

India Mulls Monitoring Digital Currencies to Track Crime

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- Government may ask regulators to help strengthen supervision
- Industry wants to monitor itself with government oversight

India is considering tracking digital currencies like bitcoin through the central bank and capital markets regulator along with intelligence agencies to monitor money laundering and terrorist financing, people with the knowledge of the matter said.

A federal government panel is examining options such as banning, regulating or limited intervention for virtual currencies in India, an area that's currently neither regulated nor recognized by the government, said the people who asked not to be identified as the discussions are not public.

Cryptocurrencies like bitcoin have attracted the attention of the authorities due to the exponential rise in their prices and market size. They've sparked concerns of money laundering, terrorist financing and drug trafficking.

According to government estimates, the economic value of one bitcoin is worth as much as 60 grams of gold, which closed at 27,837 rupees (\$432) per 10 grams on July 13. With a weekly turnover of 60 million to 100 million rupees, bitcoin, the largest of the digital currencies, has gained a firm foothold in India. Digital currencies are worth around \$90 billion, down from a market capitalization of \$115 billion on June 14, according to data from Coinmarketcap.com.

Tracking Virtual Currencies

The panel discussed the possibility of asking India's central bank, the Securities and Exchange Board, the revenue department and Financial Intelligence Unit to develop infrastructure for observing transactions in virtual currencies, the people said.

Finance Ministry spokesman DS Malik declined to comment on the discussions.

"It is in the best interest of the industry to self-regulate with the oversight of the government," Vaibhav Parikh, a partner in law firm Nishith Desai Associates, said. The law firm has been appointed by the Digital Asset and Blockchain Foundation of India, formed by Indian bitcoin startups like SearchTrade, Zebpay, Unocoin, to develop regulations for the industry. "Government is worried about usage of digital currencies by criminals, money laundering and protection of customers. It will help if industry self-regulates."

In May, WannaCry ransomware hackers infected hundreds of thousands of computers in more than 150 countries, demanding a payout in bitcoins.

Potential Risks

While Japan has legitimized virtual digital currencies, the U.K., the U.S. and Australia classify it as property that attracts capital-gains tax.

China considers digital currencies as a virtual commodity. However, the [Reserve Bank of India](#) has repeatedly warned users, holders and traders of virtual currencies against the potential risks.

Politicians have also issued cautions. Kirit Somaiya, a member of Parliament from the ruling Bharatiya Janata Party and a vocal critic of bitcoin, has dubbed the virtual currency "illegal". Responding to the increasing concern, the finance ministry in April formed the inter-ministerial panel to examine virtual currencies -- it is expected to report by the end of this month.

According to the deliberations, the panel believes that banning digital coins will make transactions go underground, while regulating it would provide legitimacy to digital currency. Limited intervention, however, will reiterate that cryptocurrencies are not a recognized medium of exchange and send a message that dealers trade in such currencies at their own peril given their [volatility](#) according to a government document seen by Bloomberg News.