

Bitcoin body advices public to keep off, seeks legal clarity

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Mumbai: Against the backdrop of RBI warning the public over highly speculative virtual currencies, a bitcoin traders' body has sought clarity on the legality of the instrument, conceding that this business is extremely volatile and common people should stay away from it.

"If you are getting into serious business (of trading/ investing in bitcoins), it is very volatile, and ordinary people should refrain from doing it," leading lawyer Nishith Desai, who has been engaged by a group of bitcoin traders, said here over the weekend.

Mr Desai was accompanied by the Bitcoins Alliance India's founder-members.

"The Reserve Bank has already warned people and this is most welcome. But it is not saying whether bitcoins are legal or not; that is the clarity that these 30,000-odd bitcoin investors are looking for," Mr Desai said.

He claimed that his eponymous law firm has set up a bitcoin practice and has carried out a techno-legal analysis on the subject which did not throw up any illegality.

"Per se, there is no illegality, but there are some situations in which it would be illegal," he said.

The Bitcoins Alliance India, which has hired the services of the Desai firm, said there are 30,000 bitcoin holders in the country, currently in possession of 1 per cent of around 12 million bitcoins in circulation across the globe.

The alliance is a newly-formed body with around 10 traders as members, who claim to control over 80 per cent of trading activities through four trading platforms. They said market volume has dipped since the past fortnight following the RBI warning and the ED raid on some bitcoin traders in Ahmedabad.

The Reserve Bank had issued a strong warning to the public late last month that all the virtual currencies, including the bitcoins, were highly speculative and unregulated instruments and cautioned them against potential financial, operational and legal security risks.

RBI also said it was examining the issues associated with the usage, holding and trading of virtual currencies under the extant legal and regulatory framework, including the foreign exchange and payment systems laws and regulations.

"Bitcoins community very warmly welcomes the Reserve Bank's warning to the public at large. It really helps people to know this is a risky proposition," Mr Desai said.

"It's a new animal. Who and how it will be regulated, or whether it

will be regulated at all, are all still open

questions," he said, adding that the bitcoin community by themselves has put stringent requirements in place to become a trader/investor.

A number of bitcoin operators in the country have begun suspending their business following RBI's warning against use of such virtual currencies due to potential money laundering and cyber security risks.

Bitcoin is a virtual currency that can be generated through complex computer software systems with solutions shared on a network. The process is complex and such 'mining' can be done only on very powerful servers.

Within four years of coming into existence, bitcoin had become the world's most expensive currency with a per unit value sniffing past \$1,200-mark recently, although the prices have now slipped below R 50,000-level following global regulatory action especially from China which banned the currency.

According to the alliance, there are 85 virtual currencies which are trading in the world today.