

Centre for Competition Law & Policy (CCLP), ILSR, GLA University

CRYPTOCURRENCY & COMPETITION POLICY

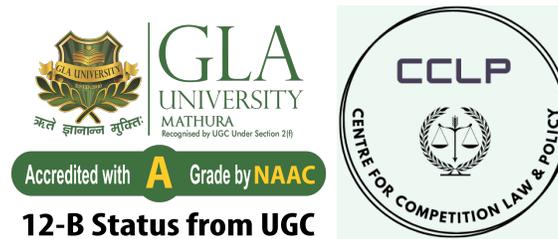
A. Introduction

Digital currencies were introduced in the late 2000's and have thus gained significant demand amongst the Indian investors in the past two decades. With boom in the digital currency market, in 2019, the international research reports conducted by OECD called for imposition of taxes on such currencies owing to their rising demand amongst investors. Interestingly, the Indian Government also followed the international perspective and, in the budget of 2022, announced its decision to impose taxes on the digital assets which has gathered great relevance and excitement amidst the millennials and investors.

Currency gets its power from consumers. It helps in facilitating exchange in the market. In the ancient times, humans would prefer barter system and hence, the usage was restricted only for the rich and privileged class of society. However, with currency gaining importance and global evolution over time, digital assets have come into existence and the evolution of different types of currencies like Bitcoin and Litecoin has only helped in enhancing this power. With the recent research reports, and intense discussion, it can safely be concluded that digital asset is the preferred mode of investment and with each passing day, the number of investors in the digital market has multiplied which has resulted in enormous competition amongst the investors and participants.

B. Contemporary Currencies

The recent media reports and research analysis have managed to focus on only one form of cryptocurrency and that is Bitcoin which might lead to an understanding that there is only one



form of currency in the market but the actual position is quite different. [In reality there are a total number of 200 forms of currencies and new entrants in the market keep increasing¹](#). Statistics show that Bitcoin has the maximum consumers and right next to it stands the consumer base of Litecoin, Peercoin, etc.

C. History & Overview

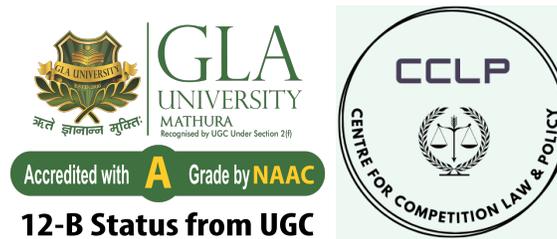
Bitcoin has emerged in 2009 and has managed to become the prioritized and popular form of virtual currency among all. These currencies use the blockchain technology. The primary reason for which Bitcoin was propounded was for the usage of such coins for daily transactions and the institution of a new form of payment system and replacing the old form of currencies². The reason behind this contention was to establish a form of payment system as inspired from the Great Recession of 2008, a regime wherein no form of permission was required from the banks or the government.

But initially these currencies had no commercial value and in fact, miners analyzed as to how this technology worked and made transactions of the bitcoins that had no value. [However, news reports suggest that a Florida man negotiated to have two Papa John's pizzas, valued at \\$25, delivered for 10,000 BTC on May 22, 2010³](#). This incident has evoked extra-ordinary value to Bitcoin. . Since a trend was set up in the early 2000s, a better version of Bitcoin was introduced in 2011.

¹ Current forms of cryptocurrencies, Coin Market Cap, available on <http://coinmarketcap.com/>, accessed 18 March, 2022.

² Rogojanu A, Badea L, The issue of competing currencies: Case study–bitcoin., *Theor. Appl. Econ.* 21, 103–114, 2014.

³ Paulina Likos & Coryanned Hicks, The History of Bitcoin, U.S News, <https://money.usnews.com/investing/articles/the-history-of-bitcoin> accessed on 19 March, 2022.



D. Dominance & Bitcoin

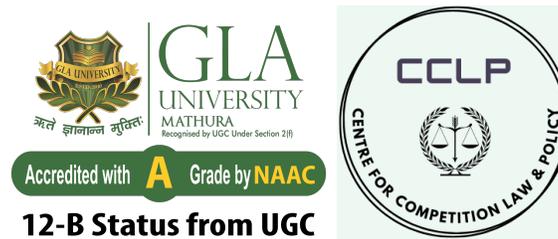
Bitcoin is quite popular among the consumers, as of now and the other two forms of currencies have quite a wide consumer domain. But consumers have managed to gain an understanding of the other forms of virtual currencies as well. The scenario that can be understood in this context is that the actual information about these currencies in the market is quite dense and mainly the consumers are too apprehensive about investing in any other form of currency other than Bitcoin as Bitcoin has quite a large public subscription which makes consumers realize that it is safe to invest in such coins. [The currency has witnessed a total number of 18.92 million circulation worldwide right from its inception in 2009 which is the highest record when compared to other forms of currencies](#)⁴.

A lot of times people reach to Bitcoin just on the reference made by some other individual, while in reality they have no other idea as to what all options they might have in the market other than Bitcoin, which creates a scenario of “zero-sum” game in which apparently the winner gets to take all the profits that are involved in such scenario.

On the basis of such reports, it can be easily concluded that Bitcoin in the contemporary market holds a dominant position. However, it still remains to be understood if the digital assets market has managed or intensified the abuse of dominant position or not.

In the recent decision of the Supreme Court in the case of *Internet and Mobile Association of India v. Reserve Bank of India* struck down a circular banning the trading/dealing in cryptocurrencies in India. Although this Judgment is a welcome move and pro – digital market move, yet the a concrete and definitive regulation is amiss from the statutory laws prevailing in India.

⁴ Number of Bitcoins in circulation, Statista, <https://www.statista.com/statistics/247280/number-of-bitcoins-in-circulation/> accessed on 19 March, 2022.



E. Conclusion

The research reports suggest that owing to the popularity and the wide number of transaction history that the currency has, it is quite difficult to understand and regulate the market. The number of consumers of digital asset market, is increasing on a daily basis. In a report made by OECD it was established that there are chances that such currencies might lead to a situation where the wealth distribution will be hampered and it will lead to the situation where only a handful of participants who know how to regulate the market will have power⁵. The Indian Legislature and the Government which is still struggling to understand the scope of hub and spoke agreements and introduce the same in the Competition law statute in the context of online platforms needs to analyze the situation at the earliest and make policies in order to avoid this dreadful situation.

Disclaimer: This Blog is a part of the knowledge series initiative of Centre for Competition Law & Policy (CCLP), ILSR, GLA University, India

⁵ OECD, The Policy Environment for Blockchain Innovation and Adoption: 2019 OECD Global Blockchain Policy Forum Summary Report, OECD Blockchain Policy Series, (2019), <https://www.oecd.org/finance/2019-OECD-Global-Blockchain-Policy-Forum-Summary-Report.pdf> . Accessed on March 18,2022.