

## Crypto currencies now come under SEBI lens

**Fear factor:**China banned ICOs after its central bank said these were “illegal public finance” for money laundering.Reuters

The rising popularity of crypto currencies and the increasing number of entities looking at raising funds through Initial Coin Offerings (ICO) has caught the attention of the capital market regulator, which is evaluating whether such instruments and offerings can be brought under its regulatory purview.

According to persons familiar with the development, the Securities and Exchange Board of India (SEBI) is mulling whether an ICO can be regulated under the existing legal framework or certain amendments would be required in case the government wants the capital market watchdog to be the regulatory authority for such issuances. Incidentally, crypto currencies like bitcoin, ethereum and such offerings have been under government radar for long and discussions have been held between various bodies, including SEBI and the Reserve Bank of India (RBI), on the possible ways in which this segment can be regulated. The central bank is of the view that these instruments are securities and so SEBI should be the regulating body.

### ‘Concrete presentation’

“While it is a bit early to say that SEBI wants to regulate crypto currencies and ICOs, it is true that work is being done in this subject so that it has something concrete and specific to present to the government,” said a person familiar with the development. The regulator is evaluating whether these instruments can be regulated under the current SEBI Act or if there is a need for the government to give additional powers or amend the existing law, he added.

An ICO, like an equity initial public offer (IPO), is an issuance of digital tokens that can be converted into crypto currencies and are mostly used to raise funds by start-up firms dealing in blockchain technology and virtual currencies like bitcoins and ethereum.

Unlike an IPO, which is governed by SEBI regulations, there is no regulatory body for ICOs in India.

According to data from UK-based CoinDesk, nearly \$2.7 billion has been raised globally through ICOs since 2014. Concerns related to ICOs can be gauged from the fact that China recently banned such offerings after its central bank said that ICOs are “illegal public finance” mechanism used for issue of securities and money laundering.

According to a recent study, more than 2,500 Indians invest in bitcoin daily. Start-ups like Zebpay, Unocoin, Coinsecure, Searchtrade, Belfrics and Bitxoxo are some of the well-known players in the bitcoin and blockchain segment in India. Sumit Agrawal, partner, Suvan Law Advisors, and a former SEBI law officer, is of the view that while crypto currencies and ICOs have risks and involve pooling of money, it cannot be regulated by SEBI unless it is relatable to the securities market. “Bitcoins are neither ‘commodities derivatives’ nor ‘securities’ under Securities Contracts (Regulation) Act, 1956. Amending definition of ‘securities’ alone may not resolve the issue of bitcoin regulation as there are numerous issues revolving around,” said Mr. Agrawal. Bitcoin players, meanwhile, feel that instead of a regulator, the industry is in more urgent need of a self-regulatory organisation (SRO) that could formally lay down principles to take care of concerns like money laundering and other possible misuse. “The industry is at an initial stage and an SRO would not hinder innovation and, at the same time, allow the industry to scale in a responsible manner,” said Sandeep Goenka, co-founder, ZebPay.

An email query sent to SEBI on Monday remained unanswered till the time of going to press.

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