

FORUM: Group Of Twenty

QUESTION OF: The Question of Cryptocurrencies

THE GROUP OF TWENTY,

Noting with deep concern the volatility of the markets for cryptocurrencies, and how their more widespread use could, in future, have detrimental effects on national economies,

Draws the attention to the security and anonymity of cryptocurrencies and blockchain and their impact on the global financial market,

Bearing in mind that all cryptocurrencies have a finite amount of coins which will cause mining to stop eventually and coin value to rise in the future as supply decreases but demand increases,

Taking into consideration that the anonymous nature of cryptocurrency transactions allows for black market dealings and could potentially finance terrorist organizations in the long-run,

Convinced of the future importance of cryptocurrencies,

Noting with deep concern the high percentage of fraudulent ICO's,

Alarmed by the large amount of energy consumed to 'mine' cryptocurrencies,

Concerned by tax evasion techniques that utilize cryptocurrency technology,

Calls upon all nations to agree on a clear definition of cryptocurrencies and blockchain in order to:

- a. Clarify what exactly cryptocurrencies entail
- b. Prevent possible scams linked to misinterpretation between different countries

Calls for the creation of a state sanctioned Cryptocurrency Regulatory Agency (CRA), and a Global Cryptocurrency Regulatory Agency (GCRA) that would work with individual nations and cooperate to ensure that cryptocurrencies adhere to a certain standard, and meet the requirements

that government need for any currency to be viable in a global economy through means such as but not limited to:

a. Allowing the CRA to cooperate with the creators of different cryptocurrencies to ensure that coded into the transaction mechanism of each cryptocurrency, there is a way for the government to tax the transactions or income gained through cryptocurrencies through means such as but not limited to:

i. A flat tax on each transaction

ii. A tax based on the two nodes (profiles) involved in the transaction

iii. A flat tax on the balance of each account

b. Cooperating with the creators of different cryptocurrencies to ensure that coded into the cryptocurrency there is a mechanism to prevent speculation through means such as but not limited to:

i. Having a cap on the amount of transaction of currencies in a day,

ii. Limit the amount of transactions by each individual account to 1 every 5 minutes,

iii. Taxing transactions as seen in sub-clause a

c. Serve as a rating agency for cryptocurrencies before they launch, to ensure that speculation does not occur, and swindling within the industry is reduced,

d. Investigating ICO and their legitimacy through means such as investigating the services or products that are offered in the case of ICO's, and their authenticity, and ensuring that ICO is not a scam, by ensuring that the people behind the ICO have not previously orchestrated an ICO scam, or any other form of economic scam by investigating:

i. The founder

- ii. The investors
- iii. The promoters
- e. Regulate and impede access to cryptocurrencies that do not meet the standards the CRA has established.

Requests that international policies which require cryptocurrency companies to abide by a “know-your-client” (KYC) compliant be mandatory, in order to increase transparency between the producer and consumer, and limit illegal activities, such as money laundering and tax evasion; (brazil)

Encourages all relevant UN agencies and other NGOs such as the World Bank and IMF to continue conducting research on the effects cryptocurrencies may have on regional, national, and international economies in order to:

- a. be able to better understand the way the cryptocurrency markets influence commodity, stock, and currency prices,
- b. Understand more deeply the effects that the mining of cryptocurrencies have on the environment in terms of energy inefficiency,

Recognizes that cryptocurrencies could be used as legal tender within the next 20 years if the following conditions are met:

- a. The country’s government has a comprehensive set of guidelines or regulations about cryptocurrency within their financial sector, and those guidelines have been approved by the World Bank, the World Trade Organization or the Economic and Financial Affairs Council,
- b. The company is registered within the Financial sector of the government in question, Checks have been affected on that cryptocurrency to ensure that it is not used primarily for money laundering, the black market or other illicit traffic,
- c. Only certain companies would be able to accept cryptocurrencies as legal tender if they support sustainable development in the country in question (france)
- d. The cryptocurrency in question is stable enough to ensure adequate selling and buying power,

- e. The digital infrastructure of the world is advanced enough to be able to cope with the transactions, particularly ensuring that:
 - i. Developing countries have access to low cost digital infrastructure
 - ii. The computing capacity of the majority of countries is deemed large enough by the CRA
 - iii. The environmental effects are made smaller

Urges cryptocurrency developers to lessen their environmental impact, by reducing the amount of computing power, and hence electricity needed to uphold it, through means such as but not limited to;

- a. Implementing a system of cryptocurrency mining licenses (that would be limited) that would be granted semi randomly, and rotate every two weeks, and the semi random granting would take into account
 - i. Computing power
 - ii. Internet speed
- b. Changing the consensus mechanism
- c. Increasing the time of block creation by 1 minute
- d. Asking cryptocurrency developers and miners to use green energy instead of using fossil fuels and this will then be determined by the CRA

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2. Invites cryptocurrency companies to give quarterly progress reports:

- a. Allowing the public to have a better understanding of which coins to invest in,
- b. Enable more research to be made to understand the impact of cryptocurrencies in daily life,
- c. Send these reports to the financial sectors of the countries they are established in
- d. if the company finds any illicit activities or suspects any, they will have to report them to their government separately
- e. Modeled after the quarterly reports of the stock market, to include:
 - i. How many more new coins were mined,
 - ii. The approximate environmental impact
 - iii. The patterns of volatility of the currency
 - iv. Comparison to previous quarters, or for the first report, comparison to the past; (France)

(South Korea)

Draws the attention to the security and anonymity of cryptocurrency:

a) They are not able to be tracked nor can the user identity be discovered without a central data base

b) ICOs are highly responsible for the widespread thoughts that cryptocurrencies and should be regulated to prevent scams or fraud

Japan

Recommends investment in communication and data processing infrastructure on a global scale that would reduce the transaction time of cryptocurrencies as well as encouraging economic growth seen in countries with infrastructure investments such as but not limited to:

- a)Investment by government into publicly beneficial infrastructure
- b)Foreign direct investment in communications infrastructure
- c)Foreign aid targeted at increasing communication capabilities of individuals

Japan