

HYDERABAD

'RBI circular on cryptocurrency restrictive'

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It will drive the market underground, says lawyer on the sidelines of Blockchain Congress

The Reserve Bank of India's circular, which prohibits banks from dealing with entities engaged in cryptocurrencies, only exacerbates its concerns – such as money laundering – and will drive the market underground, said Jaideep Reddy, Emerging Leader at Nishith Desai Associates, a law firm.

Mr. Reddy was speaking at a panel discussion on 'Way Forward for India Cryptocurrency Exchanges' at the International Blockchain Congress on Saturday.

"From a policy perspective, if you look at what this step actually achieves is that it drives the whole market underground. When you say that people cannot transact in this industry through proper channels, what you are actually saying is that you have to buy it in cash and sell it in cash and as a result, all concerns that the RBI has stated – money laundering, consumer protection and market integrity – the circular makes those concerns worse," he said and described the circular as 'restrictive'.

In a cash market, he said, there is a likelihood of minimal records and an unlikelihood of revealing revenue. Contrasting this with an open market, he said banking channels with customer due diligence, authorities can examine transactions which they can tax. He opined that a more nuanced approach, such as directing banks for stringent KYC while dealing with a customer, could have been adopted.

Uncoin co-founder Sathvik Swaminathan said while cryptocurrency exchanges use methods of verification such as Aadhaar as address proof and others when dealing with transactions, it becomes difficult to verify whether cash used for these transactions is accounted for. "Some of the exchanges have a policy in which, if the user exceeds an 'X' amount of rupees, or bitcoin, then they will want to have an additional set of verification documents so that they know that the person is a high value, high risk customer. You will know what they want to do," he said.

Taking questions from the audience, panelists said cryptocurrency is not currency as per the definition of currency in India. They said currency is restricted to bank notes, coins and promissory notes and opined cryptocurrency is not a derivative as well, adding that it is akin to goods such as gold or precious metals which behave more like assets. Other panelists included Koinex co-founder Rahul Raj and Zebpay CEO Ajeet Khurana.

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