



### **Is Bitcoin legal**

To the best of our knowledge, Bitcoin has not been made illegal by legislation in most jurisdictions. However, some jurisdictions (such as Argentina and Russia) severely restrict or ban foreign currencies. Other jurisdictions (such as Thailand) may limit the licensing of certain entities such as Bitcoin exchanges.

Regulators from various jurisdictions are taking steps to provide individuals and businesses with rules on how to integrate this new technology with the formal, regulated financial system. For example, the Financial Crimes Enforcement Network (FinCEN), a bureau in the United States Treasury Department, issued non-binding guidance on how it characterizes certain activities involving virtual currencies.

### **Is Bitcoin useful for illegal activities?**

Bitcoin is money, and money has always been used both for legal and illegal purposes. Cash, credit cards and current banking systems widely surpass Bitcoin in terms of their use to finance crime. Bitcoin can bring significant innovation in payment systems and the benefits of such innovation are often considered to be far beyond their potential drawbacks.

Bitcoin is designed to be a huge step forward in making money more secure and could also act as a significant protection against many forms of financial crime. For instance, bitcoins are completely impossible to counterfeit. Users are in full control of their payments and cannot receive unapproved charges such as with credit card fraud. Bitcoin transactions are irreversible and immune to fraudulent chargebacks. Bitcoin allows money to be secured against theft and loss using very strong and useful mechanisms such as backups, encryption, and multiple signatures.

Some concerns have been raised that Bitcoin could be more attractive to criminals because it can be used to make private and irreversible payments. However, these features already exist with cash and wire transfer, which are widely used and well-established. The use of Bitcoin will undoubtedly be subjected to similar regulations that are already in place inside existing financial systems, and Bitcoin is not likely to prevent criminal investigations from being conducted. In general, it is common for important breakthroughs to be perceived as being controversial before their benefits are well understood. The Internet is a good example among many others to illustrate this.

## **Operating under no regulatory environment**

The Bitcoin protocol itself cannot be modified without the cooperation of nearly all its users, who choose what software they use. Attempting to assign special rights to a local authority in the rules of the global Bitcoin network is not a practical possibility. Any rich organization could choose to invest in mining hardware to control half of the computing power of the network and become able to block or reverse recent transactions. However, there is no guarantee that they could retain this power since this requires to invest as much than all other miners in the world.

It is however possible to regulate the use of Bitcoin in a similar way to any other instrument. Just like the dollar, Bitcoin can be used for a wide variety of purposes, some of which can be considered legitimate or not as per each jurisdiction's laws. In this regard, Bitcoin is no different than any other tool or resource and can be subjected to different regulations in each country. Bitcoin use could also be made difficult by restrictive regulations, in which case it is hard to determine what percentage of users would keep using the technology. A government that chooses to ban Bitcoin would prevent domestic businesses and markets from developing, shifting innovation to other countries. The challenge for regulators, as always, is to develop efficient solutions while not impairing the growth of new emerging markets and businesses.

## **What about Bitcoin and taxes?**

Bitcoin is not a fiat currency with legal tender status in any jurisdiction, but often tax liability accrues regardless of the medium used. There is a wide variety of legislation in many different jurisdictions which could cause income, sales, payroll, capital gains, or some other form of tax liability to arise with Bitcoin.

## **What about Bitcoin and consumer protection?**

Bitcoin is freeing people to transact on their own terms. Each user can send and receive payments in a similar way to cash, but they can also take part in more complex contracts. Multiple signatures allow a transaction to be accepted by the network only if a certain number of a defined group of persons agree to sign the transaction. This allows innovative dispute mediation services to be developed in the future. Such services could allow a third party to approve or reject a transaction in case of disagreement between the other parties without having control on their money. As opposed to cash and other payment methods, Bitcoin always leaves a public proof that a transaction did take place, which can potentially be used in a recourse against businesses with fraudulent practices.

It is also worth noting that while merchants usually depend on their public reputation to remain in business and pay their employees, they don't have access to the same level of information when dealing with new consumers. The way Bitcoin works allows both individuals and businesses to be protected against fraudulent chargebacks while giving the choice to the consumer to ask for more protection when they are not willing to trust a particular merchant.

### **Source:**

<https://bitcoin.org/en/faq#what-if-someone-bought-up-all-the-existing-bitcoins>

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