

Headline: NSE's Dr R H Patil Memorial Lecture by Nobel Laureate Prof Robert C. Merton

Source: Hindustan Times

Date: 23 October 2018

'Only govt control can make it legal tender'

Vivina Vishwanathan

■ vivina.v@htlive.com

MUMBAI: Nobel laureate economist Robert C Merton's prediction for cryptocurrency is that only government-controlled digital currencies will be legal tender. The economics Nobel laureate was in India for the R H Patil Memorial Lecture on the occasion of National Stock Exchanges' 25th anniversary.

Merton, in his presentation, explained that legal-tender fiat currencies have intrinsic value because they can always be used to settle government obligations of taxes and fees (\$4.8 trillion annually in US) and all legal-tender-denominated private-sector financial obligations. "Digital currencies that are not legal tender do not have such an intrinsic value. The viability of any currency depends on collective trust by its users and lack of any material intrinsic value is a prime source of its instability," he noted.

Because governments hold the ultimate responsibility for failures in their payment systems, it is difficult to imagine their accepting as legal tender any currency that was not under their control, including controlling unobservable flows into and out of their jurisdictions by criminals and terrorists, he added.

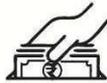
Governments have the power to effectively ban the holding of any legal-tender currency surrogate. Take, for instance, the US's ban on ownership of gold prior to 1971. The imposition of such a ban is a major risk to all non-legal-tender currencies and a source of instability.

But not everyone agrees with Merton's view. "The mention of legal tender in the context of cryptocurrency only serves to confuse the issue. Effectively, it is like saying only that which is government-approved will be legal tender. The incorrect message that gets conveyed is that somehow cryptocurrency is not legal. The shallowness

HOW TO USE ATM FOR CRYPTOCURRENCY

Last week, Unocoin, a cryptocurrency exchange platform in India, launched a kiosk in Bangalore. "In India, regulations come much later than the ones from developed countries. Given that our customers did not have a mechanism for cash-in and cash-out, this was essential," said Satvik Vishwanath, chief executive officer of Unocoin. You can deposit rupee notes in the kiosk. The minimum amount for deposit and withdrawal is ₹1,000, and the notes must be in multiples of ₹500.

HERE IS HOW IT WORKS



TO DEPOSIT MONEY

Step 1: You need to have a Unocoin account. To deposit rupee notes into the account, you need to enter your user ID and the one-time password (OTP) which you will get via an SMS on your registered mobile number.

Step 2: After you confirm the account details, you can deposit the funds into the Kiosk machine. Your account will get updated with the deposited funds to buy cryptocurrency.



TO WITHDRAW MONEY

Step 1: You have to make a request by visiting the website or through mobile app where you desire to get the amount for withdrawal.

Step 2: You will get a 12-digit reference number. You have to enter the reference number and OTP that was sent to your registered mobile number at the kiosk



■ Nobel laureate economist Robert C Merton

of that conclusion becomes obvious when one realises that among the list of things that are not legal tender are stocks, bonds, gold, fixed deposits, among others," said Ajeet Khurana, chief executive officer (CEO), Zebpay, a bitcoin exchange platform which has shut cryptocurrency trading in India.

However, some bitcoin experts

believe in Merton's prediction. "Government-controlled legal crypto tender (national currency) will be the future for sure, but decentralised global crypto currencies will also coexist and law for legal tender will have to be altered to address the same," said Praveen Kumar, chairman and CEO, Belfrics Global SDH, a company that operates bitcoin exchanges in Singapore, Malaysia, Bahrain, Japan, Kenya, Nigeria and Tanzania.

In the context of blockchain, the technology used by bitcoin, Merton said that it cannot succeed unless it is accepted and therefore, trusted. Determining ownership—clearing and settling transactions—is a fundamental function in both, finance and real estate. Blockchain offers transformational potential for a non-centralised, efficient, low-cost and highly reliable method for clearing and settling transactions. However, questions on motivation, quality, security and reliability still remain unanswered.