

Current state and prospects of development of cryptocurrency in Ukraine

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Abstract – *This report describes how cybercriminals behave in the market. The advantages and disadvantages of cryptography are described. In accordance with the current legislation, cryptocurrency as a mutual settlement can not be used, respectively, bitcoins as a means of payment - can not.*

Keywords – Cryptocurrency, Bitcoin, Advantages, disadvantages, investment.

I. Introduction

Bitcoin, or Bitkoin – an electronic currency, the concept of which was announced in 2008 by Satoshi Nakamoto, and presented by him in 2009, is based on the self-published document of Satoshi Nakamoto.

Today, financial systems of individual countries, as well as other sides of the economy, are being improved and progressing in the context of the development of globalization, the spread of IT technologies and general computerization. It promotes the emergence of new financial institutions, tools and forms of interaction between people. So, there was an analogue of traditional currencies - crypto currency and its most common currency bitcoin. The existence of the need for constant monitoring of the movement of these monetary units reveals the current trends of monetary and foreign exchange systems on the world market.

II. Results

Cryptocurrency is digital counterfeit-proof coins that can be stored in electronic wallets and transact between wallets.

In the modern world, the most famous type of cryptocurrency is Bitcoin. Its main advantage is that Bitcoin is anonymous. However, any state wants access (for example, by court order) to personal data to counteract crime [3].

Bitcoin is developing fast enough today. Investment in bitcoin remains a very serious alternative to investment in altcoins. Many experienced investors say that even in case of the most successful altcoins today, the rate growth in the next year, at least, will slow down, and in the worst case, even stagnation and a few times fall are possible [4].

Such jumps occurred repeatedly in the history of bitcoins and more than once even in 2017, so analysts believe that after recession the rise will begin again. Skeptics still believe that the cryptocurrency rate is practically not supported by anything, as opposed to the exchange rate or the gold rate.

The features of the cryptocurrency system functioning have practically the same impact on both ordinary users and business representatives. Accordingly, the pros and cons will also be the same for all.

It is necessary to specify the advantages and disadvantages of cryptocurrency.

The situation with regard to cryptocurrency in Ukraine is unclear. Although cryptocurrency has no legal status, it still is in a high demand, it does not discourage compatriots from using it. As it has been mentioned before, there is no law or subordinate normative legal act on the

cryptocurrency that regulates operations with its application. However, cryptocurrencies have been in operation for about ten years (including in Ukraine), without any controlling authority or central bank, which allows any transactions to be carried out completely anonymously, without any user identification.

Table 1.

Advantages and disadvantages of cryptocurrency in Ukraine [4]

Advantages	Disadvantages
<ul style="list-style-type: none"> • Open source of algorithm allows you to extract it to anyone who wishes; • Anonymity of transactions - information about the owner of a crypto wallet is missing (there is only a wallet number); • Decentralized nature, lack of a single digital bank, lack of control over transactions and payments; • Not prone to inflation (limited amount of coins is emitted); • Security: it can not be copied. 	<ul style="list-style-type: none"> • Due to the lack of regulatory mechanisms there are no guarantees of preservation of electronic crypto wallets; • High volatility due to specific use • National regulators may have negative effects on it (such as the prohibition by the Central Bank on bitcoin transactions); • Loss of the password to the electronic crypto wallet or its disability leads to the irreversible loss of all crypto coins contained in it; • With increasing complexity level, crypto coins mining on the equipment of individual users becomes unprofitable.

In addition, it should be noted that while financial regulators can not determine the status of cryptocurrencies in Ukraine, two draft laws on this issue are under consideration in the Verkhovna Rada of Ukraine:

– Draft Law No. 7183 dated October 6, 2017 "On the Circulation of Cryptocurrency in Ukraine";

– Draft Law No. 7183-1 dated October 10, 2017 "On Stimulation of the Cryptocurrency Market and Their Derivatives in Ukraine".

Both bills stipulate the need for public administration in the field of cryptocurrency circulation, the authority of the regulator to determine the procedure for the creation and operation of cryptocurrency exchanges, monitor the cryptocurrency transactions, identify the subjects of cryptocurrency transactions, etc. [2].

It is quite important that on August 31, within the framework of the Financial Stability Council of the NBU, the Ministry of Finance, the National Commission for Securities and Financial Markets (NCSFM) and other regulators agreed to work out a common position on the legal status of Bitcoin in Ukraine within 3 weeks.

On September 28, the Verkhovna Rada's Committee on Financial Policy and Banking began dealing with preparation of the law "On the Circulation of Cryptocurrency in Ukraine" [1].

Finally, it is worth saying that, in accordance with the current legislation, cryptocurrency can not be used as mutual settlements, therefore, bitcoins as a means of payment – are incapable. Thus, natural persons or legal entities using bitcoin currency carry out operations and conduct business at their own risk and without any guarantees on behalf of the state. The NBU warns against operations with cryptocurrency, including in bitcoins, until a system of rules is created that will be able to prevent abuse.

Conclusion

Therefore, it is worth saying that nobody knows how to regulate the circulation of cryptocurrency and who can do it. Even the relative stability of the rate may not be enough to convince large investors to invest in digital assets. Without the confidence and regulatory solutions, bitcoin will not be able to break into the category of key payment instruments for trading.

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