FOR INDIAN CRYPTO INDUSTRY, THE DEVIL LIES IN THE DEFINITION

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Just like the price swings in cryptocurrencies, the news on regulations for the Indian crypto industry has been coming in thick and fast. While the government on 29 January listed a bill in Lok Sabha to ban all private cryptocurrencies, recent reports suggest that it might now bring in an ordinance to put that into effect. With the contents of the legislation unknown, experts say that the fate of investments worth $1 billion in digital currencies by Indians rests on how the Center defines a 'private cryptocurrency'.

The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 seeks to ban all private cryptocurrencies and also provides for the creation of a legislative framework on an official digital currency.

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According to experts, a blanket ban would hit over eight million investors in India who own over $1 billion worth of cryptocurrencies. "Cryptocurrency is a sunrise sector employing thousands of people in India. The regulation is the need of the hour, but a ban will set our economy back by a decade," said Nischal Shetty, chief executive officer of WazirX.

As the draft of the bill is not public, experts say it is hard to determine what the government may consider as private cryptocurrency. However, the key argument is that terming major digital assets such as Bitcoin and Ethereum as 'private' would be incorrect.

"The term 'private cryptocurrency' could be applied to some rare experimental projects but not to Bitcoin, Ether, or most popular cryptocurrencies. There software is open source and they are not owned by any entity, private or otherwise," said Vikram Rangala, CMO, ZebPay.

Some of the public blockchains and their corresponding cryptocurrencies such as Ripple are created by privately-owned enterprises but find their application in the public domain and have corporate governance considerations similar to traditional finance corporations. "In reality, there are public blockchains and there are private blockchains, and many large Indian corporations are already using private blockchain infrastructure such as hyperledger," said Sumit Gupta, co-founder and CEO, CoinDCX.

Notably, this is not the first time, when the government has sought to come up with a regulation for the industry. An earlier bill in 2019 reportedly sought to ban cryptocurrency and criminalize its possession in India. However, it was not introduced. Moreover, the Reserve Bank of India (RBI) had banned cryptocurrencies in 2018, which was later overturned by the Supreme Court of India in March 2020.

"The government may likely be considering every cryptocurrency except introduced by RBI or the government to be private. The ban would be a disaster at both the legislation level and the enforcement level to ban cryptocurrencies," said Sathvik Vishwanath, CEO and co-founder of Unocoin.

Industry experts argue that as the ownership of major crypto assets such as Bitcoin and Ether are 'public', the government may need to come up with some other term than 'private' to define

and regulate non-government cryptocurrencies.

Nonetheless, industry experts are hopeful that there won't be a blanket ban on cryptocurrencies.

While the prices of cryptocurrencies in India slumped soon after the bill was listed by the government, the prices recovered a bit after it failed to find a mention in the Budget speech of Finance Minister Nirmala Sitharaman on 1 February 2020.

"The majority of Bitcoin, Ether and other investors are holding on to their crypto assets and will continue to do so. Overall, the crypto community seems to be resilient and confident that in the end, the government will make the right decision," said Rangala.

Meanwhile, the crypto industry is actively engaging with the government and to try and find an amicable solution. "All stakeholders associated with the crypto and blockchain industry are working together to resolve the issue at hand. We have reached out to the government and are looking at a continuation of dialogue which leaves room for better understanding and cooperation from the competent authorities," said Gupta.

Meanwhile, leading cryptocurrency companies such as CoinDCX, WazirX, Unocoin, CoinSwitch Kuber, Zebpay and PocketBits have joined hands to launch a campaign called, #IndiaWantsBitcoin, which aims to educate and build greater awareness amongst policymakers and the public about cryptocurrencies.

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