECOFIN to be able to substantively solve niche issues.

2. About the Agenda

Regulating the no man's coin – the rapid rise of cryptocurrencies has regulators scratching their heads

In September 2017, China's long-rumoured restrictions on cryptocurrencies trade came into effect, sending the global prices of digital tokens reeling. Within weeks, bitcoin—the oldest and largest cryptocurrency—lost close to 40 per cent of its value, equal to around $30 billion.

Supporters of digital coins are hoping that China's move to ban most cryptocurrency transactions is only a temporary freeze. They argue that the global market, estimated at close to $200 billion today, is too tempting to shrug off and that China, which accounts for a large part of that market, will eventually substitute the ban with comprehensive cryptocurrency legislation.

But China is far from being the only country to zero in on digital coins. With the financial crisis of 2007–2008 still fresh in memory, state regulators and central banks are increasingly wary of the blockchain bonanza. They fear that the digital-only money could turn out to be an overblown bubble, ready to burst and send shockwaves throughout the "real" economy.

Most countries do not go as far as China and instead try to rein in the largely unregulated cryptocurrency market by incorporating it in their financial and banking system and applying the associated rules and laws.

A few years ago, the Fed and the European Union central bank began accepting cryptocurrencies as virtual currencies. More recently, the Islamic Republic of Iran started

preparing the use of cryptocurrencies as one of its legal payment methods. Ukraine introduced a legislation that proposes to tax the gains from "mining" and trading of cryptocurrencies. The Russian Federation is expected to regulate its market next year.

This variety of approaches to cryptocurrencies reflects the ongoing debate on the very fundamentals of the phenomenon. Legislators and market watchdogs are struggling to classify cryptocurrencies, which elude classic, pre-Internet definitions. Opposing factions fail to agree on how to regulate cryptocurrencies and even on whether to regulate them at all.

Even if consensus is finally reached, regulating the decentralized cryptocurrencies will be fraught with difficulties. China's recent ban is a blatant case in point. Faced with the September blockade, online businesses simply registered elsewhere and continued with their trade. Within a month of the collapse, cryptocurrencies made up their losses and continued their spectacular growth as if nothing happened.

Decentralized and autonomous, cryptocurrencies are governed by the users' consensus over a set of rules. They are independent from political influence and actions of monetary authorities. This also means, that in case of cryptocurrencies' non-compliance with a country's laws or regulations, there will be no institution to hold accountable.

Yet, despite these challenges, countries have serious reasons for trying to regulate the cryptocurrency market: shielding the economy from another burst bubble, protecting their citizens from uninformed decisions that could cost them their savings and making it difficult for money launderers to move cash across borders.

The very nature of cryptocurrencies makes them a likely candidate for the next financial bubble. "Traditional" assets, such as stocks, bonds, real estate, commodities or other currencies, are underpinned by real-life factors, such as the economic performance of a company or a country, housing situation or the availability of a natural resource. Although the value of these assets is also occasionally inflated, the risk of becoming a financial bubble becomes much greater without such anchors in reality.

Cryptocurrencies have no physical grounding and their price is determined largely by the demand. This means they are worth only as much as users are prepared to pay for them at any given moment, making them highly susceptible to volatility and sudden price changes. For example, earlier this month, bitcoin posted a sudden dip of 29 per cent, losing $38 billion in a matter of days. Certainly not an investment for the faint of heart.

The critics of cryptocurrencies include some prominent global financiers, such as the JPMorgan Chase Chief Executive Jamie Dimon, who recently suggested that bitcoin was mostly useful for "drug dealers and murderers." While this is an extreme view, it is true that cryptocurrencies have been used for money laundering, tax evasion and dodging international sanctions. Governments wishing to tighten their banking and tax systems to prevent these practices, will have to carefully monitor the new market of digital coins.

3. Understanding Cryptocurrency

A cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology—a distributed ledger enforced by a disparate network of computers. A defining feature of cryptocurrencies is that they are generally not issued by any central authority, rendering them theoretically immune to government interference or manipulation.

Cryptocurrencies are systems that allow for secure payments online which are denominated in terms of virtual "tokens," which are represented by ledger entries internal to the system. "Crypto" refers to the various encryption algorithms and cryptographic techniques that safeguard these entries, such as elliptical curve encryption, public-private key pairs, and hashing functions.

There isn't a single form of cryptocurrency. There exist forks or clones of Bitcoin, the first ever cryptocurrency.

4. Using/ investing/paying with cryptocurrency

Credit cards and debit cards have legal protections if something goes wrong. For example, if you need to dispute a purchase, your credit card company has a process to help you get your money back. Cryptocurrency payments typically are not reversible. Once you pay with cryptocurrency, you only can get your money back if the seller sends it back.

Before you buy something with cryptocurrency, know a seller's reputation, where the seller is located, and how to contact someone if there is a problem.

Although cryptocurrency transactions are anonymous, the transactions may be posted to a public ledger, like Bitcoin's blockchain. A blockchain is a public list of records that shows when someone transacts with cryptocurrency. Depending on the cryptocurrency, the information added to the blockchain can include information like the transaction amount. The information also can include the sender's and recipient's wallet addresses — a long string of numbers and letters linked to a digital wallet that stores cryptocurrency. Both the transaction amount and wallet addresses could be used to identify who the actual people using it are.

5. Relevance of Blockchain in cryptocurrency

Blockchain forms the bedrock for cryptocurrencies like Bitcoin. The U.S. dollar is controlled by the Federal Reserve. Under this central authority system, a user's data and currency are technically at the whim of their bank or government. If a user's bank is hacked, the client's private information is at risk. If the client's bank collapses or they live in a country with an unstable government, the value of their currency may be at risk. In 2008, some of the banks that ran out of money were bailed out partially using taxpayer money. These are the worries out of which Bitcoin was first conceived and developed.

By spreading its operations across a network of computers, blockchain allows Bitcoin and other cryptocurrencies to operate without the need for a central authority. This not only reduces risk but also eliminates many of the processing and transaction fees. It can also give those in countries with unstable currencies or financial infrastructures a more stable currency with more applications and a wider network of individuals and institutions they can do business with, both domestically and internationally.

Using cryptocurrency wallets for savings accounts or as a means of payment is especially profound for those who have no state identification. Some countries may be war-torn or have governments that lack any real infrastructure to provide identification. Citizens of such countries may not have access to savings or brokerage accounts and therefore, no way to safely store wealth.

6. Merits and demerits of using cryptocurrency

- Merits

1. **Protection from inflation –**
   Inflation has caused many currencies to get their value declined with time. Almost every cryptocurrency, at the time of its launch, is released with a fixed amount. The source code specifies the amount of any coin; like, there are only 21 million Bitcoins released in the world. So, as the demand increases, its value will increase which will keep up with the market and, in the long run, prevent inflation.
2. **Self-governed and managed –**
   Governance and maintenance of any currency is a major factor for its development. The cryptocurrency transactions are stored by developers/miners on their hardware, and they get the transaction fee as a reward for doing so. Since the miners are getting paid for it, they keep transaction records accurate and up-to-date, keeping the integrity of the cryptocurrency and the records decentralized.

3. **Secure and private –**
   Privacy and security have always been a major concern for cryptocurrencies. The blockchain ledger is based on different mathematical puzzles, which are hard to decode. This makes a cryptocurrency more secure than ordinary electronic transactions. Cryptocurrencies, for better security and privacy, use pseudonyms that are unconnected to any user, account or stored data that could be linked to a profile.
4. **Currency exchanges can be done easily –**
   Cryptocurrency can be bought using many currencies like the US dollar, European euro, British pound, Indian rupee or Japanese yen. With the help of different cryptocurrency wallets and exchanges, one currency can be converted

into the other by trading in cryptocurrency, across different wallets, and with minimal transaction fees.

5. **Decentralized –**
   A major pro of cryptocurrency is that they are mainly decentralized. A lot of cryptocurrencies are controlled by the developers using it and the people who have a significant amount of the coin, or by an organization to develop it before it is released into the market. The decentralization helps keep the currency monopoly free and in check so that no one organization can determine the flow and the value of the coin, which, in turn, will keep it stable and secure, unlike fiat currencies which are controlled by the government.

- Demerits
  1. **Can be used for illegal transactions –**
     Since the privacy and security of cryptocurrency transactions are high, it's hard for the government to track down any user by their wallet address or keep tabs on their data. Bitcoin has been used as a mode of exchanging money in a lot of illegal deals in the past, such as buying drugs on the dark web. Cryptocurrencies are also used by some to convert their illicitly obtained money through a clean intermediary, to hide its source.

  2. **Data losses can cause financial losses –**
     The developers wanted to create virtually untraceable source code, strong hacking defenses, and impenetrable authentication protocols.This would make it safer to put money in cryptocurrencies than physical cash or bank vaults. But if any user loses the private key to their wallet, there's no getting it back. The wallet will remain locked away along with the number of coins inside it. This will result in the financial loss of the user.

  3. **Decentralized but still operated by some organization –**
     The cryptocurrencies are known for its feature of being decentralized. But, the flow and amount of some currencies in the market are still controlled by their creators and some organizations. These holders can manipulate the coin for large swings in its price. Even hugely traded coins are susceptible to these manipulations like Bitcoin, whose value doubled several times in 2017.

  4. **Some coins not available in other fiat currencies –**
     Some cryptocurrencies can only be traded in one or a few fiat currencies. This forces the user to convert these currencies into one of the major currencies, like Bitcoin or Ethereum first and then through other exchanges, to their desired currency. This applies to only a few cryptocurrencies. By doing this, the extra transaction fees are added in the process, costing unnecessary money.

5. **Adverse Effects of mining on the environment –**
   Mining cryptocurrencies require a lot of computational power and electricity input, making it highly energy-intensive. The biggest culprit in this is Bitcoin. Mining Bitcoin requires advanced computers and a lot of energy. It cannot be done on ordinary computers. Major Bitcoin miners are in countries like China that use coal to produce electricity. This has increased China's carbon footprint tremendously.

7. Regulation of cryptocurrency in the USA

Nothing is more symptomatic of confusion about cryptocurrencies than its classification by U.S. regulatory agencies. The CFTC treats bitcoin as a commodity while the IRS treats it as property.

But the difference in classification has not solved underlying problems relating to cryptocurrency taxation. "The problem is a technical one," explains Perry Woodin, CEO of Node40, a Software-as-a-Service (SaaS) company for cryptocurrency tax reporting. "It's not possible to calculate your cryptocurrency tax liability without sophisticated software."

According to Woodin, tracking the cost basis and days carried for the software needs a "deep understanding" of how blockchain works. "Simply recording transactions in an Excel spreadsheet is not sufficient for calculating tax liability (for cryptocurrencies)," he says.

There is also a disparity in state and federal responses to the cryptocurrency. While states have moved with alacrity and formulated rules for initial coin offerings (ICOs) and smart contracts, the federal response to digital coins still has to move beyond platitudes about "working groups." For example, FinTech startups in New York are required to obtain a BitLicense, which has stringent requirements regarding disclosures, before an ICO. Similarly, Arizona recognizes smart contracts.

8. Case study: How the USA is trying to use cryptocurrency to increase their surveillance

One of the most important aspects of cryptocurrencies from a civil liberties perspective is that they can provide privacy protections for their users. But EFF is concerned that the U.S. government has been increasingly taking steps to undermine the anonymity of cryptocurrency transactions and importing the widespread financial surveillance of the traditional banking system to cryptocurrencies.

the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) announced a proposed regulation that would require money service businesses (which includes, for example, cryptocurrency exchanges) to collect identity data about people who

transact with their customers using self-hosted cryptocurrency wallets or foreign exchanges. The proposed regulation would require them to keep that data and turn it over to the government in some circumstances (such as when the dollar amount of transactions in a day exceeds a certain threshold).

Although EFF is still reviewing the proposal, we have several initial concerns. First, the regulation would mean that people who store cryptocurrency in their own wallets (rather than using a professional service) would effectively be unable to transact anonymously with people who store their cryptocurrency with a money service business. The regulation will likely chill the ability to use self-hosted wallets to transact with the privacy of cash.

Second, for some cryptocurrencies like Bitcoin, transaction data—including users' Bitcoin addresses—is permanently recorded on a public blockchain.

Third, the regulation could hamper broader adoption of self-hosted wallets and technologies that rely on them, or at least make it difficult to integrate these technologies with intermediaries like exchanges. The regulations make it significantly more difficult for self-hosted wallet users to seamlessly interact with other users who have wallets provided by a service subject to the regulations.

The Framework also targeted decentralized exchanges. Decentralized exchanges are typically open-source software allowing people to exchange cryptocurrency directly with each other, with no other party involved.

Cryptocurrency is important because it is censorship resistant. Many traditional financial intermediaries have engaged in arbitrary financial censorship, cutting off access to financial institutions for adult social networks, adult booksellers, and controversial websites, even when these services have not violated the law.

U.S. regulators' recent actions, including this new proposed rulemaking, threaten to undermine the privacy and civil liberties protections afforded by peer-to-peer technologies.

9. Conclusion

Science has always helped to transform mere imaginations into reality. CC is one such example where the entire concept of money and the role of government have been challenged, this has led governments either to regulate it or ban it. In my opinion, regulating and developing mechanisms to control CC would give governments more security than by banning it completely; regulating it like Germany would generate huge revenues to the government whereas, banning CCs would not serve well in the long run because more and more countries are beginning to recognize CCs. Further, recent observations by expert suggest that Bitcoin and other Cryptocurrencies might become the biggest international currency by market capitalization.[1]

The existing legal environment must modify itself to integrate, recognize and regulate CCs. It might be surprising to know that companies like Microsoft are also accepting Bitcoins. People who compared this technology to a bubble or a scam are turning out to be incorrect. In fact, in India one of the largest conglomerates, Reliance Jio is planning to launch its own CC called JioCoin, which is also reported to include smart contracts.[2] A survey conducted by The Indian Express found that CCs' worth INR 17,800 crore has been traded, which implies that the citizens are growing keen to invest in CCs' though there are no legal recourse or structure protecting our citizens.

Nobody can accurately predict the development of cryptocurrencies. If their staggering growth continues, cryptocurrencies could eventually become a viable competition for national currencies, affecting the deposits and balance sheets in commercial and central banks. This could ultimately lead to the end of the monetary system as we know it today.