

DOUBLE-EDGED SWORD: THE HINDU EDITORIAL ON SUPREME COURT'S CRYPTOCURRENCY RULING

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

That the [Supreme Court struck down](#) as “disproportionate” a [2018 circular by the Reserve Bank of India](#) (RBI) that directed entities not to provide services to those trading in “virtual currencies” (cryptocurrencies) is understandable. After all, despite ministerial committee recommendations, and warnings by institutions such as the RBI about the problematic nature of their payment and exchange methods, the use of virtual currencies over the Internet continues to remain legal in India. But the immediate effect of the RBI circular was to choke the agencies that sought to provide a platform to facilitate trading in cryptocurrencies by cutting them off from banks. This, the petitioners claimed, had a chilling effect on the fledgling cryptocurrency exchanges industry in India and went against their entrepreneurial right to operate a business enshrined in Article 19(1)(g). The Court conceded this limited point saying that the “RBI has not come out with a stand that any of the entities regulated by it... have suffered any loss... on account of [cryptocurrency] exchanges” and this provides relief to the firms providing the virtual exchanges.

Also read | [Supreme Court order on cryptocurrency will offer only temporary relief](#)

After a decade or so of deployment and use, the pros and cons of cryptocurrencies are now well known. The primary misgiving with cryptocurrencies such as Bitcoin has remained the highly speculative nature of assessing their value. From humble beginnings, the cryptocurrency traded at a peak of \$20,000 in mid-2018 before crashing to \$3,000 by the end of the year, signaling the volatility that came to be associated with this instrument. This limited its original purpose of becoming an alternative and stable currency that is not backed by any central institution but derives trust from its intricate blockchain ledger system. Moreover, reports suggest that bitcoins, with their assured anonymity, remain popular with currency speculators, and in use in illicit transactions over the “dark web”. But their utility due to the robust nature of the blockchain algorithm is also not to be sneezed on. Cryptocurrencies have now been adopted by international trading firms for use in lending, raising funds for other cryptoprojects besides facilitating easier cross-border payments. It is for these utilities that the Indian government should err on the side of jurisdictions such as the European Union which have not outrightly banned the instrument and have sought to regulate its functioning. The 2019 Bill even proposed the creation of a “digital rupee” as official currency. It is now imperative on authorities to find the right “regulatory balance” on cryptocurrencies, a task that is easier thought than done, considering their ever-evolving nature due to technological innovation.

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