



Issues of Regulation of Blockchains in the Digital Economy and World Experience in Reducing, Preventing the "Hidden Economy"

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Abstract

This article describes the circulation of cryptocurrencies, its characteristics, international regulatory practices, as well as the attitude of Central Banks to cryptocurrencies. In our country proposals for regulating the circulation of cryptocurrencies have been developed. Ensuring regional economic security is an important aspect of regional policy. The main goal in this regard is to increase the competitiveness of the country and its regions. This article analyzes the main factors influencing the "hidden economy", its formation and development.

Keywords: *Digital Money; Private Money; Virtual Currency; Cryptocurrency; Bitcoin; Blockchain; Distributed Registry; Electronic Wallet; "Shadow Economy"; Penalties and Other Legal Measures; Cash Payments; Liability; Preventive Measures*

Introduction

Allow investors to get a high level of profit at no cost to the issuers. In the traditional method of raising capital, the company must have gained the trust of the population for many years to raise the necessary capital. According to 2020 data, it will account for about 48% of the country's GDP (245 trillion soums). This is a bad indicator, primarily a product of problems in legislation and systems. [27]. What does it mean to avoid taxes and try to get a hidden income? The hidden economy is based on the increase in illegal income through the production of products and services in a hidden way by the subjects of the economy, avoiding taxes. Its occurrence is caused by excessive interference of the state in the economy, legislative problems, the tax burden is high and the business environment is not good. Some sectors with a large share of the hidden economy.

We know that the largest funds in the country revolve around the areas of trade and services. In turn, hidden revenues are also formed in these areas. For example, in small sales offices that serve a large part of the population, it is often three ways that the purchase check is not issued or the customer himself does not require it. According to experts, this situation, which seems simple, actually leads to the

development of a hidden economy, the formation of an atmosphere of unhealthy competition among business entities. As soon as the economy develops, the size of the legal economy will certainly also have a negative impact. This is why it will not be enough to fight only state opportunities to overcome this huge problem. If other forces in the society, first of all, entrepreneurs, the general public look at this problem as their own problem, it is possible to achieve significant results in solving it.

If a check is required by each consumer, the share of the economy in the bubble may be reduced by a decrease, as well as cases of tax evasion, and budget revenues may increase. However, due to the fact that it is rather sluggish to carry out explanatory work on the population, unfair entrepreneurs continue to absorb the relevant funds – tax revenues for the general public.

The portion of the funds collected as a result of the increase in the hidden (illegal) income of many entrepreneurs, paid for the tax, also falls on non-taxable persons who avoid taxes. Placement of primary shares of securities of the operation of accumulation of investment capital in digital currency. The main difference from the traditional method of selling (exchanges) is that the company issues tokens (digital tokens) for sale, not shares. To do this, investors pay through cryptocurrency (for example, bitcoin or lightcoin). According to experts, ICO issuers take great risks in doing so.

This is especially true when the cryptocurrency market is under government control very strong.

To set up an ICO, the issuing company uses a special web platform, such as issuing cryptoverversions of securities through Waves or Ethereum. To do this, the blockchain is added with transactions, their description, number and unique ID. After the issue, any number of tokens can be exchanged for cryptocurrency in any wallet in the blockchain. Some companies sell their tokens in gold or provide the company's products.

Main part

Currently, regulation is the only way to control the use of cryptocurrencies in EC countries. However, instead of tightening the regulation of cryptocurrencies in Europe, there is an introduction of a "soft" regulatory regime. There is no specific law in the European Union regulating the circulation and use of digital currencies. In October 2012, the European Central Bank prepared a report on digital currency schemes and it covered the bitcoin system, an analysis of the legal status of such a system under current European law. The issue of including digital currencies in the scope of the concept of "electronic money" established by the Directive on Electronic Money (2009/110 / EC) and their regulation in the framework of this document was also considered. According to the report, the term bitcoin is one way or another meets certain criteria for equating an object to electronic money. But the most important thing is the criterion for securing the money issued in bitcoin does not respond.

If the cryptocurrency project fails, each cryptocurrency owner will own one barrel (or barrel) of oil. At current prices, that means \$ 60. According to social media, the cryptocurrency, which went on sale on February 20, 2018, sold \$ 735 million on its first day, and within a week, that amount had reached \$ 1 billion. Inspired by success, the designers are now PetroGold are planning to issue a cryptocurrency that will be backed by gold. If the project is successful, Petro's capitalization could reach 6 billion euros. According to Philipp Sandner, a professor at the Frankfurt School of Finance and Management, this cryptocurrency in the virtual market is more stable than bitcoin because of its material wealth.

Officials in Caracas believe that their own independent cryptocurrencies will allow them to interact more closely with international currency markets and attract funding from abroad. In any case, the issuance of ElPetro cryptocurrency can be considered as an experience in the virtual world.

If this approach proves effective, other countries will be able to use this experience to develop their economies [4]. Similar processes are underway in Europe, for example, the United Kingdom is planning to issue its own cryptocurrency. The cryptocurrency is linked to the British pound sterling, which the central bank says will replace the banks.

This platform allows electronic exchange of information between market participants and identification in blockchains designed to do. This system can gradually ensure that as the experience of working with cryptocurrencies increases, a number of government interactive services will be transferred to the next blockchain. Based on the above, the conversion of the Uzbek national currency - the soum - into a cryptocurrency in part or in some limited optimal proportions, and the soum into a related blockchain will successfully solve a number of financial problems in our country. would allow. Including:

- ✚ Increasing the transparency and efficiency of current banking operations;
- ✚ Improving the efficiency of the public sector and its speed;
- ✚ Eliminate or control the secondary and clandestine banking sector;
- ✚ Overcoming bureaucracy and anti-corruption in the state apparatus effective struggle;
- ✚ Effective fight against tax evasion by improving the tax payment process;
- ✚ New innovation in small business and entrepreneurship development capacity building;
- ✚ Large-scale involvement of international monetary resources in the economy of Uzbekistan through cryptocurrencies and ICO mechanisms;
- ✚ Pressure of the dollar and other currencies on the economy reduce and on this basis increase the competitiveness of the soum;
- ✚ Launch of new, convenient and effective credit mechanisms for enterprises, organizations, private entrepreneurs and individuals;
- ✚ Further improvement of financial institutions;
- ✚ Ensuring mobility in the use of internal financial resources, etc.

Given the very small number of qualified specialists in cryptocurrency in the country and the lack of experience in this field, it remains a modern requirement to train qualified specialists in this area (this proposal was submitted to the Ministry of Higher and Secondary Special Education, University of Economics and financial institution and banking and finance academy). But the introduction of blockchain technologies and the issuance of Uzbek cryptocurrency the step-by-step implementation of an innovative idea is a vital requirement that needs to be addressed from now on. Because most developed countries in the world are implementing their own national or corporate cryptocurrency projects, and they will later own all the digital cryptocurrencies and they try to squeeze countries out of the process.

As one of the most important actions in the government's monetary policy is to control the issuance of money, cryptocurrencies are expected to be launched globally in the near future abandonment of the system can significantly limit and derail the financial and credit system of the country and its relations with the global financial credit system. The implementation of the ideas described above would create a unique scientific and technological revolution in our society in the field of digital economy, and as a result, our country could quickly move to the path of innovative development and take a worthy place among developed countries.

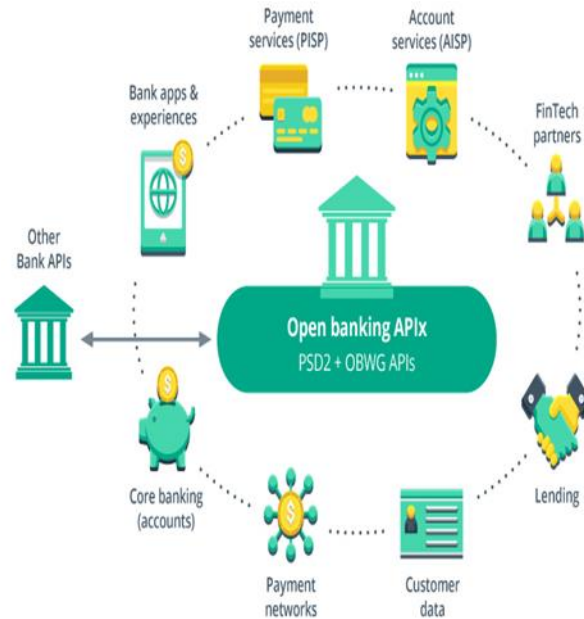


Fig 2. New revenue streams for banks

The article analyzes the research conducted in this area and comparatively analyzes the experience of foreign countries. The study also used empirical-analytical, statistical, national legislation analysis, and other research methods. Analysis and results. According to experts, the share of the shadow economy in Uzbekistan's GDP is more than 50% [11]. In 2018, these figures will be 22.5% worldwide, 66.12% in Azerbaijan, 46.12% in Ukraine, 39.29% in Russia, 24.95% in Turkey, 16.55% in India, 10.17% in China and 7.69% in the United States. At the same time, globally, these figures are projected to decline to 21 per cent by 2025. [12] The formation and development of the "informal economy" are influenced by economic, social, organizational, legal and a number of other factors in the country. Examples of economic factors include cash settlements, high tax rates, the economic crisis, and unhealthy competition among businesses.

According to leading researchers in this field, the 10 main factors influencing the "hidden economy" are the tax burden, good governance and corruption, regulations, public services, taxpayer behaviour, preventive measures, the level of development of the formal economy, self-employment, factors such as unemployment and the share of the agricultural sector in the economy are listed [13]. In general, there are several ways to reduce the "shadow economy", transfer it to the formal sector and effectively combat it. If the country's economic development leads to a reduction in the "shadow economy" [14], the share of the "shadow economy" in countries where electronic payments predominate will be small [15], while the digital economy can solve the problem of the "shadow economy" [16]. Another study noted that combating corruption was the most effective way to combat the "shadow economy" [17]. The Organization for Economic Co-operation and Development (OECD) has identified three key areas for reducing the share of the shadow economy - training taxpayers and simplifying law enforcement, with clandestine activities. It is recommended to reduce the opportunities for engagement and increase the opportunities for disclosure, strengthening social norms [18].

With this in mind, this article focuses on some organizational and legal aspects of reducing and eliminating the "hidden economy" is passed.

The first line is related to cash payments, which is one of the biggest risks. According to the Central Bank, as of January 1, 2020, the money supply in the national currency amounted to 62,785.8

billion soums. Sum of which 24 246.0 bln. soums or 38.62% of circulating cash (excluding cash in the national currency at the cash desks of the Central Bank and commercial banks) [19]. A large amount of cash turnover in our country has a significant impact on the further development of the clandestine economic activity. Especially large denomination banknotes, including foreign currency banknotes, can be used as a convenient tool for money laundering or smuggling of assets out of the country. The advent of modern technology, the exchange of new and decentralized goods and services through new cryptocurrencies, blockchain technologies and sharing economy platforms, further increases this risk.

Conclusion

The acceleration of digital transformation processes, the widespread introduction of digital technologies in business process management, the increase in the types and scale of digital assets will eventually lead to an increase in demand for digital currencies. In addition, the use of digital currencies contributes to the efficient functioning of the digital economy ecosystem by providing new opportunities that fiat money cannot provide. That's it, therefore, the liberalization of the cryptocurrency regulatory system, the definition and expansion of the scope of use of crypto-assets while ensuring cryptocurrency security will become a trend not only in developed but also in developing countries in the near future.

According to the results of the analysis carried out in the framework of this article, the following conclusions and recommendations for improving some organizational and legal aspects of the reduction and elimination of the "shadow economy" reported:

First, in cooperation with the relevant ministries and agencies, take measures to reduce cash payments and expand and encourage the implementation of electronic or remote payments. It is advisable to increase.

Second, the Criminal Code proposes to introduce direct criminal liability for certain economic acts (tax, fraud related to foreign economic activity, illegal financial services, theft of another person's personal information ("Identity theft")).

Third, it is proposed to introduce types of penalties and other legal measures aimed at preventing this type of crime for economic offences. It is proposed to establish criminal liability for legal entities, including confiscation as a measure of criminal influence. Also, in order to discredit some offenders or dishonest business entities, publish their list (print) is proposed.

Fourth, corruption, economic offences, and undercover activities may be reported anonymously or electronically, orally, or in writing by various means, ensuring the applicant's privacy. Effective use of public control mechanisms by expanding the opportunities to apply in the form, including the participation of non-governmental organizations, citizens and businesses encouragement is needed.

These measures include further improving accountability and enforcement for economic offences, supporting honest entrepreneurs, and encouraging cooperation and public scrutiny serves to reduce and prevent the shadow economy.

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