

Bitcoin – The Internet of Money

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Abstract: For the last one year bitcoin is the newsmaker other than personals. Bitcoin is otherwise known as digital currency or crypto currency or virtual currency. Being internal currency, bitcoins cannot be admitted. Almost all the government and central banks denied deposits through bitcoins. Even then the depositors are increasing day by day. Even in India, one half crores of depositors in this field. Above five thousand applicants will be there in exchanges to open new accounts. According to income tax department, there are about two thousand crores of rupees were transacted through Indian exchanges in a month. Simply speaking, bit coins are currencies using only in online transactions. That is why they are called digital currencies. Bit coins are originated using cryptography in computer network. Hence they are named as crypto currency. At the same time they have no real shape like our paper currency or metal coins. So they are known as virtual currency. Apart from Bitcoins, Ethereum, Ripple, Light Coin, Bit coin Cash, Iron, Stellar, Moneyro, Dash, Iota etc. are some of the existing two thousand crypto currencies creating new ones day by day. With Ethereum, a piece of code could automatically transfer the home ownership to the buyer and the funds to the seller after a deal is agreed upon without needing a third party to execute on their behalf.”

Keywords: Bitcoin, crypto currency, ethereum

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I. Introduction

Totally there are 2.1 crores of bitcoins. It can be obtained in two ways, First we have to mine these coins as we get gold from gold mining but the difference in this mining is using cryptography in computer network. Secondly, one can buy bitcoins from others those who have. The bitcoin mining in the computer network is a very complicated process. If we compare the idea to a computer puzzle game, each bitcoin is released as a result of fulfilling each step of the game. Only 1.68 crores of coins are obtained till now. As the puzzle game improves, the difficulty in solving the problem increases stage by stage. As such in bitcoin mining also. According to the existing hardness level, it takes 1367 years for a man to get a bitcoin as his own, through mining. That means no one can mine his own bitcoins. For releasing all these 2.1 crores of bitcoins, we have to wait till the year 2410. No more new bitcoins there after. Only exchange of these will happen.

Though the process of bitcoin mining is complicated, trading is simple. As we buy and sell shares of various companies from share exchanges, the transactions of bitcoins are through cryptocurrency exchanges. In India there are more than ten such exchanges. Coin Secure, Uno Coin, Sebpay etc. are some of them. Bit Stamp, Coin Base, Bit Finex, BTC china etc. are some of the global exchanges in various countries. One bitcoin costs more than four lakh rupees.

Share markets have controlled working hours while crypto currency exchanges work throughout day and night. So there is no closing price, but the price at the time of midnight is considered as the closing price.

Besides, the price for the same currency varies in different exchanges. In October 2009, for one US dollar we could get 1309 bitcoins. At that time there were no crypto currency exchanges in India. When compared to the exchange value of a dollar with Indian rupees in 2009, the price of a bitcoin was below four paise. Last month this value raised above twelve lakhs. In February 2011, the value of a bitcoin was one US dollar. In December 2017, this value raised up to twenty thousand dollar.

Last year in January, the price of etherium was eight dollars. But in this year, the price raised to 1448 dollars and then went down to 600 dollars. Satoshi Nakamoto is the first originator of bitcoin in 2009. He had done it through a technological work named “Block Chain”. But there is some confusions about Nakamoto- a person or a group of persons. After two years Nakamoto retreated from cyber world. Later, a few people came arguing that they are Nakamoto, but they couldn’t prove that they are.

Charlie Lee, who is the originator of right coin is a former servant in google. Mr. Vitallic Butterin- a Russian youth is the originator of etherium. He is a computer programmer and a main person in the establishment of bitcoin magazine.

II. History

After early "proof-of-concept" transactions, the first major users of bitcoin were black markets, such as Silk Road. During its 30 months of existence, beginning in February 2011, Silk Road exclusively accepted bitcoins as payment, transacting 9.9 million in bitcoins, worth about \$214 million.

In 2011, the price started at \$0.30 per bitcoin, growing to \$5.27 for the year. The price rose to \$31.50 on 8 June. Within a month the price fell to \$11.00. The next month it fell to \$7.80, and in another month to \$4.77.

Litecoin, an early bitcoin spin-off or altcoin, appeared in October 2011. Many altcoins have been created since then.

In 2012 bitcoin prices started at \$5.27 growing to \$13.30 for the year. By 9 January the price had risen to \$7.38, but then crashed by 49% to \$3.80 over the next 16 days. The price then rose to \$16.41 on 17 August, but fell by 57% to \$7.10 over the next three days.

The Bitcoin Foundation was founded in September 2012 to promote bitcoin's development and uptake.

2013–2016

In 2013 prices started at \$13.30 rising to \$770 by 1 January 2014. In March 2013 the blockchain temporarily split into two independent chains with different rules. The two blockchains operated simultaneously for six hours, each with its own version of the transaction history. Normal operation was restored when the majority of the network downgraded to version 0.7 of the bitcoin software. The Mt. Gox exchange briefly halted bitcoin deposits and the price dropped by 23% to \$37 before recovering to previous level of approximately \$48 in the following hours. The US Financial Crimes Enforcement Network (FinCEN) established regulatory guidelines for "decentralized virtual currencies" such as bitcoin, classifying American bitcoin miners who sell their generated bitcoins as Money Service Businesses (MSBs), that are subject to registration or other legal obligations. In April, exchanges BitInstant and Mt. Gox experienced processing delays due to insufficient capacity resulting in the bitcoin price dropping from \$266 to \$76 before returning to \$160 within six hours. The bitcoin price rose to \$259 on 10 April, but then crashed by 83% to \$45 over the next three days. On 15 May 2013, US authorities seized accounts associated with Mt. Gox after discovering it had not registered as a money transmitter with FinCEN in the US. On 23 June 2013, the US Drug Enforcement Administration (DEA) listed 11.02 bitcoins as a seized asset in a United States Department of Justice seizure notice pursuant to 21 U.S.C. § 881. This marked the first time a government agency had seized bitcoin. The FBI seized about 26,000 bitcoins in October 2013 from the dark web website Silk Road during the arrest of Ross William Ulbricht. Bitcoin's price rose to \$755 on 19 November and crashed by 50% to \$378 the same day. On 30 November 2013 the price reached \$1,163 before starting a long-term crash, declining by 87% to \$152 in January 2015. On 5 December 2013, the People's Bank of China prohibited Chinese financial institutions from using bitcoins. After the announcement, the value of bitcoins dropped, and Baidu no longer accepted bitcoins for certain services. Buying real-world goods with any virtual currency had been illegal in China since at least 2009.

In 2014 prices started at \$770 and fell to \$314 for the year. In February 2014 the Mt. Gox exchange, the largest bitcoin exchange at the time, said that 850,000 bitcoins had been stolen from its customers, amounting to almost \$500 million. Bitcoin's price fell by almost half, from \$867 to \$439 (a 49% drop). Prices remained low until late 2016. In 2015 prices started at \$314 and rose to \$434 for the year. In 2016 prices rose to \$998 on 1 January 2017.

2017–2018

Prices started at \$998 in 2017 and rose to \$13,412.44 on 1 January 2018. On 17 December bitcoin's price reached an all-time high of \$19,666. China banned trading in bitcoin, with the first steps taken in September 2017, and a complete ban starting 1 February 2018. Bitcoin prices then fell from \$9,052 to \$6,914 on 5 February 2018. The percentage of bitcoin trading in renminbi fell from over 90% in September 2017 to less than 1% in June.

Throughout the rest of the first half of 2018, bitcoin's price fluctuated between \$11,480 and \$5,848. On 1 July 2018 bitcoin's price was \$6,469.

Bitcoin prices were negatively affected by several hacks or thefts from cryptocurrency exchanges, including thefts from Coincheck in January 2018, Coinrail and Bithumb in June, and Bancor in July. For the first six months of 2018, \$761 million worth of cryptocurrencies was reported stolen from exchanges. Bitcoin's price was affected even though other cryptocurrencies were stolen at Coinrail and Bancor, as investors worried about the security of cryptocurrency exchanges.

RBI had put forward various reasons for not to admit crypto currency;

Decentralization and centralization

Decentralization

Bitcoin does not have a central authority and the bitcoin network is decentralized:

- There is no central server, bitcoin network is peer-to-peer.
- There is no central storage, bitcoin ledger is distributed.
- The ledger is public, anybody can store it on their computer.
- There is no single administrator,^[7] the ledger is maintained by a network of equally privileged miners.
- Anybody can become a miner.
- The additions to the ledger are maintained through competition. Until a new block is added to the ledger, it is not known which miner will create the block.
- The issuance of bitcoins is decentralized. They are issued as a reward for the creation of a new block.
- Anybody can create a new bitcoin address (a bitcoin counterpart of a bank account) without needing any approval.
- Anybody can send a transaction to the network without needing any approval, the network merely confirms that the transaction is legitimate.

Regulatory warnings

The U.S. Commodity Futures Trading Commission has issued four "Customer Advisories" for bitcoin and related investments. A July 2018 warning emphasized that trading in any cryptocurrency is often speculative, and there is a risk of theft from hacking, and fraud. A February 2018 advisory warned against investing an IRA fund into virtual currencies. A December 2017 advisory warned that virtual currencies are risky because:

- the exchanges are not regulated or supervised by a government agency
- the exchanges may lack system safeguards and customer protections
- large price swings and "flash crashes"
- market manipulation
- theft and hacking
- self-dealing by the exchanges

The U.S. Securities and Exchange Commission has also issued warnings. A May 2014 "Investor Alert" warned that investments involving bitcoin might have high rates of fraud, and that investors might be solicited on social media sites. An earlier "Investor Alert" warned about the use of bitcoin in Ponzi schemes.

The European Banking Authority issued a warning in 2013 focusing on the lack of regulation of bitcoin, the chance that exchanges would be hacked, the volatility of bitcoin's price, and general fraud.

The self-regulatory organization FINRA and the North American Securities Administrators Association have both issued investor alerts about bitcoin.

III. Conclusion

Most countries warned against crypto currency. First among them in south korea where the transaction of crypto currency is more. They prohibited depositing this currency and levied 24% as tax. In India, RBI had warned against crypto currency. Besides the Finance Minister, in his budget declared that there is no value for crypto currency in India. Income tax department started actions to levy tax for the income through the transactions of crypto currency. According to Income Tax department, techy youths and people from real estate, jewelry field are the major depositors in India.

In Egypt, Grand Mufthi had delcraedFathwah against crypto currency. Depositing crypto currency is like gambling, which is against Islamic rules. Saudi Grand Mufthi is also of the same opinion. Facebook prohibited advertising about crypto currency in their platforms. Major banks in countries like America and Britain prohibited in exchanging money to crypto currency exchanges through their credit cards.

In G20 Summit, which is to be held in Argentina in March will discuss about the controlmeasure to crypto currency. All the existing crypto currencies are originated by private persons or institutions. There is no support of economy system as in the conventional currency or income through business as in company shares. Increase in value is only through speculation. Major crisis facing crypto currencies is the change of their price minute by minute.

The real donation of the creator of Bitcoin is Block Chain. Basic of crypto currency is block chain. It can influence all the realities of day today life. The problems created by the crypto currency for the existing method of world economy is not so small.

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