

GOVT TO MOVE BILL TO BAN ALL 'PRIVATE CRYPTOCURRENCIES'

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

NEW DELHI : Days after Reserve Bank of India governor Shaktikanta Das warned that cryptocurrencies pose a serious concern to macroeconomic and financial stability, the government's legislative agenda for the upcoming winter session of Parliament showed it plans to ban "private cryptocurrencies".

The government is set to introduce "The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021" in the winter session of Parliament beginning 29 November for consideration and passing. The bill aims "to create a facilitative framework for the creation of the official digital currency to be issued by the Reserve Bank of India. The bill also seeks to prohibit all private cryptocurrencies in India; however, it allows for certain exceptions to promote the underlying technology of cryptocurrency and its uses," it said in a notification on the Lok Sabha website.

The definition of private crypto-currencies hasn't been clarified by the government yet. According to some definitions, Bitcoin, Ethereum and many other crypto tokens are based on public blockchain networks, which mean transactions made using the networks are traceable while still providing a degree of anonymity to users. On the other hand, private cryptocurrencies could refer to Monero, Dash and others, which though built on public blockchains, obfuscate the transaction information to offer privacy to users. In essence, while Bitcoin offers anonymity, Monero offers privacy and, hence, is a private token.

A blanket ban would force crypto exchanges to stop operations in India. One of the world's largest crypto exchanges, Huobi, had to do the same when China issued a blanket ban on crypto in September. On 8 November, the exchange's founder told the Financial Times that its revenues from Chinese users during the September to December quarter would be zero.

"There are two factions within the government—one that wants to ban cryptos and one that wants to regulate it. But since the regulatory scenario wasn't clear, the first group is the one that's coming out on top," said a policy expert who is familiar with the developments. "The government may pass a money bill if it wants, which will be cleared in 14 days. Or they could also do an ordinance, which will be faster," the expert said.

Nischal Shetty, CEO of WazirX, India's largest crypto exchange platform, tweeted: "The crypto regulation bill has been listed for the winter session. The description hasn't changed much. There will be speculation on both sides. The good thing is more people within the government are aware of how crypto works."

However, as many industry executives and experts had noted last time when a ban of this sort had come up, banning cryptocurrencies may be technologically impossible. Industry executives said while the government can stop the use of the local currency to buy crypto, there's virtually no way to ban crypto wallets, which exist online and aren't under the purview of banks and governments. Peer-to-peer networks are also difficult to police as people can simply transfer money to each other through bank accounts and transfer the equivalent crypto among each other through wallets.

After a meeting of the parliamentary standing panel on finance on cryptocurrencies last week, the chairman of the panel, Jayant Sinha, had told CNBC TV18 that it is important to balance innovation and regulation. Citing crypto exchange representatives who attended the meeting, Sinha said various exchanges together have 15 million KYC-approved users, with an investment value of \$6 billion. According to an October report from research firm Chainalysis, India ranks second globally in terms of "crypto adoption".

Avijit Banerjee contributed to the story.

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