# CRYPTOCURRENCIES THROUGH THE PRISM OF THE CENTRAL BANK POLITICS OF COUNTRIES FROM ASIA, AFRICA AND OCEANIA

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**Abstract:** Cryptocurrencies are a new phenomenon in a world of globalization and evolving technologies. The 21st century is characterized as a century of technological growth, and digital money as a creation of this cyber world is increasingly the subject of analysis and discussion in the economic and social space. In unison with the accompanying macro and micro environment, it is quite logical for economic entities to increase their interest in this new and unknown method of payment. On the other hand, in terms of evolution, civilization has developed and is developing on the principle of the constant striving of individuals both to seek and discover the new and to apply it in their daily lives in order to facilitate their lives and meet their needs to acquire new economic goods in the form of goods and services. Digital money as a new kind of creation of cyber technologies is developing rapidly, spreading through specially created digital crypto markets, in which risk is preferred by economic agents, as technological development precedes the regulations and policies of central banks.

The science research will provide an overview of the policies of the central banks of countries in the latitudes of Asia, Africa and Oceania in order to track the extent to which economically and legally, cryptocurrencies can be identified as a desired tool by governments and central banks. for trade and exchange of goods and services between economic entities at national and supranational level.

It can be argued that the central banks of each of the countries concerned, regardless of their geographical location, have taken a different and independent position. An analysis of the legal status of cryptocurrencies as a new and unknown way of trading and payment between individuals shows that despite their popularity they have not reached their final form and have a long way to go of socio-economic and legal nature. At present, there is no single position of central banks on the status of cryptocurrencies, which are increasingly entering our daily lives and becoming a desirable tool for meeting our needs for tangible and intangible goods.

This new way of buying and selling between individuals is a creation of the new global world, increasing its popularity and this makes it one of the most discussed topics of our daily lives. In the future, the clarification of their status quo will indicate their real status in the public space. In this regard, it can be concluded that the lack of unanimity of regulators and central banking systems can be considered as one of the main shortcomings of digital money to date. Decentralization and anonymity pose a risk and create preconditions for abuses related to tax evasion, money laundering, acquisition of illegal goods, etc.

**Keywords:** cryptocurrency, digital money, Central bank politics, decentralization, risk

## 1. INTRODUCTION

Cryptocurrencies as a new way of payment are increasingly the subject of public debate. Analyzing the essential characteristics of cryptocurrencies, they could be defined as an evolutionary stage in the development of monetary policy, conditioned by a long and long process. In fact, cryptocurrency can be seen as a new form of payment, still unknown and inaccessible to all economic agents, largely even unpopular. On the other hand, the main function of the central banks of the countries is to control the stability of the currencies and maintain their liquidity. The lack of regulation of cryptocurrencies leads to distrust of them, which can be explained by the fact that they are a relatively new element of the monetary system. This does not mean that their establishment on the financial market is impossible, as the chronicles indicate that any new product, whether a good or a service or a means of payment, was initially approached with prejudice and mistrust. Cryptocurrencies are a new phenomenon in the economic and financial macro-climate on a global scale, which cannot be compared to any other currency of national and international character.

This research will provide an overview of the positions of the central banks of countries in Asia, Africa and Oceania in order to track the extent to which economically and legally, cryptocurrencies can be defined as a desired instrument of trading and exchange by governments and central banks. of goods and services between economic operators at national and supranational level.

## 2. CENTRAL BANK POLICIES IN ASIAN COUNTRIES

### ➢ Vietnam

In October 2017, the State Bank of Vietnam made changes to the state monetary policy, according to which the distribution of cryptocurrencies from January 1, 2018 became illegal. Violators are fined $ 9,000.

Also recently, Vietnam banned the import of mining equipment. Such a decision by the Central Bank, together with the Ministry of Industry and Trade, was in response to a request from Deputy Prime Minister Qin Ding Dong on how cryptocurrency mining devices comply with current legislation. And because cryptocurrencies are recognized as illegal in the country, they decide to ban mining equipment.

- **India**

The Central Bank outlines its views on the validity of the cryptocurrency in India in its report to the Supreme Court, on the occasion of the statement of the Reserve Bank of India (RBI), in which the bank expresses its position on the cryptocurrency (Prasad, 2013). The CBI's thesis is that the constitution does not define any legal system for virtual currencies. Referring to the provisions of the Coinage Act and the Central Bank Act, the report says that the existing legal framework does not recognize Bitcoin as a currency or money. Therefore, this is not a legal payment system. Thus, the Central Bank is facing a negative reaction from the Indian cryptocurrency community as it orders banks to stop servicing cryptocurrency exchanges..

For its part, RBI believes that the Central Bank cannot be the institution that determines the legality of Bitcoin. The latter is bound by regulations - acts enshrined in the Indian constitution - that force it to take the necessary measures against the fast-growing cryptocurrency industry. RBI supports plans to regulate cryptocurrency in India.

For its part, the CBI states that RBI cannot unilaterally decide on the legality of bitcoin instead of the government.

Whatever the outcome of the dispute between the two largest banking institutions, the establishment of a regulatory framework for cryptocurrency is imminent and

the burden will fall on either the RBI or the Securities and Exchange Commission of India (SEBI). SEBI has already organized study tours for its employees in Switzerland, the United Kingdom and Japan to learn about best practices in cryptocurrency regulation.

- **Iran**

In April 2018, the Central Bank of Iran officially banned the use of cryptocurrency in the country. Working with cryptocurrencies is prohibited for all financial institutions and exchange offices. According to the Central Bank, the basis for such a decision is that virtual currencies can be used to support terrorism, money laundering and payments between attackers. Cryptocurrency trading is not allowed and such actions are subject to sanctions.

At the same time, Iran plans to create its own cryptocurrency to avoid upcoming, even tougher US sanctions. According to the chairman of the Economic Commission in the Iranian parliament, virtual currencies can help Iran get rid of the hegemony of the dollar in international trade.

- **Qatar**

In January 2018, the head of the Central Bank of Qatar Sheikh Abdullah bin Saud al Thani announced that he plans to promote the development of the cryptocurrency market as part of the establishment of a local center for financial technology (Qatar Central bank, 2018). At the same time, he noted that the Central Bank will not distribute any cryptocurrency, but will try to provide rules to regulate all virtual currencies. Shortly afterwards, the Central Bank sent a letter to Qatar's financial institutions politely asking banks not to associate with cryptocurrencies in any way: not to exchange them for other currencies, not to open accounts for their disposal, and not to send or receive cash. transfers from the purpose of selling or buying cryptocurrency. Failure to comply with the request shall result in the imposition of fines in accordance with applicable law.

- **Kuwait**

In December 2017, the Ministry of Finance and the Central Bank of Kuwait imposed a ban on cryptocurrency trading for all financial institutions and companies under their control. At the same time, this does not affect ordinary consumers, as they make transactions for the sale and purchase of cryptocurrencies on online trading platforms that are not controlled by any supervisory authority.

In 2018, Kuwait announced that it is planned to issue an electronic type of currency that is different from virtual currencies. It will resemble traditional fiat money, and will also have a number and will be monitored by the Kuwaiti government (Global Legal Research Directorate Staff, 2019).

- **United Arab Emirates**

In October 2017, the Central Bank of Abu Dhabi published a basic guide to cryptocurrency and ICO. Virtual currencies in this document are considered goods that are not specified investments (specific investment) under the Financial Markets Act. This means that mining and spot transactions with cryptocurrencies are not in themselves regulated activities. Tokens are classified as securities or exchange assets. Their status is determined on the basis of the conditions of sale in each case. The process of selling tokens is applied in the anti-money laundering legislation of the country, as well as in the customer knowledge methodology (KYC).

In April 2018, the gold-backed cryptocurrency OneGram was launched in the UAE to convince Muslims that the cryptocurrency complies with the laws of their religion. Also, all government and control is built on strict adherence to the principles of the Qur'an / the holy book of Islam /. After the UAE approved the cryptocurrency, the UAE control system focused on controlling this new financial and economic object, as the overall UAE control system „strictly protects property rights, protects the rights and obligations of individuals, seeks to properly distribute risks. and transparency of contractual relations“ (Nedyalkova, 2019).

- **Pakistan**

In April 2018, the State Bank of Pakistan (SBP) banned all financial institutions in the country from conducting operations with ICO cryptocurrencies and tokens. The SBP issued said: „Virtual currencies and ICO symbols are not legal tender issued or guaranteed by the Pakistani government. SBP does not issue licenses to organizations or individuals that would allow them to issue, exchange, buy, sell or invest in any virtual currency in Pakistan“ (Golos, 2019). Analyzes indicate that the Federal Revenue Council (FBR) is investigating economic entities that have traded digital money to conceal income (Khan, 2017).

- **Singapore**

According to the Monetary Authority of Singapore (MAS - analogue of the Central Bank), cryptocurrency is not a legal tender. That is why Singapore has decided not to regulate the cryptocurrencies themselves, but only activities related to them, in order to eliminate the risks of money laundering and terrorist financing.

In October 2017, MAS chief Ravi Menon stated that the government would not introduce additional regulation of the cryptocurrency market. The most important thing for the authorities is to stop any attempt to circumvent the rules on combating money laundering and terrorist financing.

As far as ICOs are concerned, digital symbols that represent a share of capital, a debt obligation or a share in a collective investment scheme (CIS) must be considered as „securities market products“ (Monetary Authority of Singapore, 2018). Persons wishing to affix such digital symbols must go through the MAS registration procedure. Small investors are exempt from the need to register.

- **Tajikistan**

In January 2018, the National Bank of Tajikistan announced for the first time its official position on the use of cryptocurrencies in the country: „The use of bitcoin in Tajikistan is not fixed at all at the legislative level, therefore cryptocurrencies are not recognized as a means of saving or exchanging, or as a unit of account“ (Ашуров, 2018).

The National Bank also noted that due to the anonymity of most transactions, cryptocurrency can be used to conduct suspicious transactions, as well as the fact that it is not responsible for losses and risks associated with the use of virtual currencies.

- **Uzbekistan**

In Uzbekistan, cryptocurrency transactions are officially legalized. All transactions related to the exchange and purchase and sale of cryptocurrencies are exempt from taxes and the income received is not included in the tax base.

At the suggestion of the Central Bank, from October 1, 2018, all activities on the cryptocurrency market in Uzbekistan, including mining, are subject to mandatory licensing and in fact this legalizes them throughout the country. It is also planned to gradually introduce blockchain technology from 2021. in all sectors of the economy and the life of the state: from the work of state agencies, government procurement to the issuance of loans and clearing operations in the banking sector.

- **South Korea**

The opinion of the Central Bank of South Korea is that the regulation of cryptocurrency will contribute to improving the security of the financial system, but it is unclear how this will happen. So far, the country has a ban on ICOs, introduced in September 2017.

- **China**

In September 2017, the National Bank of China issued a decree banning ICOs in the country (Zhang, 2018). And it's not just about owning new ICOs. Individuals and organizations that have already had an ICO must return the funds to all investors. Later, direct transactions between bitcoin and the yuan were banned.

In March 2018, the head of the People's Bank of China Zhong Xiaochuan said that the bank does not recognize cryptocurrency as a means of payment and is convinced that the rapid spread of such "unreliable" financial products could lead to the most unpredictable negative consequences for the financial market.

In July 2018, the Central Bank announced that the cryptocurrency market in China had almost disappeared as a result of the authorities' banning policy, which they have been implementing since the beginning of this year. The statement said that China "with zero risks" has eliminated 88 cryptocurrency exchanges and 85 blockchain platforms conducting ICO, which have been operating in the country since September 2017.

- **Japan**

In July 2018, the Japan Financial Services Agency (FSA) announced that it intends to change the legal status of the cryptocurrency due to security issues in local crypto exchanges. Cryptocurrencies are currently seen in Japan as a means of payment, as is electronic money, but with the passage of the new law, they could gain financial product status. This will allow the introduction of such cryptocurrency derivatives as exchange traded funds (Umeda, 2016).

## 3. CENTRAL BANK POLICIES IN AFRICAN COUNTRIES

### ➢ Nigeria

On January 17, 2017, the Central Bank of Nigeria issued a circular informing all banks in the country about the ban on any banking transactions in bitcoin or any virtual currency. Later in the year, however, the Central Bank issued a clarification of the circular and official position on bitcoins, noting that the document had been misinterpreted. "The central bank cannot control or regulate bitcoin. The central bank cannot control or regulate the blockchain. Just as it is impossible to control or regulate the internet. It does not belong to us "(Opeyemi, 2017), the statement said. Later, the Central Bank and the Nigerian Deposit Guarantee Corporation set up a committee to study the country's ability to introduce state-level blockchain technology. A report has been submitted, but some subcommittees continue their work.

### ➢ South African Republic

In general, there is still no regulatory framework for the cryptocurrency sector in South Africa. In April 2018, the Central Bank established a self-regulatory body, which it commissioned to review and outline the regulatory framework for the cryptocurrency business.

South African financial regulators view Bitcoin as an intangible asset, respectively, it is necessary to pay income tax on cryptocurrency transactions. In April 2018, the South African Federal Service for Taxes and Fees (SARS) issued a statement stating that taxpayers are required to declare any income from cryptocurrencies: income from the sale of services and goods, miners' remuneration and profits from commercial operations. Fines will be imposed for ignoring this requirement.

## 4. CENTRAL BANK POLICIES IN OCEANIA

### ➢ New Zealand

Initially, the status of cryptocurrency in New Zealand was equal to the status of virtual goods. But in the fall of 2017, the New Zealand Financial and Regulatory Authority (FMA) equated cryptocurrency transactions with securities transactions. According to the FMA, even if tokens do not fall within the definition of financial products (ie they are not debt and equity securities, derivatives and managed investment products), they are still treated as securities and should be regulated in accordance with the law on financial conduct. markets of 2013 and meet the requirements of the Fair Competition Act of 1986 (Financial Markets Conduct Act, 2013). The regulator recommends remembering that the Bitcoin exchange rate is very volatile and is not always accepted for payment. It is also noted that crypto-investors can fall victim to fraudsters and their funds, which are stored in crypto-photos, can be stolen.

### ➢ Indonesia

In January 2018, the Bank of Indonesia announced that cryptocurrencies would not be considered legal tender in the country. At the same time, in the same month, the central bank announced that it was considering issuing its own cryptocurrency.

In June 2018, the local financial regulator announced that it recognizes cryptocurrencies as exchange traded goods that can be traded on the Indonesian futures market. In the near future, the Central Bank and its tax department plan to complete the development of rules for regulating the operation of cryptocurrency exchanges in the country and their taxation. At the same time, trading platforms are given the opportunity to make their own proposals for market control in the country.

## 5. CONCLUSION

Cryptocurrencies as a new phenomenon in the global financial system face many difficulties in order to achieve equivalence with fiat money. In this regard, the role of central banks is particularly important for the creation of regulations and clarification of their status. Based on the above, it can be concluded that there is still no unified position of the central banks of the countries in the latitudes considered in the research on cryptocurrencies as a new instrument for payment and trade between economic entities. This new way of buying and selling between individuals is a creation of the new global world, increasing its popularity and this makes it one of the most discussed topics of our daily lives. In this regard, in the future the clarification of the status quo of digital money will indicate their real status in the public space. It can be concluded that this lack of consensus among regulators and central banking systems can be considered one of the main shortcomings of digital money to date. Decentralization and anonymity pose a risk and create preconditions for abuses related to tax evasion, money laundering, acquisition of goods not permitted by law, etc.

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