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Virtual Currency Societal Impact Today: Mitigate the Risks through Regulatory Framework

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Abstract

Virtual currency has been at the heart of debates for a long time. The difficulty comes from the fact that being electronic, it is elusive and states have not finished thinking about the best way to limit its risks on the economy in general. Basis of capital outflow and presenting an open risk to the fight against money laundering, virtual currency is subject to regulation by countries. While some have clear-cut legislation, others are still struggling to find an adequate legal framework. Meantime, initiatives are well underway. Whether national laws are important to reduce the risks of virtual currency, cooperation between states is just as relevant. This work reviews the risks of the use of virtual currency in society, provides an overview of national legislation and international initiatives in adopting rules on the matter before making recommendations.

Keywords

Virtual Currency, Regulation, Risks, Legal Framework

1. Introduction

Among innovations observed in close connection with technological developments in the online world, a significant one is virtual currencies which have sparked virtual communities (European central bank, 2012). These communities have created and circulated their own currency. Bitcoin which is the world's first cryptocurrency is just one of over 500 virtual currencies in existence. Launched in January 2009 by its creator, a computer programmer using the alias Satoshi Nakamoto bitcoin is a peer-to-peer operation where buyer and seller interact directly without the need for a third-party intermediary, such as a financial insti-

tution, to handle payments (Nick Burkill & Le Croy, 2015). It has no physical presence and, as it bypasses financial institutions and encrypts user identities, it affords the user complete privacy. Users can obtain bitcoins in four ways: by purchasing bitcoins on a Bitcoin exchange, accepting bitcoins as payment for goods or services, earning bitcoins through a competitive "mining" process (payment processing work in which users offer their computing power to verify and record payments into the public ledger), or exchanging bitcoins with others (Internet crime complaint center, 2014). From the European Central Bank perspectives, virtual currency is "a type of unregulated, digital money…issued and usually controlled by its developers…used and accepted among the members" (European central bank, 2012).

Bitcoin, the most known and used virtual currency is increasingly accepted by mainstream retailers including Apple app store (The swift institute, 2014). In December 2013, one Bitcoin was evaluated to US$1117 on Mt. Gox, the world's best-known Bit coin trading platform almost the price of gold per ounce which was on the New York Mercantile Exchange about US$1214 (Cryptocurrency fraud, constantinecannon.com).

Virtual currencies which may be exchanged in conventional currencies are becoming a revolutionary new form of payment in the real world. At such, Bank of America states that Bit coin could become "a major player in both e-commerce and money transfer" (Global economy, 2013) even though people have been warned by governments and centrals banks about the risks prior to the explosion of virtual currencies.

Throughout years, virtual currencies have expanded to become a global concern fueled by the lack of regulation, a non-cooperative environment and existing anonymity. The more it popularity grows, the more, it becomes subject to fraud and criminal activities. Consequently, it is easier for fraudsters to use it as a medium for frauds, drug dealing and money laundering. Bitcoins and other virtual currencies may be the way for the future, but they are opening new doors for scammers (IC3, 2014). Albeit, the regulatory landscape is gradually taking form to avoid a "no man's land", government authorities' actions are handled by the fact that "Bitcoin network is managed by nobody and everyone at the same time" (Who controls bitcoin, crypto 2022). Virtual currencies generate keen interest from internet technology developments observers, governments, banking institutions and ordinary people alike. This paper examines the risks of virtual currencies and explores the growing regulatory environment to mitigate their effects in financial transactions.

2. Risks Related to the Embeddedness of Virtual Currencies in the Society

2.1. Virtual Currencies and Fraud

Virtual Currencies and Ransomware Scams

The use of virtual currencies very often leads to new forms of fraud and criminal activities. For instance, they have played a major role in the ransomware market.

Ransomware is the use of malware restricting access to a computer system that demands a ransom to be paid in virtual currency to remove the restriction and decrypt data. Starting from around 2012 the use of ransomware scams has grown internationally (Dunn, 2012). Cryptolocker was particularly successful, procuring an estimated US$3 million before it was taken down by authorities (Ward, 2014) and Cryptowall was estimated by the US Federal Bureau of Investigation (FBI) to have accrued over US$18m by June 2015 (Gallagher, 2015).

2.2. Virtual Currencies Scams Complaints Display 3 Trends

2.2.1. Victims Not Receiving Their Crypto-Currency Equipment

The Internet Crime Complaints Center revealed three trends in Virtual currencies scam complaints (IC3, 2014). The first trend is the victims not receiving their crypto-currency equipment or mining after they paid for. As a matter of fact, 20,000 consumers filed a complaint against "Butterfly Labs" a Bitcoin mining operation offering a service. Following investigation to the complaint, the Federal Trade Commission ordered Butterfly Labs to stop operation and froze the company's assets in addition of restitution to the victims.

2.2.2. Victims Computer Damaged or Stolen

In their desire to participate in crypto-currencies forum, victims may send high performance computers that the prices ran from $2499 to nearly $5000 to crypto-mining and data-centers to join others in a winning pool. Only they get scammed by the operators. The losses generally include computers damaged or stolen. On top of that, they also receive little or no cryptocurrency at all.

2.2.3. Hacking of Victims Virtual Wallets

Ultimately, victims have also reported hacking of their virtual wallets followed by blackmailing when they tried to get their money back. For fraud investigators who face many challenges, it's hard enough tracking real money without now having to try to collect transactions undertaken in an anonymous and complex environment (Cryptocurrency fraud, constantinecannon.com).

2.3. Ponzi Schemes Using Virtual Currencies

In 2013, The Security Exchange Commission's Office issued an alert to address investors about fraudulent investment schemes that may involve virtual currencies (Investor alert, 2013); Ponzi scheme, listed among investment fraud is a vicious circle as it lures new investors into investing funds for alleged returns from previously existing investors. The fraudulent actors focus on attracting new money to make promised payments to earlier investors and divert some of these invested funds for personal use. Investors are often easy prey when it comes to new business opportunity.

As with many frauds, Ponzi scheme organizers often use the latest innovation to entice wealthy investors attracted by high returns.

Case of SEC vs. Shavers

In July 23, 2013, the Securities and Exchange Commission charged Trendon Shavers, founder of Bitcoin Savings and Trust (BTCST) with defrauding investors in a Ponzi scheme involving Bitcoin. The Securities Exchange Commission filed a complaint against the company pursuant to federal securities legislation which prohibits fraudulent offers and sales of securities (SEC official site, sec.gov).

1) Case Facts

The organizer advertised online a Bitcoin investment opportunity. Shavers posted general solicitations on a website dedicated to discussions and fed investors with false assurances about his investment opportunity as "it's growing, it's growing and "I have yet to come close to taking a loss on any deal" and "risk is almost 0" according to Shavers own words. Aftermath, Shavers raised 700,000 Bitcoins amounted to more than $4.5 million. The SEC alleges that Shavers promised investors up to 7% interest per week and that the invested funds would be used for Bitcoin arbitrage activities in order to generate the returns. Instead BTCST was a mirage and a Ponzi scheme in which Shavers used Bitcoin from new investors to pay existing investors and exchanged into U.S. dollars for his own pleasure.

2) Court ruling

The federal district court ruled that such Bitcoin-denominated investment vehicles should be considered as "securities" under federal securities legislation. The SEC's complaint charges Shavers and BTCST with offering and selling investments in violation of the anti-fraud and registration provisions of the securities laws, specifically Section 5(a) and 17(a) of the Securities Act of 1933 amended; Section 10(b) of the Securities Exchange Act of 1934 and Exchange Act Rule 10b-5. In addition to other relief including permanent injunctions, disgorgement of ill-gotten gains with prejudgment interest, and financial penalties, the SEC froze Shavers and BTCST assets. Ponzi scheme is the typical example of scam using this time digital currency instead of conventional money. This case shows that Ponzi schemes operate with and under new technologies. According to the SEC's complaint Shavers sold BTCST investments over the internet to investors in Connecticut, Hawaii, Illinois, Louisiana; Massachusetts, North Carolina and Pennsylvania. That means in each of this state, a lot of persons fell right into the scam.

3. Virtual Currency and Money Laundering

Virtual currencies present new challenges for international anti-money laundering (AML) enforcement. Whilst they have legitimate uses, they offer real-time, low-profile conduits for criminals to transfer funds and launder traditional currencies. The key appeal of the virtual currency industry to criminals is its anonymous nature, which allows criminals to participate in financial network and convert, transfer and withdraw funds without detection, quickly and easily across borders. The peer-to-peer basis of virtual currencies allows criminals to evade

sanctions and AML controls, and facilitate contemporary criminal activities. As a consequence, the regulation of virtual currency exchanges has been identified by governments as a key requirement for effective AML efforts (Nick & Le Croy, 2015).

3.1. Factors of Money Laundering Risks

Virtual currencies exchanges display characteristics that play as factors of money laundering risks.

3.1.1. The Presence of Unregulated Participants and Lack of Transparency

Virtual currencies are produced by natural persons, activists and private-sector companies (Ibid). The primary advantage of virtual currency for users is that it provides anonymity for transactions. With many virtual currencies, although the identities of principals and beneficiaries are encrypted, transactions are recorded in a public register, thus ensuring their traceability. Nevertheless, traceability of virtual currency flows does not address the issue of the hidden identities of the principal and effective beneficiary. This circumstance displays a lack of transparency in the whole virtual currency system and may hinder world financial system.

3.1.2. Extraterritoriality and Convertibility to Legal Tender

With internet technology, virtual currencies can conceal and expand money laundering and fraud techniques. The difficulties created by virtual currencies stem as much from the transnational nature of transactions and participants alike as from the elusiveness of the various stakeholders. This is particularly the case when the servers, evidence that serve as proof, individuals and legal entities that use them are located in non-cooperative countries and territories.

The transition from virtual currency to conventional currency is a critical step and special software is used to elude law enforcement controls. Once a transaction is complete, it is easy to liquidate an account and open a new one at any time, allowing users to sustain anonymity.

The aforementioned features of victual currencies create a perfect canvas for criminal activities. As a matter of fact, bitcoin was the currency of choice in transactions on Silk Road in order to evade detection (Global Drug Policy Observatory (GDPO) Situation Analysis, 2013).

3.2. How Are Virtual Currencies Used to Launder Money?

Virtual currencies may be used to finance criminal activities such as transnational credit card forgery and facilitate the laundering of proceeds from those activities.

3.2.1. Anonymous Block Transactions

The anonymity provided by virtual currencies allows fraudsters to collect money without leaving a footprint. Zerocoin and Darkcoin, for instance, combine fully

encrypted transactions and anonymous block transactions (ibid).

3.2.2. Dark Wallets

Dark wallet was created to enhance anonymity of Bitcoin transactions. However, As of December 2020, the site was no longer available (Frankenfield, 2021). Nevertheless, dark wallet inspired many anonymity projects such as Samuraï wallet and Monero which was created to obfuscate virtual currencies transactions (Ibid).

3.2.3. Creation of Several Virtual Currency Accounts

To launder money through virtual currency, criminals also create several virtual currency accounts using false information. These accounts are used to perform a large number of transactions. The funds can then be withdrawn from a bank account, and it is impossible to trace the source of those funds (Burkill & Le Croy, 2015).

3.2.4. Transnational Credit Card Forgery Using Virtual Currency to Launder Money

Case of Western Express International, Inc.

1) Case Facts

A joint investigation by US Secret Service and the Manhattan District Attorney's Office was conducted against Western Express, a multinational, resulted in convictions or guilty pleas for fraud, associated with other criminal acts for its role in a global identity theft cyber fraud and reshipping schemes. The New York Corporation based in Manhattan operated as a virtual currency exchanger and unregistered money transmitter to coordinate and facilitate the internet payment methods and to launder the group's proceeds. Members of the group located in Ukraine, also throughout Eastern Europe and the United States managed web sites devoted to trafficking in stolen credit card and personal identifying information, used false identities, anonymous accounts, to conceal the existence and purpose of the enterprise. 100,000 stolen credit card numbers and other personal identification information were sold through the Internet, mostly in e-Gold and Web Money. The buyers used the stolen identities to forge credit cards and purchase merchandise for their personal use. It was discovered that the fraudulent activities generated about USD 5 million in credit card fraud proceeds.

2) Case Analysis

The case highlights two figures. Fraudsters are wont to use not only one method but two or three associated at once; that way they cause a larger impact on the victims. Second the joint action between two different law enforcers within the same country. Such cooperation is needed not only at internal level but at international level to curb criminal activities related to the use of victual currencies and other related fraudulent activities.

4. Virtual Currencies and National Regulations

Virtual currency raises jurisdictional issues that prevent government authorities

to focus on their efforts to regulating virtual currency exchanges. Nevertheless, government initiatives that either comply with virtual currency or put some restrictions to the use exist and have yet to prove their effectiveness. On one hand virtual currency is governed by a set of restrictions and initiatives in the pipeline; on the other hand, true laws are enacted in prevention of fraudulent activities associated with the growth of virtual currency. A report provides the analysis of jurisdictions popular among Bitcoin businesses (Global impact, 2017). While some have a clear cut legislation on virtual currencies, some have not yet worked out a regulatory framework.

4.1. Regulations in the Pipeline

As far as United States is concerned, there is not a consistent legal approach at the state level. All progress made is towards developing federal legislation on cryptocurrency (Comply Advantage, 2022). Thus, in December 2020, the Financial Crimes Enforcement Network (FINCEN) proposed new cryptocurrency regulations to impose data collection requirements on cryptocurrency exchanges and wallets. The rule if implemented will address the issue of anonymity in transactions using virtual currency. The rule is expected to be implemented by fall 2022.

China has been a main player in the acceptance of this virtual money as a viable currency. A key factor in this is one of the most successful bitcoin charities organized by Chinese film star Jet Li, according to bitcoin Magazine (Buterin, 2013). As a matter of fact, in April 2013, Li's one foundation, accepted 230 bitcoins ($30,000) in donations. Though in December, 2013 China announced that it would prevent its banks from making any transactions involving virtual currency, thus, putting a limitation to the use of virtual currencies towards an effective regulation of virtual exchanges. However, the approach changed in September 2016, as the vice-governor of the People's Bank of China announces the creation of their own digital currency (Altcoin Today, 2016). In September 2021, China put a total ban on cryptocurrencies but announces via China's central bank, an official digital currency called e-CNY digital. That is a major move for e-CNY comes as a replacement of all cash and coins.

As of February 2022, India's legislative status of the use of cryptocurrencies in the country was unclear. However, back in 2019, a bill suggesting that a complete ban on cryptocurrencies was on the way, but did not get to be implemented. As such, all private cryptocurrencies were doomed to be banned, with the exception of all state-issued virtual currencies. Although the Indian government has expressed its opposition to private cryptocurrencies, in November 2021, the Standing Committee on Finance concluded that cryptocurrencies should be regulated rather than banned currency. This decision advocates a change in the area. While some states adopt restrictions over the use of virtual currency to prevent abuse, others have a more elaborate reaction of adopting laws to control its use.

4.2. Existing Regulations on Virtual Currencies

Based on the amended Money Laundering and Terrorist Financing Act of 2019, exchanges in Canada are subject to the same rules and reporting obligations as money services businesses. Thus, in February 2020, the virtual currency travel rule was enacted, requiring all financial institutions and money services businesses to keep track of all cross-border transactions using virtual currencies as well as all electronic funds transfers (Comply Advantage, 2022).

In Singapore, under the 2019 Payment Services Act, operators are required to obtain an operating license. Singapore's recent regulatory efforts reflect a renewed international interest in its crypto industry. Indeed, in 2021, China's crackdown on cryptocurrencies has prompted many leading Chinese service providers to migrate to Singapore (The Times of India, 2021).

In Japan, bitcoin issues were addressed in its Payment Services Act which was amended at the end of 2016 (Umeda Sayuri, 2016). The Act aims at promoting virtual currency transactions and regulates money-laundering problems. Recent regulations display amendments to the Payment Services Act and the Financial Instruments and Trading Act (FIEA), which came into force in May 2020. The amendments impose stringent rules on the management of virtual currencies users and ease regulations on crypto derivatives trading.

The Australian Securities and Investments Commission (ASIC) released in May 2019, updated regulatory requirements for initial coin offerings (ICOs) and cryptocurrency trading. In August 2020, Australian regulators forced many exchanges to remove privacy or anonymous coins from the list. In December 2021, Australia announced plans to introduce a new license specifically for cryptocurrency exchanges – The proposed framework intends to provide to consumers safe buying and selling crypto assets (Comply Advantage, 2022).

Ecuador's law on cryptocurrency proposes the creation of a national digital currency. Thus in December 2015, sistema de dinero Electronico (the Spanish for electronic money system (EMS)) was launched, making Ecuador the first country with a state-run electronic payment system (Rosenfeld, 2015). The new law banned Bitcoin along with similar crypto-currency (Smart, 2014); integrates national retailers into a centralized system and compel citizen to identify themselves. Although, this law offers some security, it has been criticized as privacy invasion.

Further, Cryptography Development Institute in Nigeria (CDIN) has created a platform called the Nigeria Block chain Alliance (NBA). The NBA gather stakeholders in their fight against cryptocurrency illegal activities within the country (Aru, 2017). As a reminder, Nigeria has been labeled the birth place of the famous 419 Nigerian scam but according to a forensic analyst, crypto currency scams in Nigeria seem to have taken over the old fashioned scam (Ibid). The number of scams based virtual currencies has spread at a rapid rate in the country forcing the government to take stance. Luckily, the block chain alliance has successfully tackled number of crypto currency scam cases based on two legal

provisions the New Evidence Act of 2011 and the 2015 Cybercrime Act (Ibid).

5. International Regulatory Initiatives

Government initiatives that either comply with virtual currency or put some restrictions to the use exist and have yet to prove their effectiveness.

5.1. International Monetary Fund

In 2016, the International Monetary fund issued a document to assess the societal impact of virtual currencies (IMF, 2016). It appeared that the regulatory uncertainty and lack of transparency in VCs create significant vulnerabilities in regard to consumer protection especially when it comes to electronic transactions. Because of the opacity surrounding virtual currencies, holders and users are vulnerable to scams. VCs may be stolen through the hacking of digital wallet, fraud, false pretenses, or misrepresentations. Also, cryptocurrency may be subject to fraudulent investment schemes such as online Ponzi schemes. As transactions are irreversible, so do errors occurring in the course of transactions. The user has no right of withdrawal. Unlike credit cards, consumers have no right to reverse the charges if something goes wrong. While a decentralized VC scheme places the risks associated with the failure of a transaction on the users of the system, in a centralized payment system, the central authority would assume this risk.

5.2. Financial Action Task Force

In 2014, FATF issued a report defining key terms associated with virtual currencies and describing the anti-money laundering (AML) and terrorist financing risks associated with them. The report displays the potential benefits of virtual currencies such as the potential to improve payment efficiency and reduce transaction costs for payments and fund transfers, to provide benefit to existing online payment systems, like Paypal (FATF, 2014). Virtual currency may facilitate micro-payments, allowing businesses to monetize very low-cost goods or services sold on the Internet, such as one-time game or music downloads. It may also facilitate international remittances and support financial inclusion and be held for investment. However, these potential benefits need to be carefully analyzed at three levels:

- whether claimed cost advantages will remain if virtual currency becomes subject to regulatory requirements similar to those that apply to other payments methods, and
- if exchange fees for cashing out are factored in, and
- whether volatility, consumer protection and other factors limit their potential for financial inclusion.

One of the potential risks stems from the fact that Virtual currency systems can be accessed via the Internet and can be used to make cross-border payments and funds transfers knowing that it is elusive money. In addition, virtual curren-

cies commonly rely on complex infrastructures that involve several entities, often spread across several countries, to transfer funds or execute payments (FATF, 2014).

5.3. European Union Initiatives

The European Union initiatives started in October 2012 when the Central Bank released a detailed report about virtual currency and its potential for regulation. European Banking Authority (EBA) warned consumers about virtual currencies for various reasons as virtual currencies can lose value and be stolen from virtual wallets. Also, the value can change quickly and it is a godsend for criminal activities. With virtual currency, consumers may be subject to tax liability in the long run.

European Banking Authority issued warnings to the public about the risks associated with virtual currencies, and indicated it will apply anti-money laundering and anti-terrorist financing rules to virtual currencies. The European Commission is currently conducting a risk assessment on terrorist financing and money laundering, paying particular attention to virtual currencies. Documents released indicate the Commission will propose stricter rules involving virtual currencies and prepaid cards. As a reminder, in November 2015 European Court of Justice ruled that the value-added tax (VAT) will not apply to purchases of bitcoin through exchanges. The current trend is towards the creation of euro digital currency.

5.4. United States of America Initiatives

It is difficult to find a consistent legal approach to cryptocurrencies in the United States exchanges laws vary from state to state. Also the definition of "cryptocurrency" differs. The Financial Crimes Enforcement Network (FinCEN) does not consider cryptocurrencies to be legal tender, but since 2013 it has considered exchanges to be money transfers (under their jurisdiction).

Among the major U.S. regulators, the Securities and Exchange Commission (SEC) has indicated that it considers cryptocurrencies to be securities: in March 2018, it stated that it seeks to comprehensively enforce securities laws for digital wallets and exchanges. In contrast, the Commodities Futures Trading Commission (CFTC) has taken a more user-friendly approach, describing bitcoin as a commodity and allowing cryptocurrency derivatives to trade publicly.

Both commissions are coordination with the department of Justice in the development of future cryptocurrency regulations to ensure effective consumer protection and more streamlined regulatory oversight as the U.S. Treasury has highlighted the urgent need for cryptocurrency regulation to combat global and domestic criminal activity.

In January 2018, a new task force, the FSOC was created to explore the increasingly overburdened cryptocurrency market.

In December 2020, financial crime enforcement network proposed new cryp-

tocurrency regulations to impose data collection requirements on cryptocurrency exchanges and wallets (Comply Advantage, 2022). The rule is expected to be implemented by fall 2022 and would require exchanges to submit Suspicious Activity Reports (SARs) for transactions over $10,000 and require wallet owners to identify themselves when sending more than $3000 in a single transaction

Recently, in March 2022, US President Joe Biden signed an executive order that launches the process of creating a digital dollar that would be issued by the central bank of digital currency (CBDC) (Browne, 2022). The decree highlights several objectives: the protection of American interests, the protection of global financial stability, the prevention of illicit uses, the promotion of "responsible innovation", financial inclusion and the leadership of the United States. As we can notice, the fate of virtual currency is dealt with on a daily basis in the United States administration regardless the change that may occur.

5.5. Recent Reports from the UN Conference on Trade and Development

Bitcoin and cryptocurrencies are often singled out and subject to restricted regulations.

Despite this fact, its adoption is gradually gaining ground mainly as a safe haven or means for international financial sanctions circumvention.

To both developed and emerging countries, virtual currencies are an opportunity for growth even though, sometimes international institutions try to prove otherwise.

Recently, the United Nations Conference on Trade and Development (UNCTAD) issued three guidance briefs on the use of cryptocurrencies around the world. According to UN trade body, virtual currencies pose "threats to financial stability, domestic resource mobilization and the security of monetary systems", especially in emerging countries (UN Trade Body, 2022). While the reasons mentioned are relevant, it is important to point out that Countries are fully aware of the stakes when it comes to the adoption or use of cryptocurrency at national level and have the capability of taking measures where it may seem necessary to regulate and control the illegal use. It is an exercise of their sovereignty.

Bitcoin and cryptocurrencies are no longer a taboo in modern society. UNCTAD reaction to the virtual currencies growing in emerging and developing countries could be seen as a desire to maintain the hegemony of developed.

Its known that virtual currency appears as a revolution in financial world but it cannot only have consequences for it may help countries, especially the emerging ones, to create a currency that is not pegged either to the dollar or to the euro or to any other hegemonic foreign currency. International financial sanctions circumvention is now possible with bitcoin or virtual currencies.

6. Call for International Cooperation

A report provides the analysis of popular jurisdictions among Bitcoin compa-

nies, namely Australia, Great Britain, Hong Kong, the European Union, Canada, China, Latin America, the Russian Federation, the United States of America, Ukraine and Japan. Not all of them have a clear legal framework, which makes the topic of cryptocurrency regulation by national governments still relevant.

However, when analyzing existing national legislation, two trends appear: countries where cryptocurrency is prohibited and those where it is allowed but under several restrictions, such as the introduction of mandatory proof of identity when opening a virtual currency account, the implementation of an obligation to declare these accounts and the capping of the sums that can be paid with virtual currencies as in Canada, Australia and United States at federal level. in both cases, legislation and recommendations in force should lead States to international cooperation in order to organize the fight against illegal cross-border activities using cryptocurrency. Consequently, laws concerning virtual currency exchanges should be harmonized at international level to prevent international virtual exchanges circumventing foreign laws. Governments shall also ensure that professionals subject to anti-money laundering law reporting requirements, exercise vigilance with respect to flows in connection with individuals using virtual currencies. High profile cases (Utama, 2016) in the virtual currency industry involving account seizures and money laundering indictments imply that regulators are prioritizing virtual currencies and will continue to seek to monitor virtual currency exchanges going forward. A coordinated and global approach remains vital to avoid the exploitation of non-cooperative jurisdictions or countries.

7. Conclusion

Transactions in virtual currencies have greater privacy benefits and less regulatory oversight than transactions in conventional currencies. However, in recent years, several States have filled the gap of making legislation in this area; either to ban the use of virtual currency or to regulate it.

Faced with the growing attractiveness of virtual currency, several States and regional organizations are consulting or have already consented to the adoption of a clean virtual currency; this is the case of China with the e-CNY and the European Union with the e-euro. The United States is also active on the possibility of a virtual currency along with other countries.

In Africa, cryptocurrency is increasingly used on the continent and is even used to carry out transactions in several countries. Recently the United Nations Trade body published three reports to warn about the use of cryptocurrency in the world and especially in developed countries.

Ultimately, policy responses have aimed at increasing awareness of users and investors about the risks, and clarify the scope of relevant legislation. While national regulations are relevant, it is critical to build the capacity of law enforcement at international level and investigative bodies to deal with illegal financial transactions using virtual currencies. It is a constant challenge that countries

have to face.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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