Cedar Falls High School Regional

What should be the U.S. position in the United Nations on acceptance and regulation of cryptocurrency?

BACKGROUND INFORMATION

In 1983 the first idea for cryptocurrency was proposed by David Chaum in a paper titled *Blind Signatures for Untraceable Payments*. This was later expanded to a full fledged cryptographic electric currency in 1995 called ecash. The newly formed ecash eventually went bankrupt due to its inability to compete with credit cards in online shopping but inspired Satoshi Nakamoto to start his own work on digital currencies. In 2008 Nakamoto released the paper *Bitcoin: A Peer-to-Peer Electronic Cash System* to a cryptography mailing list. In the start of 2009 this idea was realized into a functional network with its first transaction being 10 bitcoins between the creator and Hal Finney.

Cryptocurrency began to serve as a legitimate form of payment with the founding of Mt. Gox in 2010. This was one of the earliest cryptocurrency trading platforms and laid the groundwork for many following cryptocurrency exchanges. Cryptocurrency continued to grow into the 2010s as governments began to recognize that cryptocurrency served similar functions to real money. In 2018 cryptocurrency was added to the Merriam-Webster dictionary with the definition "any form of currency that only exists digitally, that usually has no central issuing or regulating authority but instead uses a decentralized system to record transactions and manage the issuance of new units, and that relies on cryptography to prevent counterfeiting and fraudulent transactions".

The first regulations of cryptocurrency in the United States were passed in 2021 in 13 states. This increased attention brought to cryptocurrency led the SEC to start considering countrywide regulations. This was further urged by senator Elizabeth Warren, a member of the Senate Banking Committee, who wrote a letter to the chairman of the SEC demanding regulations due to the increase in cryptocurrency use. That same year the Department of Treasury mandated that all transfers of $10,000 be reported to the IRS as a way to combat illegal activity and tax evasion. While individual government agencies have continued to implement their own regulations, widespread enforcement has yet to be enacted in the U.S. due to ongoing debate and lack of policy consensus. There is a similar trend in the international community with scarce policy recommendations and even scarcer regulations.

When looking at cryptocurrency use in crime, it is clear that the amount of transactions made to fund illegal activity is notable. It is estimated that 10 billion USD of cryptocurrency transactions are used for criminal activity, making up about .3% of all cryptocurrency transactions. While this is a large amount of money, it pales in comparison to approximately 1.4 trillion USD that is used for criminal activity. It also appears like this number is not going to increase as the illicit share of cryptocurrency transaction has remained under .5% for the past 6 years.

COUNTRY'S POSITION

The U.S. recently introduced legislation in the house of representatives in order to create a regulatory framework for digital assets. The bill *Financial Innovation and Technology for the 21st Century Act* is shaping cryptocurrency to create measures to protect consumers and reduce market manipulation, leading to an increase in confidence in cryptocurrencies as a whole. In addition, both of the presidential candidates for 2024 have come out in support of boosting the use of cryptocurrency. Keeping this in mind the U.S. recommends that restrictions on cryptocurrencies don't get created and that efforts go towards encouraging an increase in cryptocurrency use.

When considering the environmental impacts of cryptocurrency and importantly the large amount of energy used by cryptocurrency mining it is clear that mining needs to be limited. The U.S. suggests that the energy used by cryptocurrency miners is either limited to stay within a reasonable range or that environmental impacts are offset by a tax on energy used for mining. It is also proposed that disposal of the e-waste created by cryptocurrency be taxed to encourage longer lasting technology.

JUSTIFICATION AND SUMMARY

The United States prides itself on its economy and boasts the largest economy by nominal GDP. This driving force is one of the reasons the U.S. is often seen pushing for more economic freedom and options, shown by one of their more recent programs FedNow, which is built to speed up peer to peer online banking and allow users more financial freedom. This aligns with the goal of keeping cryptocurrency deregulated as it too allows people to have more options when it comes to payment methods and managing their own funds.

Another major goal of the United States is to protect the environment. This is demonstrated in the nearly 15 different acts passed in the past 20 years. This focus on environmental protections and sustainability is one of the reasons why it is a major factor in how the U.S. promotes cryptocurrency. Cryptocurrency mining has such a high energy use that it rivals some of the U.S.' largest industries like steel and iron, all while having none of the regulations to ensure protection of the environment. The added issue of the e-waste created by crypto only emphasizes the need for regulations. The cryptocurrency mining industry creates the same amount of e-waste as the entire country of the Netherlands.

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