CRYPTO CURRENCY

Introductory thoughts on the current situation

Since the beginning of the economic crisis, in 2008, the Central Banks have literarily flooded the financial markets with liquidity. This has led to a decrease in the public's trust in the efficiency of controlled monetary systems and to a search for alternatives to the existing currency systems. Crypto Currency, which aims to reduce the supremacy of the State and the Central Bank, giving investors greater independence, lies at the centre of the discussion of alternative currency systems.

Crypto Currency, for example Bitcoins[1], are a particular method of digital payment. Traditional currencies function through the buying of securities, stocks and bonds by the Central Banks, as well as lending by creditor institutes. Crypto currencies, on the other hand are based on algorithmic computer operations, which are carried out autonomously by their user, independent of the banks. The basics are computer programmes known as Blockchains. These are databases, or rather data blocks, which are attached to computers worldwide. They are connected and interdependent. They enable transactions to be registered and permanently saved. (Mining[2]) The creation of such data blocks requires extremely complex and difficult mathematical calculations. This complicated Blockchain technology slows systems down and the immense energy demand makes them very expensive.

Crypto currencies are created independently of the central and decentral existing financial systems[3] and state institutions. The original intention was the creation of methods of payment which, in day-to-day business, enable quick and, therefore cheap, transactions carried out in transparent and deregulated markets. This, however presupposes a certain stability of the intended "Lubricant of Exchange". It is unclear how this can be achieved through simple supply and demand in unregulated Internet markets. In practice, we have seen, at times, substantial price rises and fluctuations caused by speculation. In mid-December 2016, a Bitcoin was worth almost $20.000, compared to little more than $6.000 in February 2017, only to rise thereafter to $12.000. The excess rates, in the case of Bitcoins, are a result of mechanisms in the system which are well known in capital markets: "The upturn feeds the upswing". This is a high risk for market actors: a sudden change of direction in the upward trend can lead to dramatic unforeseeable losses.

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[1] The Crypto currency Bitcoin was developed by an unknown economist (pseudonym: Satoshi Nakamoto). Bitcoins are, together with many other independent digital currencies, one of the most important cyber currencies which have, due to exorbitant market developments, enjoyed public interest. The ranking list of value (January 2018): 1. Bitcoin; 2. Ether; 3. Ripple; 4. Bitcoin Cash; 5. Cardano; 6. Litecoin. For further information see: www.coinmarketcap.com.

[2] This occurs through so-called Miner, which register transactions and save Blocks.

[3] Central and Commercial banks.

Observations show that transactions with Crypto currencies have not reached the initial expectations of investors. The most possible explanation is that the transmission system of the Blockchain technology[4], with its high-energy requirement, is too slow and too expensive. Furthermore, the necessary software is completely overloaded. This has most certainly to do with the introduction of trading with Futures[5], which began in December 2017. For as long as the lack of stability continues, Crypto currencies will remain an unsuitable store of purchasing power. The future importance of cyber currencies will depend on their use as a method of payment and the value memory.

In practice, it can be difficult, in individual cases, to find partners who are prepared to enter contracts using crypto currencies for payment. As long as they are not generally considered a means of exchange, crypto currencies will not be seen as near-money assets. At present, only drug dealers, terrorists, blackmailers and money launderers are interested in these digital methods of payment, due to their anonymity, which is a central element of criminal behaviour within the economic system. Therefore, in the fight against crime and in the forming of new laws, it is important that crypto currencies are considered.

It is questionable whether Crypro currencies will ever become as popular as optimistic users today expect them to be. However, should this be the case, the consequences for the established economic world could be disastrous.

Critical observers see Crypto currencies as one of the causes of the internet bubble. Critics of society consider Crypto currencies and their effect on the economy as a typical example of the perversion of a private capitalist system. Unlike normal goods (commodities and services), these currencies have no inner (practical or consumption) value and are not covered by exchange value, or obligations to pay, as in the case of bonds of debt or share rights, in the case of shares. They are basically worthless, like construction waste at the side of the road. Crypto currencies only attain a certain value, which means they obtain a (positive) price, not taking into consideration speculative growth, when trust develops in them as a limited, recognised method of payment.

Whilst no regulations for Crypto currencies exist, within the laws of the finance market, the central banks have no means of control or intervention. Commercial banks can, for example, invest their liquidity in Bitcoins without depositing any capital. It is arguable whether one should ban these currencies simply because they influence central monetary policy.

However, there are reasons why the central banks have certain reservations towards Crypto currency. Under present law currency bills have no opportunity to ban regulate or even Crypto currency. Should Crypto currencies indeed become as successful as optimistic users expect, this would seriously inhibit the control possibilities of the

[4] It is unlikely that Blockchain will become a significant future technology leading to the development of new finance systems. The next twenty years will show whether this will be the case.
[5] Bitcoin-Futures involves speculation as to the future value of Bitcoins without actually owning them.

Central banks. They would find it progressively difficult to fulfil their statutory mandates using money and interest.

The central banks could, however, within the framework of their sovereign supervision of banking, lay down standards and regulations for the commercial banks for the use of Crypto currencies. Customers of credit institutions would then be subject to these regulations, concerning Crypto currencies, and would have to meet requirements regarding transparency, the more so as banks are bound, in their own interest to identify customers. Bank customers would no longer remain anonymous when exchanging virtual Crypto currencies for their national currency or in other transactions from their bank account.

All transactions based on Crypto currency, including the launching of funds, should be under the jurisdiction of the European Financial Supervision.

Should these adjustments to Finance Market Legislation not improve the situation, the State would be obliged to intervene with further provisions. An example would be that the costs for transactions carried out with Crypto currencies no longer, or only under certain restricting conditions, be recognised.

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