

# WHAT ARE PRIVATE CRYPTOCURRENCIES? HOW DO THEY DIFFER FROM BITCOIN, ETHER?

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

The Indian government is preparing a bill to regulate [cryptocurrencies](#), which will be presented to parliament in the Winter session starting November 29. The 'Cryptocurrency and Regulation of Official Digital Currency Bill, 2021' seeks to prohibit all private cryptocurrencies in India.

However, the government will allow only certain cryptocurrencies to promote the underlying technology and its uses, according to a legislative agenda for the winter session that is set to start later this month.

Even as the definition of private cryptocurrencies has not been defined by the government, Bitcoin, Ethereum and many other crypto tokens are based on public blockchain networks, as the transactions made by the networks are said to be traceable while still providing a degree of anonymity to users.

On the other hand, private cryptocurrencies could refer to Monero, Dash, Zcash and other such digital tokens are built on public blockchains, obfuscate the transaction information to offer privacy to users like not saving transaction history as they are routed through multiple networks.

"It is hard to comprehend what the government means by private cryptocurrencies. Bitcoin, Ether etc. are public crypto built on public blockchains and have their own specific use cases. They are needed to run smart contract and write to the distributed ledger that they're built on top of. People cannot use INR or USDT to pay for fees on the Bitcoin or Ethereum Blockchain," said Nischal Shetty, Founder of crypto exchange WazirX.

India has had a hot-and-cold relationship with digital currencies in the past few years. In 2018, it effectively banned crypto transactions, but the Supreme Court struck down the restriction in March 2020.

Through the cryptocurrency and Regulation of Official Digital Currency Bill, 2021, India is also looking to make a framework for the official digital currency that will be issued by the Reserve Bank of India. The central bank has voiced "serious concerns" about private cryptocurrencies and is set to launch its own digital currency by December.

*(With inputs from agencies)*

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