

**ECOFIN**

**MUN BRIEFING PAPER**

**The Question of Regulating Cryptocurrency Markets**

Hello delegates, my name is Aaryan Dhanani and I will be chairing the ECOFIN Committee alongside Avi Dodhia and Zain Hemani at HabsMUN 2024. I am optimistic that, like in previous years, we can make this experience equally enjoyable and powerful. It's a pleasure to welcome both seasoned and first-time delegates to join us for engaging debates. Should you have any questions or concerns regarding MUN or our topics of the upcoming debate, feel free to reach out via email at dha001@habsboys.org.uk

**What do you need to do prior?**

As a form of introduction on your country’s stance on the topics we require the production of a position paper. A position paper should be a 50-100 word summary on your agenda for the debate. Remember that if your country has a GDP of $1000 then for the majority of the population cryptocurrencies will be unattainable! As well as this we advise creating at least one resolution paper on what your country strives to do about the selected issues. These really enhance the whole experience and create a more realistic conference, as to why we urge you to write one. Your resolution papers can be brought with you on the day, but it would be incredibly helpful if you could also send a copy of your resolutions before the debate. You will already have been sent advice from the Sec-Gens on how to do so.

**Background Information**

The question of regulating cryptocurrency markets involves the examination of how governments and international bodies should approach the oversight and governance of digital currencies, such as Bitcoin, Ethereum, and others. Cryptocurrencies operate on decentralised blockchain technology, allowing for peer-to-peer transactions without the need for traditional financial intermediaries. The regulatory debate surrounding cryptocurrencies encompasses concerns related to consumer protection, financial stability, security, and the prevention of illicit activities.

**Volatility and Investor Protection:** Cryptocurrency markets are known for their price volatility, which can expose investors to significant risks. Regulatory discussions often revolve around implementing measures to protect investors, ensuring they are well-informed about the risks associated with crypto investments, and establishing mechanisms to mitigate extreme market fluctuations.

**Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF):** Cryptocurrencies have been associated with money laundering and illicit activities due to their pseudonymous nature. Regulatory efforts aim to enhance anti-money laundering and counter-terrorism financing measures within the crypto space, requiring exchanges and service providers to implement robust customer identification and reporting mechanisms.

**Market Integrity:** Ensuring the integrity of cryptocurrency markets is a concern, given the potential for market manipulation and fraud. Regulatory frameworks seek to establish transparent and fair trading practices, preventing fraudulent activities such as pump-and-dump schemes and insider trading.

**Taxation:** Taxation of cryptocurrency transactions is a complex issue. Regulators are working to develop clear guidelines on how to tax crypto-related income, capital gains, and transactions, ensuring compliance and revenue collection.

**Technology and Innovation:** Authorities also recognise the potential benefits of blockchain technology and cryptocurrencies for innovation and financial inclusion. Striking a balance between fostering innovation and protecting the public is a central challenge in the regulatory landscape.

**Global Coordination:** Cryptocurrencies operate on a global scale, making international coordination crucial for effective regulation. Different countries have adopted varying approaches, ranging from embracing cryptocurrencies to imposing outright bans. Harmonising regulatory efforts can help address cross-border challenges and ensure a more consistent regulatory environment.

Striking the right balance between fostering innovation, ensuring consumer protection, and preventing illicit activities is a complex challenge that regulators worldwide are actively addressing.

**Writing your Resolution:**

If you want to make an effective resolution under this topic, consider the following points:

**High Income Country:**

Cryptocurrencies have shown potential to foster innovation and economic growth. A balanced regulatory framework should encourage responsible innovation in the financial sector, promoting technological advancements that can benefit our nation's economy.

A well-regulated cryptocurrency market provides a safer environment for investors. Implementing measures such as KYC (Know Your Customer) and AML (Anti-Money Laundering) can help mitigate risks associated with fraud and illicit activities.

Regulation can contribute to the stability of cryptocurrency markets, preventing excessive volatility and protecting both investors and the broader financial system. This is crucial for maintaining confidence in the market and preventing systemic risks. Also, regulation allows for the imposition of taxes on cryptocurrency transactions, contributing to national revenue. Establishing a clear tax framework ensures that the government can benefit from the growing popularity of digital currencies while also preventing tax evasion. Finally, regulation can be a tool to curb illicit activities such as money laundering and terrorist financing. By enforcing strict compliance measures, we can mitigate the potential misuse of cryptocurrencies for illegal purposes, ensuring the integrity of our financial system.

Establishing clear regulations can enhance consumer confidence in cryptocurrency markets, encouraging a wider adoption of digital assets. A secure and regulated environment is more likely to attract mainstream users and institutional investors, fostering a healthy ecosystem.

Cryptocurrencies operate on a global scale, and a coordinated international effort is essential for effective regulation. High-income countries should advocate for international cooperation to develop common standards and protocols to address cross-border challenges associated with cryptocurrencies.

A comprehensive regulatory framework should include initiatives for educating the public and stakeholders about the risks and benefits of cryptocurrencies. Informed participants are more likely to engage responsibly in the market, reducing the likelihood of market manipulation or uninformed decisions.

**Low Income Country:**

Emphasise the potential of cryptocurrency to promote financial inclusion in low-income countries by providing access to banking services for the unbanked population.

Encourage the development of regulations that foster the responsible use of cryptocurrency to bridge the financial gap and empower marginalised communities.

Highlight the opportunity for low-income countries to benefit from technological advancements associated with cryptocurrencies.

Advocate for international collaboration and support to facilitate technology transfer, enabling these nations to harness the positive aspects of blockchain and related technologies.

Express concerns about the vulnerability of low-income economies to economic volatility caused by cryptocurrency market fluctuations and propose measures for international cooperation to mitigate the adverse effects, such as financial assistance during economic downturns triggered by cryptocurrency market movements.

Stress the need for capacity-building programs to educate citizens, businesses, and regulatory bodies in low-income countries about the potential risks and benefits of cryptocurrency.

Acknowledge the concerns related to illicit activities such as money laundering and terrorism financing associated with cryptocurrencies.

Propose collaborative efforts among nations to establish robust regulatory mechanisms to prevent and combat illicit activities without unduly stifling the growth of the cryptocurrency market.

Advocate for a balanced approach that fosters innovation while ensuring necessary regulations are in place to protect consumers and maintain financial stability.

Suggest the creation of an international task force to share best practices and guidelines for regulating cryptocurrency markets without hindering their potential benefits.

Remember to produce a resolution and a position paper of roughly 100 words to inform your country’s stance on this Question. There are many more things you can discuss - explore as much as you can and have fun with it!

**Further Reading**

[Answers to Your Questions About Cryptocurrency Regulation - Insights | FIS (fisglobal.com)](https://www.fisglobal.com/en/insights/what-we-think/2022/october/answers-to-your-questions-about-cryptocurrency-regulation)

[Here's what you need to know about cryptocurrency regulation | World Economic Forum (weforum.org)](https://www.weforum.org/agenda/2022/07/cryptocurrency-regulation-global-standard/)

[Cryptocurrency Regulation: A Guide to U.S. & Global Policies | Britannica Money](https://www.britannica.com/money/cryptocurrency-regulation)