

Bitcoin body advises public to keep off, seeks 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. 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," 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 RBI had issued a warning 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," 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."