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Digital firms get together to sail against policy storm

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Mugdha Variyar | ET Bureau | March 02, 2017, 08:20 IST

A handful of bitcoin [startups](#), led by [Zebpay](#)'s Saurabh Agrawal, had been talking for a while about reviving their defunct industry group. It finally took a Central bank warning notice that resurfaced in February after four years to kick them into action.

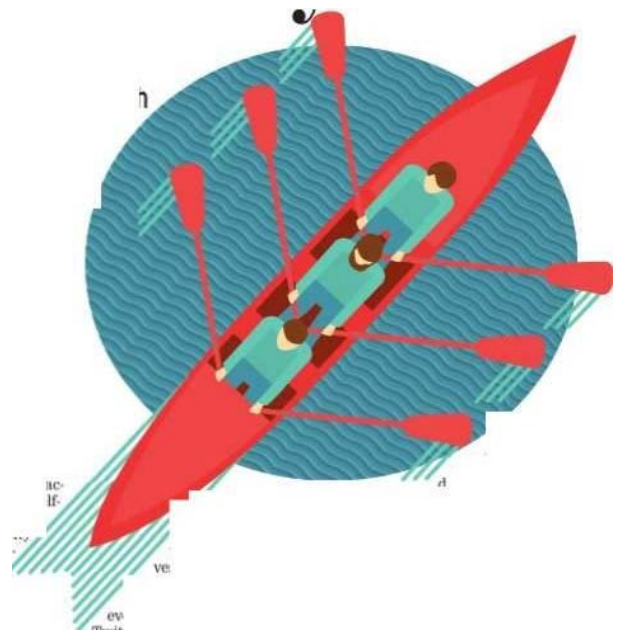
The Digital Asset and Blockchain Foundation of India ([DABFI](#)), still in the process of being registered, has four members -Zebpay, [Unocoin](#), [Coinsecure](#) and [Searchtrade](#). By the end of this month, Agrawal and his comrades hope to have enrolled another 10 bitcoin and blockchain companies. They will aim to not only engage with the government but also self-regulate.

Digital startups in other highly regulated sectors such as lending, too, are uniting to ensure policymakers hear them as well as to fight and counter any pushback from established incumbents.

This camaraderie among the early-stage startups is rare and a departure from what has been happening in sectors such as online retail, where intensively competitive giants tend to disagree on policy.

A grouping of 10 digital-lending companies that came together in October aims to expand membership to 50 in two-three months.

Online peer-to-peer lenders, too, are forming an association. The Digital Health Platform registered in 2015 believes it was at least partly responsible for the government's recent indication that it would issue guidelines for online pharmacies. For all of them, a key agenda is to ensure malpractices within their sectors do not erode consumer confidence. "(DABFI) will be setting norms around KYC and payments in the digital format to prevent fraud. We will give certification



to companies only if they meet the criteria," said Agrawal, cofounder of bitcoin exchange Zebpay .

"We have decided to share within ourselves information that might affect our sector. We have also decided to help address each others' liquidity issues when it comes to buying bitcoins."

Nishith Desai, head of Nishith Desai Associates, said that following the Reserve Bank of India's circular in February warning against virtual currencies "we advised the industry that the time had come to create accountability by putting together self regulation for the sector... Bitcoin companies have a responsibility to society that the huge benefits of crypto currency are not maligned by a few bad players and that there is transparency in the whole system."

For larger companies, though, such regulatory hurdles haven't been able to spur a similar bonding. Ola and Uber often drive into a wall when it comes to regulations, the latest being Karnataka seeking to put the brakes on their ride-sharing services. The two taxi aggregators made separate representations to the government.

Online marketplaces such as Flipkart and Snapdeal have had to negotiate regulations related to taxes, foreign direct investment and pricing. But the firms have not been able to unite and their founders have even engaged in a war of words on Twitter.

In a rare event, the top bosses of Flipkart, Snapdeal and Amazon India recently came together at a forum to speak against a tax collection at source (TCS) clause in the Goods and Services Tax draft law. But a formal association is not on the horizon. "These companies are fiercely competitive in the domestic market, which is why they may not have come together yet. But they are reaching a maturity phase and have publicly addressed common issues entirely," said Sangeeta Gupta, vice-president at Nasscom.

The software industry grouping, that represents more than 2,400 software companies, recently sent a delegation to the US to lobby with the government on proposed H-1B visa restrictions.

The Digital Lenders Association is in the process of laying down an ethics playbook as well as a code of conduct for members. "Members need to sign a code of conduct against unfair practices and illegal activities," said the association's media spokesman Anurag Jain, the cofounder of invoice discounting startup KredX, "since even one bad case in the industry could harm everyone."