

Bitcoin firms like Unocoin, ZebPay get frantic calls to convert cash

Researchers have found ways to map each bitcoin transaction, taking away the blanket of anonymity



To buy bitcoins buyers would require to give their bank account details and undergo a know-your-customer process.

Photo: AFP

Bengaluru: Since Tuesday night, as digital payments providers registered spikes in transaction from consumers, bitcoin providers in India saw a spike of a different kind—calls from people wanting to turn in cash for bitcoins.

However, the callers were left disappointed when the firms told them that to buy bitcoins they would require to give their bank account details and undergo a know-your-customer (KYC) process.

“I’ve had to put most of my operations guys in fielding calls and telling callers that this would not be possible,” said Sandeep Goenka, co-founder, Zebpay (Zeb Ventures Pte Ltd), a start-up that operates a platform where its customers can trade as well as buy and sell bitcoins.

“I think this is mostly due a lack of awareness among people on how bitcoin actually works,” he added.

At Unocoin (Unocoin Technologies Pvt. Ltd), a bitcoin start-up based in Bengaluru, too the situation was similar.

“We did get one or two such calls before, but today (on Wednesday) it was a lot more,” said Sathvik Vishwanath, chief executive officer, Unocoin.

Both Unocoin and ZebPay require their users to be verified before they start purchasing or trading bitcoins.

Bitcoins are a form of de-centralised crypto-currency based on a technology called blockchain. It was conceptualised by Satoshi Nakamoto in response to the collapse of trust in banks in 2008.

With bitcoin software, users can send and receive money over the internet, without any intermediary. Each transaction that takes place via bitcoins is anonymized and recorded in a public ledger. This was designed so that transactions could be verified, and to keep double-spending under check.

Initially, due to this anonymity, bitcoin was used for nefarious activities, most notably in the marketplace known as the Silk Road, in which there was free trade of drugs, guns and other illegal activities.

However, detectives at the Federal Bureau of Investigation in the US successfully identified the creator of the marketplace, who was subsequently sentenced to life in prison in February 2015.

Researchers also found ways in which each bitcoin transaction could be mapped to an IP address, taking away the blanket of anonymity that criminals think could protect them if they transact in bitcoins.

The Reserve Bank of India hasn’t come up with guidelines on this yet, except for a warning it issued in December 2013 where it cautioned users about the risks associated with virtual currencies.

While money laundering isn’t technically possible using registered bitcoin exchanges, a few of which operate in India now, there may still be loopholes which haven’t been discovered yet, according to a paper, *Bitcoins - A Global Perspective*, which was published in April 2015 by Nishith Desai Associates.

“This arena of virtual transitions is relatively novel and largely untested. This means that just like any new technology or innovation there is a high possibility that many loopholes might exist in this system that have not been detected yet. Most prominent of these offences which are already existent in the traditional financial world and which may extend to Bitcoin are money laundering and terrorist financing,” said the paper.