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In conjunction with the emergence of new types of currency, central banks around the world face the challenge of developing an approach to cryptocurrencies in general and to bitcoin in particular. Many participants in the financial markets already actively use Cryptocurrencies, and their popularity is growing rapidly, especially among currency speculators. It is no longer possible to ignore the emergence of new monetary instruments, and regulators need to respond to the situation (Dubiansky, 2017a).

In most countries of the European Union and the United States, the reaction to cryptocurrencies is positive in general, and bitcoins are legal payment instruments, since there is no direct ban on their circulation in the legislation. In a number of other countries, such as Russia, China, India, Sweden, etc., bitcoins are still illegal means of circulation in official transactions. In Russia, the Ministry of Finance proposed the introduction of criminal liability for the use of cryptocurrencies, which include bitcoins. However, even in countries where the circulation of cryptocurrencies is not legally prohibited, they do not have a clear legal status. Critical currencies need a legal status for their mass use by major players in the currency and financial markets. Consequently, at present, the state would have to accept the cryptocurrency generated by the market and choose it as new kinds of currency.

The central bank as the representative of the interests of the state in the monetary system is to use the technology of the blockchain, or technology of distributed registries underlying bitcoin and other cryptocurrencies, to create a domestic counterpart bitcoin. The Russian analog of bitcoin could complement the ruble, operating in a special isolated “circuit,” and be used for transactions in the financial markets. This circuit should not intersect with another circuit in which the “normal” Russian ruble would apply. A similar configuration of the monetary system existed in the

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USSR, when the turnover of cash and non-cash money were divorced. In the context of the digital economy and the heterogeneity of the economic space, the prospects for the creation of multiple forms of money are becoming more real (Dubiansky, 2017b).

Cryptocurrencies are better suited for transactions in financial markets where a high level of trust and security of transactions are required. The regulator can create a centralized data bank for security purposes, but in this case, a high level of system reliability and continuity of its operation is required. In case of using blockchain technology, market participants can store all information on their own servers and check transactions, secured by cryptographic algorithms. Due to the absence of intermediaries, transactions can be cheap or even free.

Russia already took the first steps to introduce cryptocurrencies as legal currency. In particular, the Ministry of Finance has put forth legal definitions for mining, cryptocurrency, token, etc.¹ For example, a cryptocurrency is defined as a digital financial asset that is created and recorded in the distributed register of digital transactions by the participants of the register in accordance with the rules of the register.² This writer believes that in the future, the relevant legislation will be adopted, which will introduce cryptocurrencies into the legal field and the state will be able to effectively manage the cryptocurrency market.

References

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¹Ministry of Finance of the Russian Federation https://www.minfin.ru/ru/document/?id_4=121810, retrieved on October 29th, 2020.

²Информационный портал «Майнинг Криптовалюты» at <https://mining-cryptocurrency.ru/minfin-zakon-o-kriptovalyute-i-majninge/> retrieved on Apr. 29th, 2019.