

Business Standard

Committee on bitcoin and other crypto-currencies to finalise report soon

SC hearing also scheduled, even as RBI window for ending all deals with crypto-currency exchanges closes next week

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The Union government committee, headed by the secretary of the department of economic affairs (DEA), would be soon finalising its report regarding policy on bitcoin and other crypto-currencies. It is expected in the first half of the coming month.

The three-month window, by Reserve Bank of India (RBI) direction, for banks to stop dealing with all crypto-currency trading platforms is ending next week.

The DEA has prepared a set of suggestions on permissible use of crypto-currencies. Trading of such digital assets will be possible and platforms offering this will be allowed but, sources say, the

committee report will specify that it will not be a currency or legal tender — it may not be used for payment. The latter is RBI's stated desire.

The trigger to decide on the legality of bitcoin was a Supreme Court (SC) case. After RBI asking banks not to do business with those dealing in crypto-currencies, some cases were filed in various high courts, merged and transferred to the SC. The hearing for these is on July 20. Also, the Internet and Mobile Association of India, a body also representing the blockchain and crypto-currency sector, had sought a hearing ahead of the RBI ban coming to an end. In response, the SC has fixed the coming Tuesday for hearing the plea; the government has been asked that the Union attorney-general is present.

Vaibhav Parikh, lawyer with Nishith Desai Associates, said: “We hope government realises that it is in India’s interest to regulate the crypto-currency business, instead of banning it. A ban will only move the transaction abroad, over which the government would have no visibility or control.”

The global crypto-currency market has grown multifold in recent years; futures trading in it has also started in America. If India decides to allow trading in these and, therefore, exchange platforms, there will be the issue of regulating every activity connected with the crypto-currency world. These include raising of funds by using these as the underlying product or Initial Coin Offerings (similar to the Initial Public Offers of equity in the capital market). Also, mining and trading in these.

The regulations in this regard are expected to prescribe stringent Know Your Customer rules, norms for customer protection, information sharing with government agencies, how to tax it and regulation of trading exchanges.

The contentious issue here, according to the source, is which entity should do the regulating. Since the RBI view is that, bitcoin or other virtual/digital crypto-currencies are not currency or legal tender, the committee will look at asking the Securities and Exchange Board of India (Sebi) to do so, said a source. Adding that Sebi has shown no eagerness to do so and, so, the government would need to decide.

Ajeet Khurana, chief executive at Singapore-based Zebpay, the largest crypto-currency exchange in India, says the right approach is that any deals in these currencies should be only through bank accounts, so that the money trail can be established.