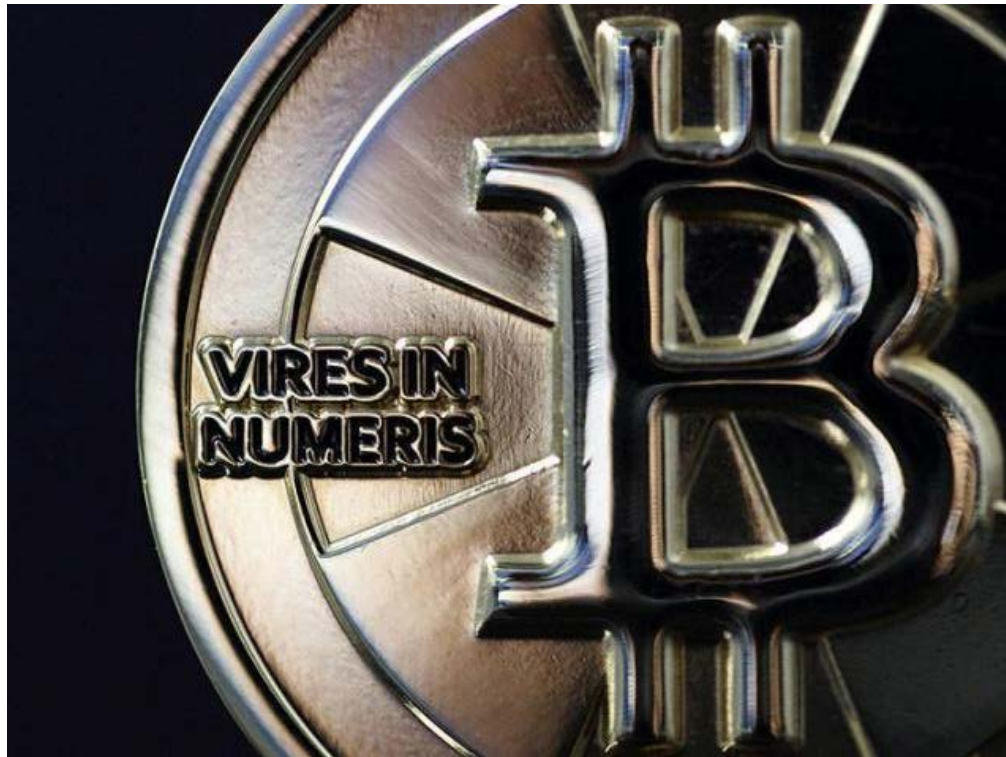


Though risky, bitcoins are not illegal, says law

Our Bureau



Bitcoin is extremely volatile and has jumped to Rs 50,000 now from Re 1 four years ago.

Mumbai, Jan 4:

Bitcoins are extremely volatile and risky instruments and people with limited knowledge of the product must not trade in it, according to law firm Nishith Desai Associates. The firm been engaged by the Bitcoins Association of India (BAI) to examine the legality of the virtual currency. Last week, the RBI advised caution on bitcoins and urged the general public to refrain from buying it. BAI, a community of Bitcoin entrepreneurs, said that the RBI warning was welcome.

After a “techno-legal” study, the law firm said that bitcoins are not illegal. This, the law firm said, is in consonance with the international practices. Many countries including the US, China and UK do not prohibit the use of bitcoins completely.

Bitcoins are virtual currencies that have gained significantly in value over the past year. According to BAI, there are 12 million bitcoins in circulation across the globe and an estimated one per cent of that is circulated in India.

The alliance, which comprises 10 members in the country, said there can be a maximum of 21 million bitcoins at its peak and it would take 126 years to reach that stage.

One gets a bitcoin by solving a complex set of algorithms (computer-based mathematical problem). The number of bitcoins that can be retrieved, or mined, reduces with each passing day and with each bitcoin mined. At present, bitcoins are not legally accepted by any merchant establishment in India.

The product is extremely volatile and has jumped to Rs 50,000 now from Rs 1 four years ago. There are an estimated 30,000 bitcoin owners in the country. Bitcoins are also used by some people to make peer-to-peer payments.

BAI also said that since the product is extremely risky, only people who understand bitcoins and can afford it should get into it.

Globally, 50,000 to 100,000 transactions in bitcoins take place every month, according to BAI.

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