



DOI: <https://doi.org/10.59503/29538009-2023.1.11-120>

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ENSURING FINANCIAL SECURITY IN THE FACE OF COMPETITION BETWEEN NATIONAL AND ELECTRONIC CURRENCIES

Abstract: The environment created in international monetary relations in the last decade following the global financial and economic crisis causes more concerns than optimism, both in terms of the financial systems of the national economies of individual countries, as well as the future course of the world economy. There are also many countries that have not even overcome the second wave of the global financial and economic crisis, the external debt crisis (Greece, Spain, Portugal, Holland, etc.). And in a broader sense, both in the economy and in the financial system, the general uncertainty is increasing.

Keywords: financial security, national currency, electronic currency, EAEU, financial risks

JEL code: G10

Research aim: to justify the need to ensure financial security in the era of deepening competition between national and electronic currencies, as well as the search of the private sector to choose

alternative means for international payments in trade and cooperation.

Research hypothesis: Compared to the approaches based on classical theory related to money, contemporary e-currency operations have a number of aspects. The role of the electronic currency with its' varieties will grow further despite the attempts of national governments and the central banks to limit the circulation of electronic currency and to create institutional barriers for its' use.

Research novelty: portray the challenging environment after the global financial crisis, as well as consider the pros and cons related to the circulation of the electronic currency in the world economy in conjunction with the main trends and developments taking place in regional integration, particularly, in the Eurasian Economic Union and in local economies, including Armenia.

Introduction

Armenians, are particularly interested in the mentioned issues for at least three reasons.

- In the years of independence, the established, even competitive and stable financial system in the post-Soviet territory faces certain risks. Even in the years when the national currencies of the neighboring countries - the Turkish lira, the Azerbaijani manat, the two Iranian currencies, the Georgian lari - were overvalued, the Armenian dram was advantageously distinguished by a stable trajectory, and what is more important for the economy, by a certain predictability. The year 2022 brought new challenges to the national currency, which may continue in 2023 as well.

- How to ensure the financial security of the country in the conditions of continuous turbulence of the currencies of trade and economic partners, global uncertainty and unprecedented fierce competition between electronic currencies and national currencies.

- To what extent it is possible to insure the national economy in the process of formation of the unified financial market planned within EAEU in 2025, as a result of it and in the following years.

Of course, it is difficult to find exhaustive answers to the formulated problems today, but it is important to incite and provoke discussions with the participation of the scientific community, which will help develop realistic scenarios to ensure the sustainable development of the national economy and its financial component.

Research results

Obviously, although cash is a fast and efficient method of payment, there are many drawbacks to its use [1]. Holding cash comes with many costs, including fraud, cash losses, deposits, and money management costs at financial institutions. The goal of electronic money is to replace small cash with small value transactions, thus avoiding loopholes such as France's experience with Moneo [2]. Moneo is designed to reduce purchasing power costs by temporarily transferring funds more efficiently. This structure should be applied to various retail transactions of smaller value to ultimately become more efficient. Moneo offers great benefits for consumers and retailers. The benefits of consumers are the following: greater speed of the transaction and a possible benefit in the form of a discount for future purchases. Moneo card holders should have fewer bank cards, especially if the features of debit and credit cards are taken into account, and they will feel

more secure with it. Merchants will receive funds before shipping physical goods or services, customer loyalty will increase, and the payment process at the point of purchase will become faster, thereby reducing the cost of the transaction.

In general, there are still different and conflicting opinions about the future of electronic currency. The optimistic approach to using cryptocurrency supports the fact that transactions are easily done between two parties. These money transfers are done at minimal cost, which allows users to avoid large fees charged by banks. Additionally, many countries have started accepting Bitcoin as a currency. In particular, countries that aim to get rid of cash have a very favorable approach to codification. The argument that most people use is that the market capitalization of Bitcoin and other cryptocurrencies makes the cryptocurrency market very large and powerful, and a ban would be expensive for every country. Today, the total value of all codes has reached several hundred billion dollars.

No inflation, the maximum amount of currency is strictly limited (for example, Bitcoin: 21 million) [3]. Since there are no political forces or corporations to change that order, there is no room for inflation to develop in the system. In networks, there is no single server that is responsible for all operations. The exchange of information (in this case - money) takes place through 2 to 3 or more software clients. All are installed by developers who are part of the network. Transactions are executed from hundreds of distributed servers. Neither banks nor governments can control the exchange of money. Unlimited transaction possibilities for each person to pay anyone, anywhere. The transaction cannot be

monitored or prevented, so transfers can be made anywhere the user is with their wallet.

There is no charge for declaring limits in this system. Currency cannot be counterfeited, copied or spent twice. These features guarantee the integrity of the field system. Decentralization - there is no central controlling authority in the network, the network refers to all participants, the member of each computer with a secret currency is a member of this system. This means that the central government has no power to rob the owners. And even if some part of the network is offline, the payment system will continue to work.

Anonymity. It is completely anonymous and at the same time completely transparent. Each company can create an unlimited number of secret addresses, regardless of name, location or any other information.

Transparency. It maintains a history of transactions that have taken place. It is called block block. Block informs about everything. So if a company publicly uses a Bitcoin address, everyone can see how much Bitcoin they own. If the company address is not published, no one will know that it belongs to this company. For complete anonymity, companies use a unique Bitcoin address for each transaction.

In the BTC network, all information about the transaction is shared, but there is no data for the recipient or the sender (no personal information of the owner).

Transaction speed - ability to transfer money anywhere, etc.

Opponents of cryptocurrency argue that cryptocurrencies are highly volatile and can be used for money laundering or illegal activities. In this regard, for example, Humphrey gives reasons why

cryptocurrency is not a viable electronic currency [4]. He states that Bitcoin is trivial and shows price volatility and the discounted cash value of Bitcoin is zero. Additionally, he notes that the currency has no central issuer, and there is no financial or economic basis for its creation. Disadvantages include strong volatility, this volatility is a problem in the short term [5].

People don't stop investing without proper knowledge and lose money.

Lack of knowledge. People don't know how to protect themselves from cyber attack and therefore succumb to the will of hackers. There is no way to cancel the payment, if the transfer is mistakenly made to another person, there is no way to refund the payment. It is only possible to ask the person to return the money and if the request is rejected, then you just have to forget about the money.

The main risks of investing in corporate currencies that should be considered in the medium and long term.

Many experts believe that the list of disadvantages of cryptocurrencies is much longer and related to money laundering, terrorist financing and other illegal activities [6]. Many scholars and experts argue that the future of cryptocurrency is bright, as it will eliminate trade barriers and middlemen, reducing transaction costs, thereby boosting trade and the economy [7].

Can Bitcoin Hide Criminals? Five years ago, Bitcoin demonstrated the possibility of anonymity. But that's changing, starting with the FBI and other law enforcement agencies. Most of Bitcoin's users are people working in law, which has raised privacy concerns. There are also people who see anonymity as a tool for financial crime. This was an attempt at a virtual currency

settlement. Governments are known to be interested in virtual currencies as they continue to gain recognition. Thus, in 2013, the US Treasury issued a directive on how to use digital currency and money transfers [8]. At that time, certain steps were taken to regulate Bitcoin, which means that the secret currency should be recognized as taxable property. Transacting in digital currencies has become one of the preferred payment methods as it provides anonymity and privacy.

The regulatory landscape for digital currencies is bigger than public protection and combating criminal activity. However, care must be taken to avoid the development of innovative technologies [9]. Regulation of digital currencies should be sufficiently balanced with privacy, business development and innovative technologies.

Electronic agenda in the EAEU

Bitcoin and blockchain technologies in general are starting to find wide spread in EAEU member states as well. As in the whole world, cryptocurrency in EAEU countries has the following features.

- Decentralization, freedom and trust. The system does not require a central authority. It is maintained by distributed consensus.
- Common use and integration capabilities. Cryptocurrency can be used worldwide as it does not refer to national currencies. This is very important in the context of economic, political and legal integration.
- Income opportunities. Investors' interest in cryptocurrency is explained by the possibility of high income(s) without taxes and controls.
- From a state-legal position, cryptocurrency also has great potential. In Russia, 70 percent of the country's gross domestic product comes from the sale of mineral resources such as oil, gas,

and coal. The development of digital technologies can help reduce the country's dependence on natural resources.

- Cost reduction. Unlike traditional money, cryptocurrency is not issued in the form of coins or notes. This reduces production costs and the risk of counterfeiting. The use of digital technologies can significantly reduce the costs of organizing money circulation.

The legal regulation of crypto-currency in the Eurasian Economic Union is determined by the peculiarities of the economic development and legal-legal regulation of the five different member states of the Union. For the Russian Federation, for example, the experience of currency regulation by the neighboring countries and partners of the European Union is of great importance. Cryptocurrencies are not subject to any legal regulation in our strategic ally, the Russian Federation. And the officials involved in the state administration system, as well as the most influential and prominent specialists of the banking sector, regularly express their opposition to their use, and even more so to their legalization. However, it is noteworthy that in 2017 In October, Putin announced the possibility of creating a unique cryptocurrency, the cryptorouble, which has not been done yet [10]. However, this cannot be equated with classic crypto-currencies, as mining was not planned, as well as identification of users, in order to collect taxes through them. And all this already excludes the primary principle of decentralization.

The most consistent regulation of cryptocurrency circulation is carried out in the Republic of Belarus. On December 21, 2017, the President of the Republic of Belarus signed Decree No. 8 "On the Development of the Digital Economy" for the development of innovation in the state sector and the development of a modern

digital economy. First of all, it should be noted that during the development of the document, the experts' conclusions were collected and analyzed not only regarding the high-tech park of Belarus, but also regarding the largest IT companies. In addition, consulting firms and legal consultancies contributed to the order. The decision supports the ideas and initiatives of the information technology community and, as the Belarusian mass media notes, can rightfully be called revolutionary.

This normative act is intended to introduce the conditions for the introduction of blockchain technology for the use of transaction registration and other technologies in the economy of the Republic of Belarus, which are based on the principles of distribution, decentralization and security of operations performed with their use. It should be noted that before the adoption of the decree, the circulation of digital assets was not regulated by the legislation of the Republic of Belarus, and they are not the object of legal relations. Today, the main statements of the decree specify that legal entities (mainly residents of the Belarusian high-tech park) and natural persons have the right to their own tokens. to have and carry out the following activities: acquiring them, storing tokens in virtual wallets, exchanging other currencies, acquiring them, alienating Belarusian rubles with foreign currency, electronic money, etc [11].

In addition, according to the decree, privileges and preferences are given to participants involved in the use of modern technologies. Thus, until 2023 On January 1, these participants are not recognized as objects of taxation.

A project is underway in Kazakhstan to implement VAT settlements using a blockchain-based platform. In the Law of the

Republic of Kazakhstan "On Currency Regulation and Currency Control" there is a definition of currency, which is as follows: Currency is a monetary unit accepted by states as a legal tender or standard in the form of banknotes, coins, including precious metals, as well as cash accounts, including international money accounts.

Thus, the legislation of Kazakhstan defines an exhaustive list of financial means that can be attributed to the currency. This rule in the concept of currency in Kazakhstan is fundamental, and therefore the prevention of digital technologies as a means of payment (currency) makes it possible to classify secret currency as property. The National Bank of the Republic of Kazakhstan stated the following in its informative message on January 16, 2017:

Organizations using secretive cover providing investment services for the population operate in Kazakhstan. Participants investing in these organizations do not have legal guarantees for the return of the invested money, because according to the civil legislation of the Republic of Kazakhstan, entry into this organization and the transfer of money by individuals takes place on a voluntary basis and without documentation procedures of reservation.

The position of the National Bank of Kazakhstan is largely defined by the adopted plan of struggle against financial pyramid schemes.

2018 In May, the President of Kazakhstan called for a joint study with other countries on the adaptation of digital currencies to the financial system and general provisions for the development of cryptographic rules. It can be assumed that at this stage of the development of Kazakhstan's economy, the regulation of

confidentiality at the legislative level will have a positive effect not only in the field of entrepreneurship, but also in other spheres of society [12].

The use of cryptocurrencies is currently considered illegal in Kyrgyzstan.

Prospects of application of cryptocurrency in Armenia

As is well known, Bitcoin is created by the use of IT power in a sequence of blocks formed on a large computer network. New bitcoins are issued and distributed among participants who use their own computer power to protect a given "unit of computation". Participants are rewarded for such service in the form of bitcoins and corresponding commissions. The number of registered bitcoin owners in RA is very small.

A community is slowly forming in Armenia that is interested in Bitcoin and other digital currencies, many are "mining", selling, etc. However, in general, the number of people dealing with digital currency is not really large, mostly people who are involved in the IT sector. Many people start dealing with digital currencies even though they are not technically trained, because it is a way of making easy money. However, the technological community is very small, we are talking about those who understand the technology of digital currencies, those who study the application and significance of this or that tool.

It is very difficult to make predictions about digital currencies, it still only causes panic. The price of digital currencies is growing very fast [13], and some people greedily assume that it is a way to make easy money. When many people want to buy a limited number of bitcoins, the price naturally goes up.

In such conditions of awareness and involvement, one of the largest mining farms in the world was opened in our republic, this is how the RA Prime Minister answered the journalists' questions. "Honestly, I still need to understand what Bitcoin is." [14] Referring to this *unprecedented event for our republic, it should be said that it is due to relatively low electricity prices set in our country. This company, based in the framework of cooperation between the "Multi Group" concern and the Swedish "Omnia Tech" company, can become the best stimulus for the development of cryptocurrencies and blockchain technologies in Armenia, as well as the flow of new large investments. However, in general, our republic needs to adopt an appropriate strategy in this newly created and global market.*

As for the legal part, according to the legislative initiative in 2018. In January, the National Assembly of the 6th convocation spoke. The project "On the Development of Digital Technologies" stipulates that any natural person over the age of 18, as well as legal entities, can engage in gaming in RA without any permission or license, and until 2023. similar activity is not taxed [15].

In recent years, the legislative basis for cryptocurrency circulation in Armenia has not yet been created. In 2015, the Central Bank of Armenia, following the experience of EAEU countries, warned citizens about the risks of investing in electronic currencies. Since 2015, the situation and opinions regarding electronic currencies have changed. The analysis of the experience of the Republic of Belarus had a positive effect on the legislators of Armenia, as a result of which a bill was presented to the National Assembly of Armenia, the purpose of which was to exempt the circulation of secret foreign currency from taxes.

A newly proposed draft of the Digital Technology Bill lays the groundwork for secret licensing and cryptocurrency creation in the country. This project is tax exempt and allows the creation of cryptocurrency without licensing. Cryptocurrency companies may receive other incentives, such as preferential customs facilities. Adoption of the bill will allow Armenia to follow Belarus [16].

The use of blockchain technologies has expanded over the years in both the private and public sectors. South Caucasus "Bitcoin" mining factory was established in Georgia, and since 2016, the territorial register of Georgia has been maintained with blockchain technology. The Armenian authorities also announced plans to create a free economic zone [17].

Bitcoin has been repeatedly labeled as an "economic bubble" by journalists and a number of public figures [18]. Back in 2014, the famous American business magnate Warren Buffett said, "Stay away from it. It is a real dream." [19] Although the designer of the system, when presenting the idea of the currency, stated that he expects the creation of more perfect forms of value over time, the most acute reasons for criticizing the Bitcoin system are:

- its deflationary nature - the maximum amount of currency is rigidly defined by the used software, as a result of which the amount of newly created currency will gradually decrease, and in 2030 will finally stop changing in the regions. If its viability is preserved, such a situation will lead to a gradual deflation of the currency. Already today, a situation can be observed when people involved in the early stages of the system's implementation have strong comparative advantages over new entrants to the market.
- price fluctuations - being protected purely by consumer confidence, Bitcoin can exhibit very sharp fluctuations, which is not

appropriate for a currency intended for everyday use. Such drastic fluctuations were observed, for example, in 2011. In June, when the price rose from \$17.50 to \$0.01 as a result of the release of a large amount of currency into the market by unknown market participants.

- incomplete confidentiality - from a purely structural point of view, it is impossible to hide the information about the transactions carried out in the system. In such conditions, it becomes relatively easy to link large-scale transactions with the activities of the person or organization implementing them. In addition, privacy can easily be compromised if the transaction counterparty is interested in sharing the collected personal data.
- support for illegal activities and black markets - since the system is originally intended as a currency alternative competing with classical monetary systems and devoid of control and central management, other than "law-abiding citizens" who simply seek to assert authority over their own funds and their management, the system also becomes convenient for black market participants to exploit. In particular, there is information that "Silk Road" operating on the TOR Internet, which presents itself as an alternative to eBay, as a black market, accepts payments for drugs sold in bitcoins.
- resource consumption - many people consider the approach implemented in the system to be unfair, which forces us to waste pointless electricity and money on the generation of new blocks.
- In many countries such as Romania, Kyrgyzstan, etc., the use of Bitcoin is considered illegal.

This series of criticisms and even accusations only increases year by year as the value of Bitcoin increases. from kakachamania to "Ponzi scheme", from economic pyramid to "dead wolf".

However, no matter how this phenomenon is labeled, the fact that it continues to attract and unite more and more people and companies at an indescribable pace is undeniable.

Conclusion

Summarizing the study of cryptocurrencies, in this case Bitcoin, we can come to the following. In its current status, Bitcoin cannot become a complete and absolute substitute for the traditional dram and claim the role of the main monetary unit in the world economy. However, even if there is such an initiative by states and global centers, it still needs to undergo certain changes and regulations in order to smoothly take the place of traditional currencies.

Giving more importance to the idea of bitcoin and blockchain technologies as such, we believe that it is paramount to define the legal regulations for the use of cryptocurrencies and their mining process, and to promote the implementation of blockchain technologies in the public and private spheres. The latter can really become a great tool in the fight against corruption and be implemented in other branches of the state administration system.

The approach that one can create a new, unique cryptocurrency for the purpose of financing any government initiative, which will be based on a closed system and will generally be excluded from their use in another direction, is gaining more and more popularity.

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Թաթուլ Մանասերյան

տնտեսագիտության դոկտոր, պրոֆեսոր

ԱԶԳԱՅԻՆ ԵՎ ԷԼԵԿՏՐՈՆԱՅԻՆ ԱՐԺՈՒՅԹՆԵՐԻ ՄԻՋԵՎ ՄՐՑԱԿՑՈՒԹՅԱՆ ՊԱՅՄԱՆՆԵՐՈՒՄ ՖԻՆԱՆՍԱԿԱՆ ԱՆՎՏԱՆԳՈՒԹՅԱՆ ԱՊԱՀՈՎՄԱՆ ԽՆԴԻՐՆԵՐԸ

Բանալի բառեր - ֆինանսական անվտանգություն, ազգային արժույթ, էլեկտրոնային արժույթ, ԵԱՏՄ, ֆինանսական ռիսկեր

Համաշխարհային ֆինանսատնտեսական ճգնաժամին հաջորդած վերջին տասնամյակում միջազգային դրամավարկային հարաբերություններում ստեղծված միջավայրն ավելի շատ մտահոգություններ է առաջացնում, քան լավատեսություն՝ ինչպես առանձին երկրների ազգային տնտեսությունների ֆինանսական համակարգերի, այնպես էլ համաշխարհային տնտեսության հետագա ընթացքի առումով: Կան նաև բազմաթիվ երկրներ, որոնք չեն հաղթահարել անգամ համաշխարհային ֆինանսատնտեսական ճգնաժամի երկրորդ

ալիքը՝ արտաքին պարտքի ճգնաժամը (Հունաստան, Իսպանիա, Պորտուգալիա, Հոլանդիա և այլն): Իսկ ավելի լայն իմաստով, թե՛ տնտեսության, թե՛ ֆինանսական համակարգում ընդհանուր անորոշությունը գնալով մեծանում է: Մեզ՝ հայերիս առանձնապես հետաքրքրում են հետևյալ խնդիրները առնվազն երեք պատճառով.

- Անկախության տարիներին հետխորհրդային տարածքում կայացած, նույնիսկ մրցունակ ու կայուն ֆինանսական համակարգը կանգնած է որոշակի ռիսկերի առջև: Նույնիսկ այն տարիներին, երբ հարևան երկրների ազգային արժույթները՝ թուրքական լիրան, ադրբեջանական մանաթը, իրանական երկու արժույթները, վրացական լարին, գերարժևորվեցին, հայկական դրամը շահեկանորեն առանձնանում էր կայուն հետագծով, և, ինչն ավելի կարևոր է, տնտեսությունը զարգանում էր որոշակի կանխատեսելիությամբ: 2022 թվականը նոր մարտահրավերներ բերեց ազգային արժույթին, որոնք կարող են շարունակվել նաև 2023 թվականին:
- Ինչպե՞ս ապահովել երկրի ֆինանսական անվտանգությունը առևտրատնտեսական գործընկերների արժույթների շարունակական տուրբուլենտության, համաշխարհային անորոշության և էլեկտրոնային արժույթների և ազգային արժույթների միջև աննախադեպ կատաղի մրցակցության պայմաններում:
- Որքանո՞վ է հնարավոր ապահովագրել ազգային տնտեսությունը ԵԱՏՄ շրջանակներում 2025 թվականին նախատեսված միասնական ֆինանսական շուկայի ձևավորման գործընթացում, դրա արդյունքում և հետագա տարիներին:

Submitted: 09.02.2023

Accepted for publication: 30.04.2023