

CRYPTOCURRENCY: FEATURES AND RISKS OF MONETARY USE IN THE RUSSIAN ECONOMY

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**КРИПТОВАЛЮТА: ОСОБЕННОСТИ И РИСКИ МОНЕТАРНОГО ИСПОЛЬЗОВАНИЯ В
ЭКОНОМИКЕ РОССИИ**

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***Аннотация.** В данной статье рассматриваются ключевые особенности криптовалют, а также реакция со стороны различных участников экономических отношений на их появление и стремительное развитие. Особое внимание уделяется оценке возможности полномасштабного внедрения криптовалют на территории РФ и открывающимся перспективам. Кроме того, рассматриваются риски, как экономического, так и социально-политического характера.*

Introduction. Alongside with the fast development of computer technologies there formed the need for the electronic payments, while their main features should become ease and safety. The appearance of cryptocurrency is challenging the current system and questions the appropriateness of the financial intermediaries. Considering the wide spreading of cryptocurrencies through the whole world, the research is to be determined as especially actual.

The purpose of the research is the detailed consideration of the main features of the cryptocurrency, including risks of its use and the advantages for Russia in case of the well-thought and full-scale interaction of all participants in the economy.

Materials and methods of the research. There is no accurate definition, but on the website of the Bitcoin – the most popular cryptocurrency – this term means innovative network of payments and a new kind of money.[1] The specificity of the new network currency is that its nominal value is provided only by the trust of the society, the price people are ready to pay.[2]

According to statistics the number of transactions using bitcoins was 167,2 million in October 2016. This is a rather solid indicator, especially considering that in many countries, including Russia, there is no strict regulatory framework for controlling such payments.[3]

It is worth pointing out that the rate of bitcoins is extremely unstable and can vary by tens (or even hundreds) of percents several times a month. Considering the amount of money in dollars affected by Bitcoin, it becomes clear that the future of this type of electronic payments will generally be determined by the development of this crypto-currency.

It is assumed that cryptocurrency will become a deflationary monetary unit. Pursuing this goal, the developers of Bitcoin have limited the emission of the cryptocurrency to 21 million. The use of crypto-currency allows ensuring absolute anonymity, but there are some safety rules which should be followed.

These electronic payments contribute to the development of terrorism, sale of banned goods, such as weapons, drugs and others. Laws prohibiting some activity on the territory of the country can be effectively avoided with the help of cryptocurrency. Many companies use this technology for such reasons.

One of the most attractive features of all cryptocurrencies is the absence of controlling bodies. However, considering the illusory nature of its creator, there are some doubts about the purpose of Bitcoin appearance.

Bitcoin is a non-taxable currency. Transactions can't be tracked by the government. Consequently, the possible use of cryptocurrencies as regional or international monetary units will hit the country's budget.[4]

The rate of cryptocurrency directly depends on demand and supply. The supply is strictly limited and the demand is regulated by the amount of goods and services which can be purchased for some crypto-currency.

Cryptocurrencies include most of the monetary functions (means of exchange, means of saving). Cryptocurrency can be used as a mean of saving and accumulation. However, the high and unpredictable volatility of its rate shows that this is extremely risky. The main factors affecting the exchange rate of bitcoin are as follows: the attitude to currency (trust or distrust); the actions of the monetary authorities; the emission limit; recognition of the brand; popularity and expansion of the sphere of use; support from large companies in accepting payments, etc.[5]

Advantages of cryptocurrency are openness, relative reliability and absence of counterfeiting. In addition, the use of crypto-currency contributes to the reducing costs of processing and storage of banknotes. For example, the lack of non-cash payments in Italian economy costs 10 billion dollars a year.[6]

It is necessary to recognize that with a certain transformation of the use of cryptocurrency, the state can reach an acceptable level of tax collecting. However, this direction is still poorly studied nowadays. So the distribution of cryptocurrency in a certain sense is beneficial for the state, especially with the necessary attention to possible risks. Despite rather obvious advantages, this phenomenon is very likely to reduce the demand for public money, which leads to weakening the banking system and destabilizing the economy.

The presence of risks explains cautious policy of the Russian Federation in relation to cryptocurrencies. On the one hand, it is necessary to admit that government fears the loss of leverage to interfere into the inner economy of the country more than loosening of the economy (the existence of which is doubtful).

The appearance of uncontrollable monetary instrument threatens the possibility of correcting certain economic processes. Some specialists believe that Bitcoin can undermine the position of ruble and, consequently, of the central bank, by 2021[7]. Bitcoin represents a real threat for the world's fiat monetary system, governed by central banks. The main directions of Bitcoin's influence on the price stability within the inflation targeting regimes from the side of cryptocurrency can be considered as: an increase in money in the economy as a result of bitcoin's currency fluctuations; influence on the speed of monetary circulation as a result of a decrease in the demand for ordinary money and a decrease in efficiency of interest rate policy; a decrease in the real exchange rate in a single country as a result of the impact on the value of the national currency. So, with uncontrolled emission of cryptocurrency there can be sharp acceleration of the rate of inflation, an increase in the money supply, a loss of emissive income of central banks.[8] Such risks make the government of Russian Federation to prevent the rapid distribution of cryptocurrency in the country, and also delay the definition of an accurate regulatory framework.

Results. In case that the government decides to introduce cryptocurrency into the country, the most logical way out will be the introduction of the official form, due to which the employer will have to pay salary in the cryptocurrency,

indicating client's addresses. However, in this case the principles of anonymity, which are the reasons of cryptocurrency's popularity, will be irretrievably lost.

Considering the cryptocurrency as an international monetary unit at this stage is premature. It is not completely clear, how the regulatory base should be adjusted. It cannot be said, that the ban on use of the cryptocurrency is a demonstration of backwardness and unreadiness for the latest internet technologies.

If the Russian Federation opens its borders to cryptocurrencies, then the flow of the foreign investments, qualified personnel and the latest technologies will gush into the domestic market. The Russian economy can get a serious push to development in such a case. However, in the circumstances of the global permission of the cryptocurrency the government will have to switch to the British model, which means the refuse to control foreign investments.

Conclusion. So, the following variants of using cryptocurrency are possible in Russia: complete ban with criminal liability, but in our opinion this is a hopeless path, which leads to Russia's lag in the sphere of virtual finances; permission for parallel using of cryptocurrencies with the introduction of the necessary regulation – currently impossible, considering the position of the CBR and Ministry of Finance; limited use only for individuals' payments, with a ban for banks and legal entities, which is more likely, especially using the blockchain technology to create an international settlement facility such as bitcoin.

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