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RESEARCH ARTICLE

THE IMPACT OF CRYPTOCURRENCIES ON THE MODERN BANKING SYSTEM

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ABSTRACT

Background: The main issues of This paper deals with is the analysis of contemporary monetary instruments, specifically digital currencies and cryptocurrencies as well as their impact on the monetary, financial and economic perspective around the world. As the central banks of the countries of the world are still the main followers of all the major global financial trends, we will pay special attention to their response to the challenge posed by the monetary constructs coming from the private sector. Finally, we will make a brief analysis of the legal framework of digital currencies and cryptocurrencies and examine the legislation approache of individual countries towards them.

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INTRODUCTION

Money as a medium of exchange has existed for at least 7,000 years. However, what we consider before today would really confuse an ancient Mesopotamian resident who wants to sell 5 lambs to buy wheat the next day. As we will see through this document, this is truly a double-edged sword. On the one hand, the development of money has enabled the almost incredible development of human civilization, by the largest corporation of all time - The East India Company (EIC), also known as the Honorable East India Company (HEIC), (1) on a home loan that today almost anyone can take to improve their living conditions. On the other hand, with the help of electronics and computerization, money has become a very "vague" concept today. Most of the world's money falls into the registers on the computers of central and commercial banks, in the value of stocks and financial derivatives that are subject to rules and fluctuations that are completely incomprehensible to the average citizen. In addition to opening up the possibility of embezzlement and fraud to a degree that is difficult to understand, this jeopardizes the entire economic system which is increasingly reduced in handling numbers on a computer and less and less in the production and distribution of goods and services. In this paper, we will review the current state of the concept, which we call "money". We will try to understand what money is all about in the 21st century, how it got to that point, and what its possible future is.

In this paper, we will pay special attention to the so-called "cryptocurrencies", a relatively "new" form of money that has become possible thanks to the development of modern computers and cryptography. Although a few years ago the term cryptocurrency provoked ridicule in serious financial circles, today the reality is somewhat different. So on May 30th. 2021, the combined value of the bitcoin market in the world reached 653 billion US dollars (2). Finally, we have given our opinion on the future of world money and the place of cryptocurrencies in that future. Although not every non-professional individual is qualified to adapt macroeconomic policies, it increasingly seems that the time is coming when individuals will have a significantly greater impact on world events than has previously been possible. So Satoshi Nakamoto invented Bitcoin so just 10 years later the EU had to modify its monetary policy. Therefore, the thinking of the individual and the understanding of the present and future of money is more important than ever before, and the time that must be invested to understand the intricacies in the nuances of modern financial instruments is our task. The central banks of the countries of the world have made their analyzes and we will present and comment on them in this paper. Finally, we will examine the advantages, disadvantages, and barriers to switching to cryptocurrencies issued by states themselves, such as the United States or the European Union (as a monetary union). Finally, we give an idea of the future of world money and the place of cryptocurrencies in that future. Although not every

non-professional individual is qualified to adapt macroeconomic policies, it increasingly seems that the time is coming when individuals will have a significantly greater impact on world events than has previously been possible. So Satoshi Nakamoto (Satoshi Nakamoto is the anonymous name used by the creators of the Bitcoin cryptocurrency) (3) invented Bitcoin but 10 years later, the EU had to modify its monetary policy because of it. Therefore, the thinking of the individual and the understanding of the present and future of money is more important than ever before, and the time that must be invested to understand the intricacies in the nuances of modern financial instruments is our task.

MONEY IN THE PRESENT TENSE

Modern money exists in two manifestations. These are cash and deposits, which citizens, companies and other non-monetary entities use every day to make cash and non-cash payments. Modern paper currency means a system in which the issuance banknote cannot repaid in full value money, ie.in gold. The banknote was turned into clean paper money. It is common to note that validity, or currency, is a set of legal arrangements that govern the system of a state. For example, in the coin system, the banknote was a monetary substitute and in the paper currency system, it is money, ie. A generally accepted means of exchanging or paying for goods and services is now called a banknote (4). Paper banknotes, as a rule, do not perform the function of an international means of payment; this function is performed only by some convertible currencies which are most widely used and in which the greatest confidence is given. Modern money, whether in the form of paper banknotes or in the form of credit money (deposit money), is nothing but a form of credit created by banks by approving claims against themselves, thus creating their obligations to non-banking entities.

Deposit money (banknotes, paper money) today is widely called electronic money, obviously due to the strong development and implementation of computers and informatics. By approving a loan, the bank creates an additional amount of money that is intangible, but its creation is possible only in the case of cashless payment transactions. Such money is also called credit money and it has become an indispensable component of the functioning of the modern economy and the biggest secret of banks that distinguishes it from all other financial institutions. Unlike most financial institutions, banks not only mediate in the transfer of funds from savers to lenders, but while monetary institutions create and multiply money (5). According to modern international standards, "money in a broader sense" is defined as "all liquid financial instruments held by the money sector that are widely accepted in the economy as a medium of exchange, plus those that can be turned into a medium in the context of this century, it would include fiat coins issued by central banks, short-term digital credit facilities (swap, credit cards, paypal, googlepay, payday loans), WePay, AliPay, M-Pesa, etc.), coins issued by the private sector / non-profit organizations or central banks (Bitcoin, Libra, etc.) (6). Cryptocurrency is therefore a specific form of digital money that has emerged in recent years, and that meet some of the features that we will describe later in this paper. There are two reasons for the emergence of electronic money and digital currencies. First, according to the Austrian School of Economic Analysis, money is subject to a "social institution" for an institutional change already begun and interpreted as a consequence of spontaneous evolution that must overcome the shortcomings of substitution and the double coincidence of desires. Today, electronic money is the last stage of this development and represents an additional stage of institutional change. Another reason for the emergence of electronic money is the information revolution characterized by the integration of electronic information and telecommunication technology, which reduces the geographical variations through which information can be transmitted worldwide (7).

DIGITAL MONEY?: Electronic payment has existed since the 1960s, ie since the development of Electronic Funds Transfer (EFT), which has become increasingly sophisticated and applicable in a growing number of countries. EFT involves the application of computer and telecommunications technology in billing. This method has been used by Banks and other financial institutions to exchange and transfer large sums of money nationally and internationally. The basic function of EFT is to move money through the network as a substitute for money or checks to execute a transaction. This shortens payment time and reduces transaction costs. The use of EFT has increased significantly with the arrival and acceptance of ATMs at the point of sale (EFTPOS).EFT is considered to be the first stage in the electronization of transactions. In the early 1980s, thanks to the development of network technology, the cost of telecommunications and data processing was reduced and electronic payments became more profitable with the advent of credit and debit cards, which a few years (after their advent)became more popular electronic tool for small transactions. Also, the development of encryption has played a major role in successful card payments. (8) Electronic money is an electronic component of currency systems and is still traded in units known as the dollar, euro, peso or yen.

Electronic money is usually regulated and controlled within the central banking system of government. Buyers of such transactions have been identified under the Financial Standards of the Action Working Group and as a result are not anonymous (9). Before going into the world of "crypto-assets" in more detail, it should be noted that although the use of the term "crypto-assets" is becoming more widespread, there are still various legal texts and policy documents that use the terms of "crypto-assets". Miscellaneous, such as virtual currencies, currencies, and digital currencies or digital assets related to some or all types of crypto-assets. Currently, the term "crypto-assets" is used for a wide range of assets. Despite its frequent use, there is no generally accepted definition of what constitutes a crypto-property. Regulatory and standard-setting bodies have adopted different definitions for their supervisory purposes or for other purposes:

- The ECB European Central Bank Working Group on Crypto-Assets has defined the term as "any digitally registered asset that is neither a financial claim nor a financial liability of any natural or legal person and that does so". "They do not embody the property rights of the subjects";(10)
- IOSC (International Organization of Securities Commissions) has defined the term as "a type of private asset that relies primarily on cryptography and DLT (distributed ledger technology) or similar technology as part of perceived or inherent value, and may represent an asset such as currency, commodities or securities or be a derivative of a commodity or security ";

- The FSB (Financial Stability Board) has come up with a similar definition and defines the term as "a type of private property that relies primarily on cryptography and a distributed book or similar technology as part of their perceived or inherent value".
- The European Securities and Markets Authority (ESMA) has defined crypto-assets as "a type of private property that relies primarily on cryptography and DLT or similar technologies as part of their perceived or inherent value. "ESMA also refers to the so-called "virtual currencies" and "digital tokens" (which it defines as "any digital display of interest which may be valid, the right to receive a privilege or to perform certain functions").or may not have a specific purpose or use ").According to ESMA, crypto-assets also mean assets that are not issued by the central bank. (11)

Most cryptocurrencies are decentralized networks based on block chain technology - a distributed book verified by a computer network. A defining feature of cryptocurrencies is that they are not usually issued by any central authority, making them theoretically immune to government interference or manipulation (12) The main technology that enables the existence of cryptocurrencies is the famous "block chain", otherwise known as "Transaction Chain "or "Block chains". n short, a block chain is a decentralized database that maintains a register of assets and transactions through a peer-to-peer network. There are some terms in this expression that require further clarification such as: decentralized, asset registration, transaction and peer-to-peer valuation.

Decentralized - there is no central authority that is considered absolute truth. The truth is that with which at least 50% + a computer on the network agrees. That is, if there are 1000 computers on the network, what 501 computers agree on is the absolute truth. In reality, a database often exists on millions of computers, making any "configuration" of data almost impossible (but not completely).

Registration of assets and transactions - The very name of the block, "chain of blocks", insinuates the existence of several blocks. A block is a purely virtual concept that exists on a computer and is used to store a single record. Registration can be anything: transaction details, an intelligent contract, or even an entire application. Almost anything can be "packaged" in a record and stored in a block. And that block is then added to the "main book". The general ledger by definition consists of a series of blocks and always contains the entire history of an individual block. So anyone can get at any time the full history of all transactions ever made in e.g. Bitcoin network, or ethereum network, or any other public cryptocurrency. And this is exactly the foundation of block chain security.

Peer-to-peer - English name for computer networks that do not have a focal point but are real "networks" in the full sense of the word. Each computer can reach each other by a large number of different routes, which increases exponentially with the number of computers on the network. Cryptocurrencies use block chain technology to record transactions. In this way, they achieve all the interesting features they have: decentralization, security, flexibility, sustainability, reliability. The main benefits of using cryptocurrencies are that funds are more easily transferred between two parties in a transaction. These transactions are enabled using public and private keys for security purposes. These funds transfers are performed with minimal processing costs, allowing users to avoid high fees for online transactions charged by most banks.

Figure 1. Technically correct representation of Bitcoin.Contrary to many illustrations on the Internet, Bitcoin does not exists in physical form

ADVANTAGES AND DISADVANTAGES OF CRYPTOCURRENCY: If cryptocurrencies had only the advantage, their universal acceptance would be swift and unquestionable. However, in addition to the significant benefits, there are some barriers to universal use and acceptance. In this chapter, we will examine both sides of the coin.

The advantage of cryptocurrency

The main advantages of cryptocurrencies are:

a. Decentralization ensures (almost) anonymity of transactions, which is good for privacy. DLT (Distributed Ledger Technology) is also in principle less susceptible to malicious attacks compared to centralized systems and should therefore allow a reliable book of past transactions to be maintained;
b. Private release is not decided by a political institution, but by an algorithm that cryptocurrency supporters see as a way to avoid discretionary decisions that could lead to excessive inflation. The automatic issuance of cryptocurrencies also increases the transparency (at least for anyone able to read the algorithm) and the predictability of their monetary policy.
c. One of the current advantages of cryptocurrencies is the speed of transactions. With an average transaction time of about ten minutes, compared to hours, sometimes days in the case of banking transactions in the case of sending money across national borders. (13)
d. "Sending Bitcoin across borders is as easy as sending it across the road. There are no banks for which you will have to wait three business days, with no additional fees to make an international transfer and no special restrictions on the minimum or maximum amount you can send. The Bitcoin network always works and never sleeps, even on weekends and holidays."(14)
e. One of the most frequently mentioned advantages of Bitcoin is the idea that it will have a limited total offer of 21 million Bitcoins. Some argue that this will allow

Table 1. Differences between E-money and Bitcoin

Criterion	E-money	Bitcoin
Value	Equal to amount of fiat currency exchanged into electronic form	Determined by supply and demand, and trust in the system
Accessibility	Access to electronic devices such as mobile phones, and on agent network	Largely limited to Internet connection
Customer id	Financial Action Task Force standards apply for customer identification (though such standards permit simplified measures for lower risk financial products)	Anonymous
Production	Digitally used against receipt of equal value of fiat currency of central authority	Mathematically generated ("Mined") by peer network
Issuer	Legally established e-money issuer	Community of developers, called "miners"

Source: I. Nahorniak: Cryptocurrency in the context of development of digital single market in European Union, 2016.

Bitcoin to retain its value, and this is usually in contrast to the US dollar, which is claimed to have "lost almost all of its value over the last 100 years". This is then cited as the reason why people will abandon the fiat currency in favor of Bitcoin. (15)

The disadvantages of cryptocurrencies

It is ironic that some of these "advantages" can also be interpreted as disadvantages. So, for the disadvantages we can list:

Decentralization ensures (almost) anonymity of transactions, which can facilitate transactions related to illegal activities or tax evasion. Perhaps cryptocurrencies are even more prone to such activities than cash given the increased ability to process large transactions.

Private release is not decided by a political institution, but by an algorithm, which prevents discrete decision-making that would allow flexibility in handling shocks.

Security - To conduct transactions using cryptocurrencies, users must have, for example, Bitcoins (each of which is essentially a long string of numbers) "stored" in a so-called wallet, which can be used to receive coins or transfer them to another portfolio. These can be "hot" wallets, which record Bitcoins-related data in the app on a computer or Internet-connected phone, or an online wallet provided by independent companies. These wallets can be used for transactions when someone has access to the wallet using a unique private "encryption key" associated with that wallet. In practice, Bitcoin wallets have proven to be very insecure. Hackers have stolen Bitcoin from many large exchanges, and those with "hot wallets" can be exposed to piracy through malware, or lose Bitcoins using phishing methods that trick them into handing over their private keys to hackers. Once Bitcoins are stolen, there is no protection like those available to those who deposit their euros or dollars in bank accounts. All Bitcoin transactions are permanent, so Bitcoin removal transactions cannot be canceled. Tracking stolen Bitcoins has also proven difficult because those who steal them often use "mixed" services that allow Bitcoin exchanges, so the stolen Bitcoin is ultimately owned by people who had nothing to do with the crime originally. Of course, it is also possible to hack commercial bank accounts, but if the client loses deposits from piracy, the bank will generally be responsible for providing full compensation. Even if a bank eventually becomes insolvent due to the crime of piracy or some other event, the vast majority of bank deposits are covered by government deposit insurance schemes. Because these wallets are so insecure, wallet. The safest environment they recommend is usually described as "cold storage" offline. Bitcoin.org advises: 'An offline wallet, also known as cold storage,' offers the highest level of security for savings. This includes storing your wallet in a safe place that is not connected to the network. "Common storage options include USB keys or other storage media, such as hard drives. Of course, if these 'cold' devices are stolen or damaged, coins are effectively lost because without the necessary data you can not use them (18)

Limited Currency Amount - One of the points that cryptocurrencies, and especially Bitcoin boast of a huge advantage is the fixed amount of currency that will ever be issued. For Bitcoin, that amount is 21 million Bitcoins. However, in the real world, limiting the amount of money you spend has some unintended consequences:

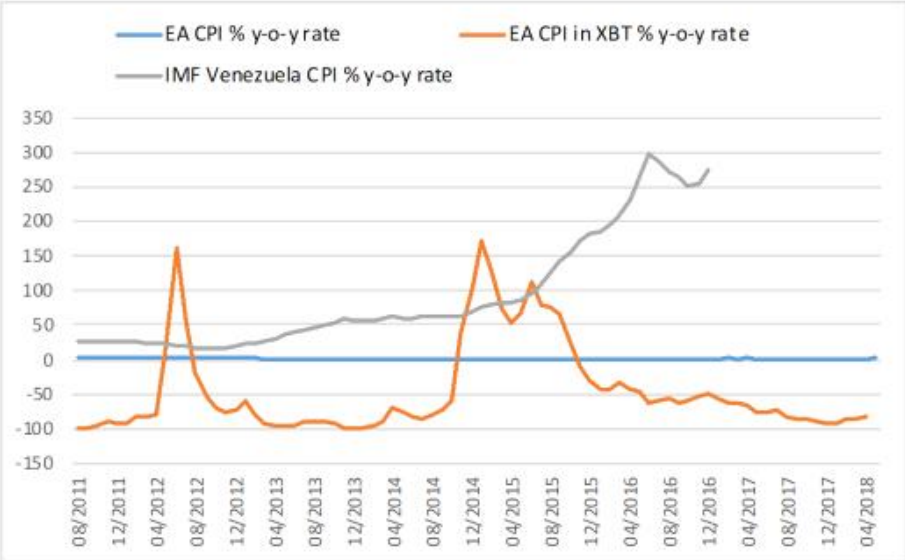
Currency valuation, i.e. the value of each Bitcoin will increase over time. As a result, it will be much more effective to store Bitcoin than to use it for transactions, which defeats the purpose of cryptocurrency. For the same reason of currency valuation, but even if it is not, there will always be a need for a central body to accept money, issue loans and recycle money into the system. Paying taxes on a cryptocurrency can cause all cryptocurrencies to end up with the state, giving the state full control over the currency. This is actually one of the mechanisms by which the state can legally eliminate any cryptocurrency.

Volatility - Due to the speculative nature of the crypto-market, currency volatility is really impressive (Figure 2). In addition to the features listed in the points for the advantages and disadvantages of cryptocurrencies here we will also state:

- Reduced transaction costs (power)
- Although there is no significant difference in smaller transactions when transferring a larger amount of money across state borders, there are significant additional fees that banks charge users.

Cryptocurrency does not have such costs for now, transactions always cost the same, no matter how much and where the transaction took place.

- Security of personal data (power)
- All transactions in the Bitcoin network are completely anonymous.
- Limited intervention of public authorities (forces) - it is completely unclear who should have jurisdiction over the Bitcoin network, given that it is decentralized and extends to almost all countries in the world.

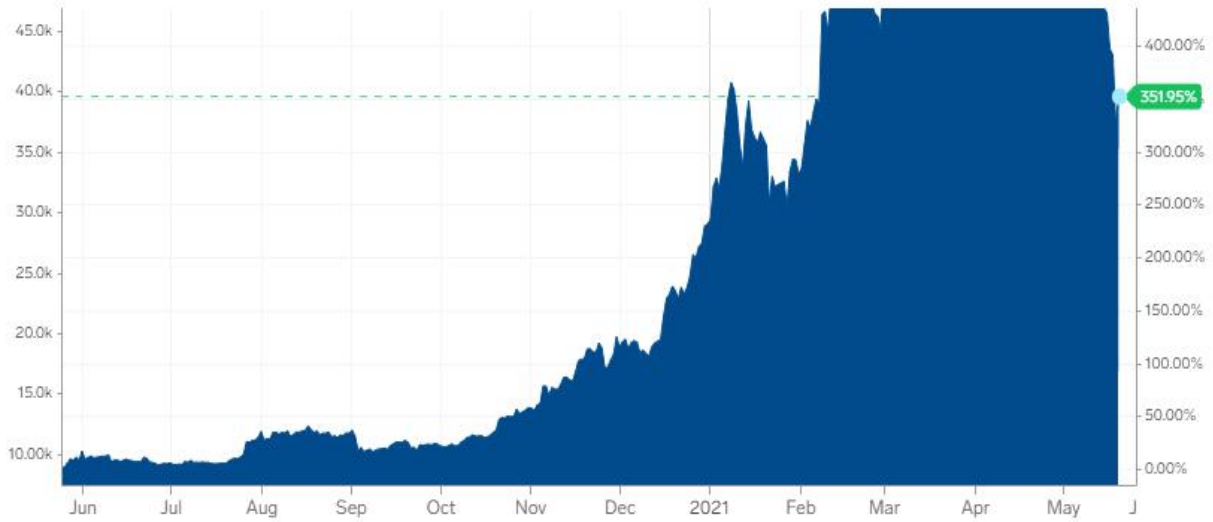


Sources: Bruegel based on Bloomberg, ECB and IMF, Cryptocurrencies and monetary policy, p.12 (https://www.europarl.europa.eu/cmsdata/150000/BRUEGEL_FINAL%20publication.pdf, 12.04.2021

Figure 2. Inflation in the euro area (in €, bitcoin) and in Venezuela (year-on-year %)

STRENGTH	WEAKNESESS
• Lower transaction cost: the are no bank or other fees; • Speed Transaction proceeding time: for Bitcoin the total process time is between 10-60 minutes. Also it works at 24/ 7 basis unlike payments make through traditional payment systems; • Certainty of payment received; • The absence of intermediaries; - Financial inclusion outside the EU; • Security of personal data: customers using Bitcoin leave no data behind which can be stolen • Limited interference by public authorities.	• Bitcoin exchanges vulnerable to hacking; • Pure consumer experience; • Uncertainty about regulation; • Bitcoins are not widely accepted; • No buyer protection; • No Valuation Guarantee; • Uncertain Future.
OPPORTUNITIES	**THREATS**
• Bitcoin accounting transparency eliminates the need for businesses to produce documents about activities; • Contributing to economic growth; • Elimination of obstacles in the context of creating Digital Single Market in EU; • Investment in Bitcoin. • It will be more consumer and business friendly.	• Criminals are able to launder proceeds of crime because they can deposit/ transfer VC anonymously; • Criminals are able to launder proceeds of crime because they can deposit/ transfer VC globally, rapidly and irrevocably (it might be used for money laundering) • Criminals might use VC exchanges to trade illegal goods; • Criminals/terrorists use the VC remittance systems and accounts for fi nancing purposes. (it can be used for financing criminals or terrorist activities)

Source: I. Nahorniak: Cryptocurrency in the context of development opf digital single market in European Union, InterEULawEast : journal for the international and European law, economics and market integrations, Vol. 3 No. 1, p119-120, 2016.



Source: https://markets.businessinsider.com/currencies/btc-usd

This, at least in the short term, guarantees a smooth operation, but unfortunately favors the performance of illegal activities.

- No customer protection (vulnerabilities)
- As mentioned in the previous point, non-interference by public authorities means that apart from the lack of regulation, there is no guarantee of the possibility of returning lost or stolen Bitcoins.

Theft can hardly happen by hacking the Bitcoin network itself, but users hold large amounts of Bitcoin in the so-called Cryptocurrency, where they use them for trading and speculation. In the past, there were several cases of piracy of such exchanges with major damage, in some cases the exchange of cryptocurrencies was able to survive and the damaged users were even reimbursed for their funds, but more often it happens that users remain forever without money.

- Accounting transparency (opportunities)
- A person who has never dealt with accounting is not aware of how much trouble it is to keep all accounts and accounts correctly in smaller enterprises, let alone in medium and large enterprises. A complete shift to cryptocurrency transactions would mean an absolute revolution in accounting and bookkeeping and eliminate almost any possibility of error or "book fraud". A Bitcoin “main book” would always be an absolute source of truth, and literally anyone can control and confirm the flow of a particular company’s transactions. Of course, this would require a regulation by the state, as the transactions themselves are anonymous, and it would be necessary for legal entities to eliminate this feature, or in some way allow the marking of the transaction of a certain legal entity with a code or key.
- Criminals can use Bitcoin to trade illegal goods (threats)
- As already mentioned, one of the biggest forces is the biggest threat.

It is debatable whether this problem can ever be eliminated in the example of Bitcoin. However, cryptocurrencies issued by central banks themselves may have methods to track illegal activities.

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Numerous proponents of cryptocurrencies have recognized that the serious volatility of first-wave cryptocurrency prices is indeed a major obstacle to their acceptance as a means of payment and hedging value. They tried to solve the problem by introducing so-called "Stabil coins". Simply put, stable Bitcoin is a variant or subcategory of cryptocurrencies that is usually associated with the price of another asset or group of assets and aims to maintain a stable value. One of the largest stable Bitcoin currencies "Tether" is said to be 100% covered by the amount of money in USD. Like traditional cryptocurrencies, stable currencies are intended to perform currency roles. Unlike traditional "unsupported" cryptocurrencies, which are largely decentralized and have no issuer to identify, or an institution that can be easily held accountable by currency users, or stable currencies usually represent a "claim "for a given issuer or underlying asset. Fund or any other right or interest. In other words, there is something behind them, not only that they are considered "something valuable". Examples of stable currencies already in circulation are Tether (USDT), DAI (DAI) and Gemini Dollar (GUSD), among others. (18) On June 18, 2019, the social media giant Facebook officially announced that it plans to release its global cryptocurrency called "Libra" in the first half of 2020. Libra is projected as a global, collateralized stability. Its value will be fully supported by a reserve of real assets consisting of a basket of bank deposits and short-term government securities in the currencies of stable and reputable central banks. The stable Bitcoin bookstore has not been launched yet and given the regulatory concerns about the project, it will likely take some time until it gets the green light. (19)

CENTRAL BANKS AND DIGITAL CURRENCIES: Progress awaits no one. This is a maxim that is becoming increasingly important in the 21st century. Those who are not willing to adapt quickly to changing world trends often go down in history. This was once true for private companies, then it became applicable to multinational companies, and today we can truly say that it is applicable to entire states as well. Even the relatively distant past hides many instances where the slow or inadequate response of states to new challenges has led to later problems or even complete collapse. The Spanish crown, despite the abundance of silver from the Potosi mine in South America it controlled, declared bankruptcy of all or part of its debt at least 14 times between 1557 and 1696. The main reason is silver, which has reduced the need for the development of financial instruments and the development of cash, a benefit in the short run, but a disaster in the long run. Today, we do not have to wait for centuries for such a clash; it has been enough for ten years. This is why world governments are watching the emergence and development of modern digital currencies and cryptocurrencies.

Historically, two key characteristics have characterized successful currencies: price stability and a fairly large network of customers. Among the four basic functions of money (payment - the medium of exchange, savings - the storehouse of value, the measure of price - the unit of account, the function of world money) it seems that a good storehouse of value is a necessary condition for the other three. In other words, if the value of money is not relatively stable over time, it will not be widely used either as an accounting instrument or as an exchange instrument. On the other hand, currency value stability requires supply to monitor demand in a way that avoids high inflation (rapid value loss) and deflation (rapid value growth). In practice, avoiding high inflation requires that the supply of currency be somewhat limited, while avoiding deflation requires supply that can be resilient enough to keep pace with demand. Currency stability and the purpose of its network of users are based on different forms of trust and are closely intertwined. Ultimately, the success of money can be attributed to the institutional arrangements (or rules) that

underpin them and the extent to which they provide stable and predictable purchasing power, a broad network, and general knowledge of both. Today, central banks offer a flexible supply of their currencies to meet their price stability orders in a responsible but discretionary institutional environment: inflation targeting. This framework allows central bankers to use many instruments (short-term interest rate changes, asset purchases, management expectations) and does not link them to any indirect objectives (such as money or credit growth), as long as they provide price stability. This high degree of flexibility of monetary committees in decision-making allows central banks to respond to changes in the economy and the way it operates by changing their supply protocols. There are several reasons why current cryptocurrencies are not necessarily a good substitute for government money the inherent instability of the values of today's major cryptocurrencies, which are by-products of their supply protocols (Figure 3). This section includes an analysis of the legislation grounds for Bitcoin functionality and is conducted from the perspective of relevant EU supranational legislation. The main purpose of this analysis is to show the applicability of the relevant legislation for Bitcoin. The legal framework for Bitcoin is extremely unclear. No regulatory body in the EU has achieved sufficient clarity in the context of the legal treatment of Bitcoin and its actors. Therefore, there is an urgent need for a precise Bitcoin regulation strategy in order to establish the maximum possible balance between the interests of Bitcoin stakeholders and reduce the respective risk. Despite the fact that the Bitcoin concept does not have a clear legal framework, EU Regulators generally, agree that Bitcoin is legal. Currently, there is no specific legislation regarding Bitcoin's status in the EU that would protect consumers from financial losses in the event of a virtual currency exchange failure. However, there are some legal acts dedicated to issuing virtual currency. The first of these is the Consumer Trend Report 2014 'by the European Banking Authority (UAE). The UAE publishes an annual Consumer Trend Report to collect, analyze and report on consumer trends. In particular, the trends and problems identified in 2014 include virtual currencies. This report contains an analysis of the level and reasons for the spread of Bitcoin. Furthermore, it includes provisions regarding the risks associated with virtual currencies. Its purpose is to set up a working group to decide whether virtual currencies should be regulated. (22) If we go into a little deeper analysis, we find that the legal framework of cryptocurrencies is an endless well. Almost every state has its own rules, which are changing at an unprecedented rate.

CONCLUSION

Assessing what is a transition or fashion trend, and what is a fundamental change across the financial world, is nowhere as simple as you might think. If someone approached you on January 3, 1999 and said that now is the right time to buy Bitcoin, not only would you laugh sweetly, but you would not even understand what "Bitcoin" is and how you can to ever be worth anything. Today, the total capitalization of the Bitcoin network is several hundred trillion US dollars. The central banks and monetary institutions of most of the world's major powers are not very warm about the recent development of privately issued digital cryptocurrencies, but numerous commissioned studies on the current state and future development of such financial creations suggest that they do not intend to ignore such a large possible disruption of cash flows. Legislatively speaking, privately issued cryptocurrencies are quite shaky. Although no major country (with the exception of China in some cases) has yet openly banned the issuance and trading of such currencies, such legislation is expected to come inevitably at some point. If any conclusions can be drawn here, it would be how the world's leading financial players allow ryptocurrencies to breathe to see how things are going in the open market, what the pitfalls and potential problems are, and how the general public will accept such a monetary model. Another possible reason for the delay in legislation on this issue is the implementation of a tactic that Microsoft has used very successfully for many years: to allow end users to use the product freely and unhindered and then, once it becomes ubiquitous, and generally accepted, to charge institutional users who bring us to the topic of Central Bank Digital Currency (CBDC). Given the situation that has occurred with cryptocurrencies for the last few years, and especially the assessment of the overall market, one would think that central banks have no reason not to enter this market with their currency. However, in researching this paper, there are serious and in-depth topics that need to be considered before proceeding with such a step. Some of them are quite simple to understand, such as the problem of jeopardizing the position of commercial banks as a "protection zone" between the central bank and end users and the effective end of the fractional reserve model. Others are somewhat more complex, such as the application of negative interest rates on retail deposits. So this would require virtually perfect coordination of all the world's central banks, changes in the legislation of all countries, and the allocation of significant financial resources to combat privately issued digital currencies.

Each of these steps is a major challenge in itself. However, central banks need to keep in mind the extremely rapid pace of technological development and at some point will have to respond to challenges coming from the private sector (such as the book Currency announced by Facebook for some time). After all this, we can conclude that the future is quite gray for an average citizen, and only slightly unclear for the central banker. However, a few things need to be considered: The first is how in almost every case in human history, technological advances have brought greater prosperity and a better life to the vast majority of the world's population. Today there are fewer wars, fewer famines, fewer diseases, and more freedom than ever before in human history. It is therefore logical to conclude that the development of digital cryptocurrencies will result in the development of new financial and monetary instruments and media, which will lead to benefits and opportunities still undiscovered. Another fact is that the loss of privacy and the ease with which state institutions will be able to monitor transactions and the wealth of citizens may jeopardize some personal freedoms (which will certainly be the subject of much public debate), but it also facilitates inevitably detecting corruption, terrorist threats and smuggling, goods and trade in illegal services. Finally, as a third point, and for the end of this paper, I would quote one of the greatest economic minds of the 20th century, John Maynard Keynes: "The difficulty is not so much in developing new ideas. than in rescuing old ideas. "

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