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# **STATUTORY/REGULATORY COMPLIANCE AND** **CHECKS BY US GOVERNMENT ON** **CRYPTOCURRENCY**

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## **Abstract**

The United States vehemently opposes the idea of decentralized currency. The US Department of Justice has classified the private currency system as a defiance of the federal law system. A currency system that is peer-to-peer based would be in discordance with fiat currency and therefore cause unwarranted issues in the financial market. Section 2 of the U.S Stamps Act, 1862 prohibits to, make, issuing, circulating, or paying out any note, check, memorandum, token, or other obligation for a less sum than \$1 intended to circulate as money or to be received, used instead of lawful money of the United States. The intention behind this provision was to obstruct the circulation of any other currency, other than what the government circulates. There are no licensing requirements in the U.S. as of yet but that certainly has not stopped the usage of Bitcoins in the States.<sup>1</sup> In December 2014, a bill was introduced in Congress titled, The Crypto-currency Protocol Protection and Moratorium Act to restrict any statutory restriction or regulation on Cryptocurrency for five years (moratorium period)<sup>2</sup>, with effect from June 15, 2015. The term CRYPTOCURRENCY in the bill was mentioned as, a popular term encompassing code-based protocols supporting electronic, non-physical media for the exchange of value, and for the sake of both clarity and the avoidance of confusion in the mind of the public, based on the prior use of this term by the Internal Revenue Service in its initial guidance (see Notice 2014–21, released March 26, 2014<sup>3</sup>); this term is used herein. However, it is believed Cryptocurrency encompasses the same protocols as those covered by terms such

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<sup>1</sup> 18 U S C S § 336

<sup>2</sup> Banning of Cryptocurrency & Regulation of Official Digital Currency Bill, 2019 (India)

<sup>3</sup> Cryptocurrency Protocol Protection and Moratorium Act, H.R.5777, 113<sup>th</sup> Cong. (2014)

as digital currency, virtual currency, or electronic currency<sup>4</sup>

**Keywords:** United States, Cryptocurrency, regulations, statutory, compliance.

## Introduction

Cryptocurrency is a binary information designed to work as a medium of trade in which person coin ownership data are saved in a ledger current in a shape of automated database using robust cryptography to steady transaction facts, to govern the advent of extra coins and to affirm the switch of coin ownership. As per the World Economic Forum, 10 percent of savings will be through blockchain technology by 2025. The industry has reached a point of maturity; makers and regulators are to take it seriously and frame such regulation not to stifle its growth and innovation but rather to promote and boost the investor's confidence.

The cryptocurrency was launched for maintaining a product/currency ecosystem based primarily on blockchain technology with a decentralized infrastructure as a sequence of transactions consisting of one or more inputs and outputs, in contrast with a traditional currency ecosystem in all jurisdictions around the world controlled and monitored by a set of infrastructure.<sup>5</sup> They must be generally differentiated in mainly three types: 1: Crypto-tokens, 2: Crypto-coins, and 3- Stablecoins. Each category overlaps in some sense however the distinctions align with the statutory body that governs it, like the SEC, CFTC, and US Department of the Treasury.<sup>6</sup>

Given the complexity of cryptocurrency, it is difficult to arrive at a complete definition, but it can be understood through the definition given by the FATF (Financial Action Task Force). The FATF defines virtual currency as a digital representation of value, which can be used for digital transactions and can be used as a medium of exchange; and/or a unit of a cryptocurrency count and/or a store of value, but does not have the status of legal tender. The Notice 2014-21 issued by the IRS sheds some light on how the federal government perceives the concept of CRYPTOCURRENCY. In the said notice CRYPTOCURRENCY / Virtual Currency has been discussed, it has been introduced as a digital representation of value that functions as a medium

<sup>4</sup> The Agency, Its mission and statutory Authority[online]. Internal revenue Service,(2022)<https://www.irs.gov/about-irs/the-agency-its-mission-and-statutory>.

<sup>5</sup> Jeremy Allaire, *Circle Mission & Values*, *Circle internet fin. Ltd* (Apr. 19, 2021), <https://www.circle.com/blog/circle-mission-and-values>.

<sup>6</sup> COINBASE, *what is Cryptocurrency?* <https://www.coinbase.com/learn/crypto-basics/what-is-cryptocurrency>,(last visited Aug.29,2023)

of exchange, a unit of a cryptocurrency account, and/or a store of value. In some environments, it operates like real currency — i.e., the coin and paper money of the United States or of any other country that is designated as legal tender, circulates, and is customarily used and as a medium of exchange in the country of issuance — but it does not have legal tender status in any jurisdiction.<sup>7</sup> It has been referred as a convertible currency because a CRYPTOCURRENCY like Bitcoins has an equivalent value in fiat currency. Bitcoins can be traded, transferred and exchanged for U.S Dollars and other government-issued currencies like Euros, Pounds. The bill criticized the existing classification of Bitcoins, which treated CRYPTOCURRENCY as property for tax purposes and does not take its multi-faced characteristics into consideration. Unfortunately, the bill of, The Cryptocurrency Protocol Protection and Moratorium Act was not passed, leaving the challenged regulations in its initial form. It has been observed that US regulators SEC and CFTC has been very active for enforcing actions against a variety of crypto-firms. Many actions were brought for misappropriation of funds and fraud was observed in 23 financial market jurisdictions researched.<sup>8</sup> The penalties levied by SEC were found higher than actions taken by CFTC. Telegram was imposed a penalty of \$1.224 billion disgorgement letter.<sup>9</sup>

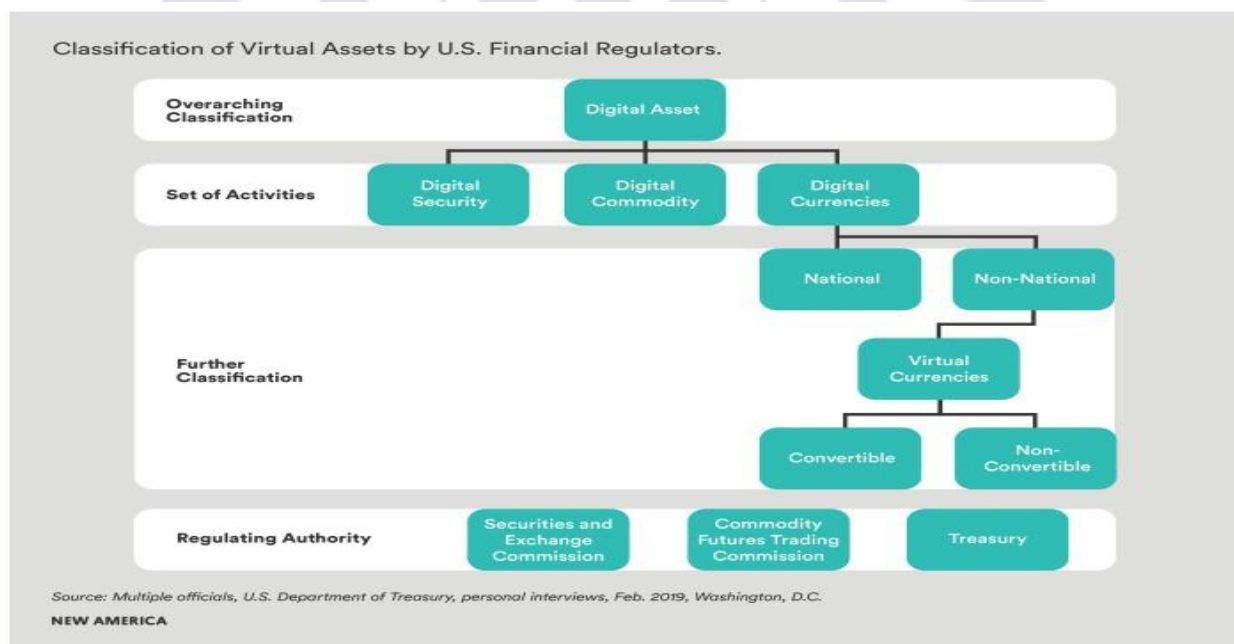


Figure 1: Classification of Virtual Assets by U.S. Financial Regulators

<sup>7</sup> Tanvi Ratan, *Blockchain Regulation in the United States: Evaluating the overall approach to virtual asset regulation*, <https://www.jstor.org/stable/resrep19980.9>, Pg. 80-93(14 pages) accessed on: 21 August 2024)

<sup>8</sup> Eakeley, Yuliya Guseva, Leo Choi and Katarina Gonzalez “Crypto-enforcement around the world” southern California law review postscript (Vol. 94:PS 99)

<sup>9</sup> SEC v. Telegram Grp. Inc., No. 19-cv-9439, 2020 U.S. Dist. LEXIS 53846 (S.D.N.Y. Mar.24,2020)

**How has New York regularized Bitcoin:**

New York is the only state in the U.S which has regularized Bitcoin by developing a licensing system like Germany. The New York State Department of Financial Services has formulated rules and regulation regarding the use of such currency. In this Regulation of Virtual Currencies, it has been defined as, means any type of digital unit that is used as a medium of exchange or a form of digitally stored value. Virtual Currency shall be broadly construed to include digital units of exchange that have the following characteristics:

It has a central repository or administration;

And are decentralized and have no centralized repository or administrator;

May be created or obtained by computing or manufacturing effort.<sup>10</sup>

Not all online currencies fall under the scope of Virtual currencies. If the online currency exhibits the following characteristics, it won't be regarded as a Virtual currency:

Digital units which are solely used in some gaming platform, and have no other application outside the said platform.

Such units cannot be exchanged or converted into fiat currency.

Cannot be exchanged for real-world goods and services.

Digital units which are a part of some customer program, where such units are exclusively used to purchase, redeem goods and services from the issuer or be converted to similar units for similar programs but cannot be exchanged with Fiat currencies or Virtual currencies. (Example: Redeemable Points available to Wal-Mart customers after making a certain amount of purchase).

Digital units for prepaid cards.

The requirement of license for engaging in Virtual Currency Activity is defined in Section 200.3 of the Regulation. Virtual Currency Activity is referred to as the following activities involving New York Residents:

Transmitting, receiving or transmission of Virtual currency except when it is done for non-financial purposes.

Keeping the possession of someone's CRYPTOCURRENCY by any means like storing, holding or even keeping it in custody.

Buying and selling Virtual Currency as a customer business.

Performing Exchange Services as a customer business.

Controlling, administering, or issuing a Virtual Currency.

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<sup>10</sup> <https://www.dfs.ny.gov/legal/regulations/adoptions/dfsp200t.pdf>

Persons engaged in any of the above-mentioned activities would require a license, without which the person is prohibited from engaging in such activities. Section 200.4 of the Regulation provides the documents required for an application of such a license. This part will show how diligent the State is before granting a license to someone, I have summarized the requirements in the following points:

Application should be in writing and under oath in a form. As directed by the Superintendent<sup>11</sup>, and shall contain the following:<sup>12</sup>

The name, address and other relevant details of the applicant and also the name, type and form of organization and details regarding the jurisdiction where it is established.

The complete details and list of affiliates of the applicant and their relationship in context of the license.

Detailed biographies of applicants and their director, Principal Officer, Principal Stockholder, and Principal Beneficiary of the applicant including their experience, qualification, and position which shall be attested by them.

A background report on the above-mentioned persons prepared by a recognized independent investigatory agency.

For each of the above-mentioned individuals or anyone who would be appointed by the applicant, or anyone in the organization having a cryptocurrencies to any customer funds containing virtual or fiat currency shall provide; a set of completed fingerprints or receipt indicating the vendor (which vendor must be accepting cryptocurrency to the superintendent) at which, and the date when, the fingerprints were taken, for submission to the State Division of Criminal Justice Services and the Federal Bureau of Investigation the date of when it was taken.

The current financial statement of the applicant, projected balance sheet, and target income of the following year, from the date of application.

A description of the proposed, current, and historical business of the applicant, including detail on the products and services provided and to be provided, all associated website addresses, the jurisdictions in which the applicant is engaged in business, the principal place of business, the primary market of operation, the projected customer base, any specific marketing targets, and the physical address of any operation in New York.

Details of all banking arrangements.

Affidavits mentioning any pending or threatened civil, criminal, administrative action or

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<sup>11</sup> The person who acts in accordance to the power vested by New York State Department of Financial Services.

<sup>12</sup> Supra 5

litigation, or proceeding before any tribunal, court, governmental agency against the applicant or any of the above-mentioned persons in 3.

Verifications from New York State Department of Taxation and Finance (NYDTF) declaring the applicant free of any tax obligation.

Copies of insurance policies, if any for the applicant, customers, or its members.

Explanation of methodology which shall be used to calculate the fiat equivalent of Virtual Currency.

Any additional information required by the Superintendent, if any shall be submitted to his/her satisfaction. Post receiving all the documents it is left to the sole discretion of the Superintendent to grant or reject the application or provide a conditional license.

The party that received the license must comply with all federal, and state laws, rules, and regulations. They can delegate the work of monitoring and compliance to the compliance officer. The licensee should maintain and enforce compliance policies mentioned under this part and any other policy that is approved by the licensee's board of directors or equivalent authorities.

On July 2014, the New York Department of Financial Services released a draft of a proposal "Bitlicense" which was required for dealing in bitcoin business, which was criticized for its overregulation. Complaints and feedback resulted in the revisions of the proposal in February 2015. Fred Ehrsam, a cofounder of bitcoin exchange Coinbase argued against them and said that innovations in this industry must be allowed without any restrictions for it to flourish as was the case with the internet and the web which enjoyed a long period of almost no regulation. The regulatory bodies should use an enlightened approach in order to grow and nurture this new frontier in business and finance.<sup>13</sup>

All these rules and regulations put a very tight security against any fraud, theft or other illegal activities that might be committed using VC. The regulations have also acknowledged the fact that VC has an equivalent fiat value and can be exchanged with it.

## **Bitcoins can be classified as:**

### **Bitcoins as a form of asset**

U.S government has not had a strict position on the categorization of CRYPTOCURRENCY.

A cryptocurrency according to IRS, CRYPTOCURRENCYs is considered as a personal

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<sup>13</sup> Subramanian, Ramesh and Chino, Theo, *The State of Cryptocurrencies, Their Issues and Policy Interactions,* " *Journal of International Technology and Information Management*, (2015) Vol. 24: Iss. 3, Article 2. DOI: <https://doi.org/10.58729/1941-6679.1045>

property, which is different from real property. Personal property is defined as any property which does not come under the purview of real property. Further, personal property can be divided into two categories:<sup>14</sup>

- 1) Corporeal personal property<sup>15</sup>, including items like merchandise, and jewellery.
- 2) The incorporeal personal property comprised of such rights as stocks, bonds, patents, and copyrights.

The CRYPTOCURRENCY comes under the purview of incorporeal personal property a crypto currency according to the IRS because it is intangible in nature. But several court rulings have decided otherwise by referring to Bitcoins as money from a legal perspective.<sup>16</sup>

### **Bitcoin as a form of currency**

In the case of, Security Exchange Commission v. Tredon T. Shavers and Bitcoin Savings and Trust the following was noted:

[Bitcoin] can be used to purchase goods or services, and as Shavers stated, used to pay for Individual living expenses. The only limitation of Bitcoin is that it is limited to those places. However, it can also be exchanged for conventional currencies, such as the US dollar, Euro, Yen, and Yuan. Therefore, Bitcoin is a currency or form of money, and investors wishing to invest in BTCST provided an investment of money.<sup>17</sup>

In the popular case of, United States v Ross William Ulbricht, the court noted that:

The money laundering statute is broad enough to encompass the use of Bitcoins in financial transactions. Any other reading would – in light of Bitcoins’ sole raison d’être – be nonsensical. It has been found that the internet is used for various criminal activities which were associated with organized crime rhetoric cross border trafficking activities. The current legal policy needs overhauling to deal with organized crime groups operating online<sup>18</sup>

Congress intended to prevent criminals from finding ways to wash the proceeds of criminal activity by transferring proceeds to other similar or different items that store significant value.

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<sup>14</sup> <https://legal-dictionary.thefreedictionary.com/personal+property>

<sup>15</sup> Possessing a physical nature; having an objective, tangible existence; being capable of perception by touch and sight. (Collins Dictionary of Law. (2006). (Accessed on:21August23) from <https://legal-dictionary.thefreedictionary.com/corporeal>)

<sup>16</sup> Enyi, Jin and Le, Ngoc, *The Legal Nature of Cryptocurrencies in the US and the Applicable Rules*, (June 30, 2017). Available at SSRN: <https://ssrn.com/abstract=2995784> or <http://dx.doi.org/10.2139/ssrn.2995784>

<sup>17</sup> <https://ia600904.us.archive.org/35/items/gov.uscourts.txed.146063/gov.uscourts.txed.146063.23.0.pdf>

<sup>18</sup> Lavorgna, A., *Organised crime goes online: realities and challenges*, (2015) Journal of Money Laundering Control, Vol. 18 No. 2, pp. 153-168. <https://doi.org/10.1108/JMLC-10-2014-0035>

...One can money launder using Bitcoin.<sup>19</sup>

In, *United States v Murgio*, it was noted that:

[Bitcoins] can be a crypto currency accepted as payment for goods and services or bought directly from an exchange with a bank a crypto currency account. They, therefore, function as pecuniary resources and are used as a medium of exchange and a means of payment.<sup>20</sup>

The above observations show that the judiciary is bent on declaring CRYPTOCURRENCY as a currency, but there are conflicting rulings too. For example, in the case of *Florida v Espinoza*, it was observed that, while Bitcoin can be exchanged for items of value, they are not a commonly used means of exchange. Generally, a currency should be a commonly used means of exchange and a crypto currency according to this case CRYPTOCURRENCY does not meet the criteria.

### **Bitcoins as security**

The definition of security in the U.S legal system is very wide, there are certain requirements which if met would qualify an object as security. Section 2 (a) (1) of the Securities Act, of 1933 defines security broadly as including any financial instruments which constitute an investment and can have security laws enacted. Securities also include investment contracts, which is a contracts between two parties agreeing to invest a specific amount of money and distribute its profit/loss as agreed upon. The U.S Supreme Court in the case of, *SEC v. Howey Co*<sup>21</sup> clarified that;

The test of whether there is an investment contract under the Securities Act is whether the scheme involves an investment of money in a common enterprise with profits to come solely from the efforts of others; and, if that test be satisfied, it is immaterial whether the enterprise is speculative or non-speculative, or whether there is a sale of property with or without intrinsic value. The court has focused on the substance of the transaction, rather than form.<sup>22</sup>

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<sup>19</sup> At p. 50, see <<http://www.nysd.uscourts.gov/cases/show.php?db=special&id=416>>

<sup>20</sup> *Supra* 5

<sup>21</sup> 328 U.S. 293 (1946)

<sup>22</sup> See *SEC v. Edwards*, 540 U.S. 389, 393 (2004) (“Congress’ purpose in enacting the securities laws was to regulate investments, in whatever form they are made and by whatever name they are called.” (quoting *Reves v. Ernst & Young*, 494 U.S. 56, 61 (1990)))

A parallel of this can be drawn with the scheme of Initial Coin Offering because; Bitcoins can be categorized as property which lacks any intrinsic value as such. The broad definition of Security has therefore covered Cryptocurrency as a security. The Securities and Exchange Commission is of the view that virtual coins or tokens that are offered as a part of initial coin offerings may be securities but has warned that significant markets for Bitcoin are unregulated.<sup>23</sup>In the case of SEC v Blockvest, LLC in November 2018, Judge Curiel rejected the SEC's quest for a preliminary injunction which resulted in the removal of the discretion of the SEC's power to determine which token is to be treated as securities. Which was later reversed in February 2019 in favour of the SEC. Lately the SEC's decision not to classify TKJ<sup>24</sup>tokens as securities supports the fact that it is providing a functional space for blockchain-based assets to operate.

### **Bitcoins as a commodity**

The definition and basics of the commodity have already been discussed previously. Therefore, I would directly jump to the U.S perspective of Bitcoins as a commodity. A cryptocurrency according to the Commodity Exchange Act, it is defined in Section 1(a) 9 as:

... wheat, cotton, rice, ... and all other goods and articles, except onions ... and motion picture box office receipts (or any index, measure, value, or data related to such receipts), and all services, rights, and interests (except motion picture box office receipts, or any index, measure, value or data related to such receipts) in which contracts for future delivery are presently or in the future dealt in.<sup>25</sup>

Future contracts have been clarified in the case of, *Dunn v. Commodity Futures Trading Commission*<sup>26</sup> as ... agreements to buy or sell a specified quantity of a commodity at a particular price for delivery at a set future date ... It is contended that, as Bitcoins can be subjected to future contracts, it can be classified as a commodity in a cryptocurrency accordance to the above explanation. It has been held that cryptocurrency is a commodity and CFTC has the power to regulate futures contracts and derivate products of such commodities.

<sup>23</sup> SEC v. Blockvest, LLC, No. 18-cv-2287, 2018 WL 4955837, at \*7 (S.D. Cal. Oct. 5 2018).

<sup>24</sup> Letter from James Prescott Curry, Counsel, TurnKey Jet, Inc., to Office of Chief Counsel, Div. of Corp. Fin., SEC 1 (Apr. 2, 2019), <https://www.sec.gov/divisions/corpfin/cf-noaction/2019/turnkey-jet-040219-2a1-incoming.pdf> [<https://perma.cc/4D5N-BL7M>] [hereinafter TurnKey Jet Incoming Letter.

<sup>25</sup> <https://www.law.cornell.edu/uscode/text/7/1a>

<sup>26</sup> (95-1181), 519 U.S. 465 (1997)

<sup>27</sup> If a CRYPTOCURRENCY is categorized as a commodity, it will come under the authority of the Commodity Futures Trading Commission<sup>28</sup> and therefore anyone who deals in CRYPTOCURRENCY, which can be classified under a commodity, will come under the purview of Commodity Futures Trading Commission. The broad definition of security has given space to such interpretation, which adapts the concept of CRYPTOCURRENCY in it. CFTC is taking action against Defi protocols for Derivate violations as it has recently against OpyN, ZeroEx, and Deridex were imposed penalties of \$250000, \$200000, and \$100000 respectively. The enforcement director of CFTC Ian McGinley emphasizes regulations on this technology. However, this decision has impacted the sentiment of the industry which is of the view that if the regulations are too strict will hinder the development of innovative technology. Such steps by the regulators will make the players understand that if regulations are not taken seriously hefty fines will be imposed and may lead to various legal repercussions<sup>29</sup>.

### **Taxation of Bitcoins**

Bitcoins are treated as property for tax purposes by IRS all the relevant transactions are to be recorded on the Form 8949 and its summarized information on Form 1040 as capital gains, and such classification implies that:

Digital currency payments made to independent contractors and service providers must be reported.

Short-term capital gains tax and long-term capital gains tax will be levied at the incidence of sell. The rate of tax is dependent on the income of an individual and filling status which generally is 0%, 15%, or 20\$ on long-term gains and 10%, 12%, 22%, 24%,32%,35%, and 37% on short-term gains.<sup>30</sup>

Profits and losses from the sale of digital currencies are subject to capital gains when being used as capital assets.

Wages paid to employees in digital currencies are taxable and must be reported.<sup>31</sup>

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<sup>27</sup> CFTC v. McDonnell, 287 F. Supp. 3d 213, 217 (E.D.N.Y. 2018) (holding that virtual currencies are commodities that may be regulated by the CFTC).

<sup>28</sup> It is an independent agency made by the U.S government to regulate future and option market.

<sup>29</sup> <https://coinmarketcap.com/community/articles/64fb2557260af33472a69727/>(accessed on 08/09/2023)

<sup>30</sup> <https://www.nerdwallet.com/article/investing/crypto-tax-rate> (accessed on 09-09-2023)

<sup>31</sup> MUMBAI SILICON VALLEY BANGALORE SINGAPORE MUMBAI BKC NEW DELHI MUNICH NEW YORK Bitcoins- A Global Perspective Indian Legal and Tax Considerations (2015). Available at:

The sales tax perspective of Bitcoins is still under discussion, everything rests on the final classification of Bitcoins, which if treated as currency shall be labeled as, income and property if it is treated as an asset. The technicalities in the identification of tax assesses are also challenging when dealing with Bitcoins because the technology is new and intricate. For taxation purposes, a global forum on transparency and the exchange of related information is required to be commenced by exchanges all over the world. In order to increase transparency in cryptocurrency transactions as per the recommendations of law there is a need to record the name of the cryptocurrency holder, their cryptocurrency address, and their account number for tax evaluation and computation and to avoid ambiguous tax treatment. In the 2023 annual meetings of the World Bank Group and IMF to be held from October 9-15 in Marrakech, Morocco The finance ministers and central bank governors will continue to discuss the matter.<sup>32</sup>

### Conclusion

The classification of Bitcoins is ambiguous, but it is not an illegal object in the United States. The current legal system of U.S is not strong enough to support CRYPTOCURRENCY without any modification or legislations. There is a fragmented approach among regulators like SEC, CFTC, and Treasury through the Financial Crimes Enforcement Network (“Fin CEN”).<sup>33</sup> Though, some of the existing laws tend to support the system of CRYPTOCURRENCY, it is not flexible enough to adapt the technological advance of CRYPTOCURRENCY. The digital nature of CRYPTOCURRENCY hinders the law to treat it at par with commodities, security and currency. Another factor that comes into play is the different types of CRYPTOCURRENCY, there are around 17000 different types of CRYPTOCURRENCY besides Bitcoins with a market cap of around \$1.82 trillion and each of them exhibits some unique characteristics, which makes it hard to generalize the legal position of it.<sup>34</sup> The nature of crypto regulations is complex, the litigations arising from traditional private law claims and consumer protection laws are assisting in framing proper statutes suitable for private legal

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[http://www.nishithdesai.com/fileadmin/user\\_upload/pdfs/Research%20Papers/Bitcoins\\_A\\_Global\\_Perspective.PDF](http://www.nishithdesai.com/fileadmin/user_upload/pdfs/Research%20Papers/Bitcoins_A_Global_Perspective.PDF) (Accessed: 20 February 2025).

<sup>32</sup> Financial Stability Board, “IMF-FSB Synthesis Paper: Policies for Crypto-Assets” 6 (2023)

<sup>33</sup> Komai, Alejandro and Richardson, Gary, A Brief History of Regulations Regarding Financial Markets in the United States: 1789 to 2009 (September 2011). NBER Working Paper No. w17443, Available at SSRN: <https://ssrn.com/abstract=1932574>

<sup>34</sup> See Today’s Cryptocurrency Prices by Market Cap, COINMARKETCAP (Sep. 18, 2023), <https://coinmarketcap.com> [hereinafter Today’s Cryptocurrency Prices].

ordering of the crypto ecosystem, and the enforcement of judgments in a decentralised network in which the users are unknown.<sup>35</sup> The problem is only regulations won't solve the difficulties of CRYPTOCURRENCY in the legal space, civil and criminal law should be developed too to provide more protection to the consumers. The financial institutions, technology creators, crypto companies, and the Government all must work together to boost the future of the Fintech industry. Another challenge for crypto is that the current financial regulatory environment is heavily skewed in favor of industry incumbents. FinTech's ability to democratize data and break down the current banking industry's monopoly means that it can provide consumers, but incumbents and regulators continue to push down cryptocurrency and the associated technology. This attitude has the potential to impede crypto's development expansion, at least in the short term. The only government wing that has identified Bitcoins as money is the judiciary, but the current authority only lies with the Security Exchange Commission and Commodity Future Trading Commission hence, more laws are required to handle CRYPTOCURRENCY effectively in the U.S The government has recently proposed a draft crypto-oriented bill named as Digital asset market structure discussion draft bill which has been rejected by the association of based crypto industry.<sup>36</sup> Too much regulation and enforcement may stifle innovations or drive capital to other jurisdictions<sup>37</sup>

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3. The IRS is responsible for collecting taxes and administering the Internal Revenue Code, the main body of federal statutory tax law of the United States. – [https://en.wikipedia.org/wiki/Internal\\_Revenue\\_Service#cite\\_note-4](https://en.wikipedia.org/wiki/Internal_Revenue_Service#cite_note-4) H.R. 5777 (113th): Cryptocurrency Protocol Protection and Moratorium Act (<https://www.govtrack.us/congress/bills/113/hr5777/text>)
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<sup>35</sup> Farshad Ghodoosi “Crypto Litigation: An Empirical View” Yale Journal on Regulation Vol. 40:87 2022 pg 88-100

<sup>36</sup> <https://www.financialexpress.com/business/blockchain-draft-crypto-oriented-bill-rejected-by-us-based-industry-watchdogs-3169044/>

<sup>37</sup> See, e.g., Chris Brummer, How International Financial Law Works (and How It Doesn't), 99 GEO. L.J. 257, 267 (2011); Yesha Yadav, Fintech and International Financial Regulation, 53 VAND. J. TRANSNAT'L L. 1109, 1142 (2020) (discussing regulatory competition in the Asia-Pacific region); Hester M. Peirce, Comm'r, U.S. Sec. & Exch. Comm'n, Running on Empty: A Proposal to Fill the Gap Between Regulation and Decentralization (Sep. 6, 2023)

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6. Supra 53
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12. Supra 55
13. 328 U.S. 293 (1946)
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16. It is an independent agency made by the U.S government to regulate future and option market.
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