

Crypto Currencies and their future - The Destruction ahead

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Abstract:

Crypto currencies have become one of the main headlines in 2017 due to its parabolic rise in value and popularity. A Crypto Currency is an electric currency that uses cryptography for security. Due to crypto security feature it is difficult to counterfeit.

The Blockchain technology is used to create decentralized ledger technology which can be used for peer to peer money transaction over the internet. Crypto currencies have many advantages and disadvantages too. Crypto currency has many advantages like decentralization, open to carry money, free from government and bank control.

Due to fast emergence in crypto currency use, many risks and challenges are also around which create serious threats. This paper covers major issues and risks involved due to crypto currency within financial world.

Introduction

It is very difficult to predict the future of crypto currency. Many governments are setting up rules and regulations to control and regulate crypto currencies.

It was originally created for darkweb to facilities criminals for anonymous trading. Major risks include money laundering, terror financing, storing black money, ransom money, drugs trading and kidnapping payments. This paper includes the disadvantages due to crypto currency.

Literature Review:

Money:

Economists define money as “Something that can be used as a medium between two parties, it has some units and a store of value. It is a medium of exchange that is acceptable for making transaction. “

Cryptocurrency:

The crypto currency has revolutionized the internet payment system between two parties without the presence of central bank or any government institutions. A crypto currency is a digital currency that uses cryptography for security. It is a decentralized public ledger, without central authority. It can be used for peer to peer payments over the internet worldwide within few minutes.

Major advantages of crypto currencies are:

- a. Anonymity
- b. Privacy
- c. Confidentiality
- d. Transparent.

Cameron (2016) claims that it is unlikely that government will allow the crypto currency uses in current running environment. “Smelly” has raised the taxation aspect of crypto currency.

Alan Brill claims that crypto currency is the next generation of terrorist funding and attractive to cyber criminals, drug dealers and money launderers.

Some countries have announced rules and regulations and recognized crypto currencies as illegal and also some countries have banned all the crypto currencies.

Virtual Currency to crypto currency invention

The concept of crypto currency has started form virtual coins. The points were used in video games and virtual coins concept changed into virtual currency which had no real use outside the video games. Later on trend changed to e-currency and can be bought form online currencies exchanges. The crypto security and black chain technology was used to crypto currencies.

Prices of crypto currencies

As there is no central body, and not backed by government monitoring institutions, every crypto currency has different price which depend on available coins and their demand and supply. Prices are volatile and supply changes up and down. Bitcoin prices was increased to 19,000\$ in December 2017 and Ether crossed 1000\$ level.

Crypto currency price and as investment

Currently the crypto currency use has changed from peer to peer transaction for investment side. The hype has created as all crypto currency are continuously increasing in price. Every person who even doesn't even understands the crypto, is investing his life saving money in crypto currency. This creates a Ponzi like scheme which is getting viral. The crypto currency hype has gone parabolic with increase in price from \$1000 to \$19000 in year 2017.

Everyone is investing real money in crypto to double triple his money in quick time. They just want more money nothing else. They have not much interest in crypto currency payment for purchasing or daily use.

Future of crypto currency

It seems that this hype will be ended soon when everyone takes profit and withdraws, this can create a very huge downfall in prices and they will return back more than 90-95% of peek price.

Major issues/Threads

1. Hacking

Hacking is a major threat for crypto currency, as they are using crypto for security, but still vulnerable to hacks wallet hacks, exchange hacks, scams, fraud and social engineering hacks.

2. Hundreds of New Currencies

Hundreds of new currencies are coming over internet. Every Technical person with IT Skills can create its own crypto currency which is funny, means everybody can creates its own crypto money.

3. Volatile

Prices are very volatile and rapidly increasing or decreasing with few hours.

4. Difficult to track, identify the transaction

When money is sent once, it is impossible to track, identify or reversal the payment in case of fraud.

Crypto currency is attractive to Criminals

The creation of crypto currency provides huge benefits to criminals and underground gangs. Some of them are given as:

- a. Anonymity
- b. Global reach
- c. Fast Speed
- d. Low cost of use
- e. Easy to use
- f. Difficult to track
- g. Non-reversible transaction

- h. Over the internet
- i. Decentralized open ledger

These characteristics of crypto currency make it attractive for terrorists, human trafficking money launderer, criminals.

Law enforcement agencies and regulation authorities are forcing huge concerns about the threat possessed by crypto currency. Criminals are increasingly moving their money outside the border without any banking channel.

Crypto currency and Unlawful Transaction

The illegal things involved in crypto currency are as

- a. Terrorist funding.
- b. Money launderers
- c. Criminals traders
- d. Human trafficking
- e. Smuggling
- f. Storing black money
- g. Drug dealers
- h. Smuggling
- i. Kidnapping
- j. Ransomed money

The Historic case of Liberty Reverse (LR)

LR was one of the e-payment website which was blocked by US Government in 2013 due to money laundering case. Allegedly laundering billions of dollars. The main feature of LR was irreversible payments. Once sent it is not possible to track and reverse the payment.

Case of Silk Road

Silkroad was an underground web site on dark web and was accessible using Tor network. It was used by several hundred drug dealers to conduct illegal drug deals and to achieve other unlawful goals over the website Bit coin was being used for transaction and payments. This website was created in 2011 and was ceased by US law enforcement in 2013.

The Future

1. This hype will end soon & prices will lose 95% of the current price.
2. Huge Hacking, Fraud, Scam, Murders.
3. Govt. will be not able to track the transaction.
4. At the end Bit coin will be banned by the all major countries.

Major credit card companies have banned the crypto currency transaction through their card. Pakistan & India has banned the use / trade of crypto currency & consider it illegal. The China has stopped the ICO in their country and made the rules to ban the crypto currency exchanges.

Conclusion

Crypto currency & Bitcoins in general are a hard topic in financial industry due to its huge hype created by people to earn easy money. Many people have become crypto-millionaires.

It has advantages but disadvantages overweighted. It is upcoming disaster and huge threat for financial world. Many countries are unable to see what is coming. Many investors like Warren Buffett are still unable to understand the Bit coin.

According to one of the famous investor of Berkshire Hathaway "BIT COIN IS POISON".

It must be controlled and strictly regulated otherwise it can harm the stability and economics of the world. Many ICO are scams, Fraud & will give huge jerk the investor's later on so be careful and never invest in the ICO.

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