

**CRYPTOCURRENCIES IN UKRAINE: CURRENT STATE AND  
PROSPECTS OF USE**

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**Summary:** The authors analyze features of cryptocurrency development in Ukraine. The problems faced by owners of cryptocurrency are investigated. It is noted that cryptocurrencies are quite popular among Ukrainians as a way of saving money. Therefore, the cryptocurrency market in Ukraine is developing rapidly and authority is trying to legalize it at the legislative level as soon as possible, which will help to solve a number of economic problems.

**Keywords:** cryptocurrency, financial system, central bank, virtual assets, blockchain.

Currently, there is a renewed debate about the reasons for the huge demand for cryptocurrencies and the role of cryptocurrencies in the global financial system. In parallel, digital currencies are being discussed by many central banks around the world. They are not familiar to us cryptocurrencies, but due to the general growth of interest in the topic of digital money also attracts attention (and often causes a lot of confusion) [1].

As for the growth of cryptocurrency markets, global stimulus plays, in our opinion, the main role in this. At the height of the 2020 corona-crisis the central banks of the most countries increased the purchase of assets in traditional financial markets. Governments increased their state costs and offered cash payments to the general population. This led to a significant decrease in interest rates, as a result

investors in search of additional income turned their attention to alternative assets, in particular to cryptocurrencies.

In November 2021 Ukraine is actively staking on cryptocurrencies, and this may transform the country's suffering economy into a global "sinkhole" of digital financial assets. The New York Times reports about this [2].

The Ministry of Digital Transformation of Ukraine earlier announced the country's plans to become a leading player in the cryptocurrency world. Apart from the implementation of the new law on virtual assets, Ukraine plans to actively attract the cryptocurrency business by means of highly competitive tax rates. Companies will pay 5% of profits and will not be taxed by value added tax, while individuals will pay 5% with a grace period until the end of 2025 [3].

At the beginning of September 2021, the Parliament approved the law on legalization and regulation of Bitcoin, which became the first step in the ambitious campaign aimed at making the country's flourishing cryptocurrency trade the main one and rebranding the whole country. Data mining centers are trying to stimulate companies to open their business in Ukraine, because cryptocurrency collection is energy intensive business, and cryptocurrency mining consumes an astronomical amount of energy. This is because digital currency is generated, created and traded using the massive and highly complex digital volumes known as blockchain. These blockchains can be connected to an unlimited number of powerful computers [3].

"In Ukraine we have a great talent pool and a strong team of blockchain developers. They picked up the cryptocurrency trend faster than people in many other countries, and most importantly, they understood how to build a business on its basis. There are not many countries that are friendly to cryptocurrencies, so private companies do not have such a great choice," said Deputy Minister of Digital Transformation Oleksiy Borniakov[4]. Many cryptocurrency companies which are already operating in Ukraine are legal. There are also companies engaged in blockchain development which create very complex systems, such as transactional logs which move cryptocurrencies. There are various fintech companies such as support firms. Unfortunately, as reported by The New York Times, in November

2021, there are still many economists and politicians deeply suspect cryptocurrency, calling it a currency that is chosen by money launderers, terrorists, mafiosi and bribe evaders. If investors are going to invest money in these cryptocurrency companies, the business must be interested in relocation and change of jurisdiction. And from the middle of 2021, investors will invest with great speed in the financing of all technologies related to blockchain, cryptocurrencies.

The main problem in the country is that many technology entrepreneurs in Ukraine say they like the system as it is, and they particularly like its shortcomings. This leads to a paradox that lies at the heart of Ukraine's request for reform. The country breaks through the sunshine and lightness for a group of executives who often favour darkness and the status of quasi-auditors. Ukraine has already attracted some Americans and Brits to the cryptoindustry, and they came not because they are supporters of the rule of law [6]. Ukrainians are among the most active cryptocurrency users in the world, ranking fourth on the Global Crypto Adoption Index compiled by Chainalysis. Annually Ukrainians receive and send cryptocurrency worth \$8 billion. The amount of transactions with it in a day is about \$ 150 million, exceeding the amount of transactions in one day. This exceeds the amount of interbank exchanges in physical currencies [7]. The problem is not only in the «crypto fever», but also in the lack of alternative options for the citizens of the country and foreigners, because the banks in Ukraine are so formalized that sending or receiving even small amounts of money in the amount of \$50 or \$300 needs exhausting paperwork. The underdevelopment of the stock market in Ukraine and its weak level of integration into the global stock market have created a situation where the securities as a way of forming assets for the population of the country are practically inaccessible. For those who want their wealth to grow, real estate and cryptocurrencies are left.

"Ukraine has gone through too many financial scandals to expect a great influx of executives from major international investment banks with or without benefits, but here cryptocurrency has emerged which has its own reputation problems. Perhaps, it will be an ideal couple," said Mikhail Chobanyan, the head of Kuna [8].

At the beginning of October 2021, Ukrainian President Volodymyr Zelenskyy vetoed the law on legalization of cryptocurrency. The head of state returned the document to the Verkhovna Rada with his suggestions. It is noted that Volodymyr Zelenskyy was against the creation of a separate regulator on the market of virtual assets. In his opinion, world experience shows that the regulation of cryptocurrency circulation is carried out by financial market regulators in order to prevent the emergence of financial pirates with virtual assets. The President has requested that the functions of regulation of the circulation of virtual assets be within the competence of the National Commission for Securities and Stock Market of Ukraine. The bill approved in its second reading proposes to create a new central body of the state administration - the National Service for the Regulation of Virtual Assets, which, in the opinion of the Ukrainian leader, will cost the budget a lot."This document defines the principles of state regulation of the circulation of virtual assets. Thus, according to the law, regulation of the market of virtual assets is carried out by different state bodies depending on the type of such assets, including through the establishment of a new central regulatory authority. Establishment of the new body, as required by this law, will require significant expenditures from the state budget," the press service of the Ukrainian president reports [9].

The bill on the legalization of cryptocurrency in Ukraine was supported by the majority of MPs. According to the document, market participants have pay taxes from income from cryptocurrency and receive legal protection in courts for violation of their rights. Its goal is the comprehensive regulation of relations that arise during the conduct and conclusion of agreements with digital currency, as well as ensuring a unified approach to the organization of cryptocurrency trading - the council said.

Ukraine ranked first for the percentage of population that owns cryptocurrency - 12.7% (nearly 5.6 million Ukrainians have assets in cryptocurrencies). Such data for 2020 were obtained by Triple A payment platform analysts at the beginning of October 2021 [10]. So, as you can see, the cryptocurrency market in Ukraine is developing rapidly and there is an attempt to legalize it as soon as possible at the legislative level in order to reduce the amount of illegal money in the country,

receive additional revenues to the budget due to the cost of each transaction of purchase and sale of cryptocurrency on the stock exchanges and enable the population to receive the proceeds of this type of activity without violating the law. Cryptocurrency is one of the most promising areas of activity around the world, which is developing at an incredible pace and it is possible that not only Salvador will make cryptocurrency transactions possible in any part of the country, but also in other countries it will be possible to purchase anything for virtual money.

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