

RBI prohibits dealing in virtual currencies

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The Reserve Bank of India (RBI) issued a notification on 6 April that prohibits all entities regulated by it, from dealing in virtual currencies (VCs) or providing services for facilitating any person or entity in dealing with or settling VCs. Such services include maintaining accounts, registering, trading, settling, clearing, giving loans against virtual tokens, accepting them as collateral, opening accounts of exchanges dealing with them and transfer/receipt of money in accounts relating to purchase/sale of VCs.

The term “virtual currencies” has not been defined by the RBI but has been understood to cover Bitcoin, which was expressly referred to in the notification, and other similar currencies.

The notification was issued by the RBI under the Reserve Bank of India Act, the Banking Regulation Act and the Payments and Settlement Systems Act, and will extend to all entities regulated by the RBI including banks, non-banking financial institutions and electronic payment services providers providing services to entities dealing in VCs. Regulated entities already providing such services have been given a transition period of three months to exit such relationships.

The business law digest is compiled by Nishith Desai Associates (NDA). NDA is a research-based international law firm with offices in Mumbai, New Delhi, Bengaluru, Singapore, Silicon Valley, Munich and New York. It specializes in strategic legal, regulatory and tax advice coupled with industry expertise in an integrated manner.