

Developers, activists stand for the cause of cryptocurrency

By Labonita Ghosh, Mumbai Mirror | Mar 24, 2019, 06.00 AM IST



(From left) Akshay Aggarwal makes a presentation at the Mumbai meet-up earlier this month, which was attended by crypto investors and enthusiasts

Even though the RBI has banned the use of cryptocurrencies, developers and activists across the country are coming together and will petition the government to enable this new economy to grow.

By this time next week, India may get the go-ahead for a new legal tender. On March 29, the Supreme Court will hear the next round of arguments in a case relating to a Reserve Bank of India ban on cryptocurrencies. The court may lift the embargo that prohibits banks from recognising and facilitating crypto transactions. More likely, status quo will be maintained until a special report on the merits and disadvantages of crypto use, being prepared by the finance ministry, is tabled.

For crypto advocates and users — an estimated five million in India today — the report is the endgame: they want to get their voice into it. So right through March, they have been organising meetups across the country where entrepreneurs, traders and investors working in the crypto space — as well as individual owners of this virtual currency — come together for detailed discussions. “The idea is to influence the report in the right way by sharing the industry’s opinions on the matter with the government,” says Akshay Aggarwal, country head of Blockchained India, which is organising this multi-city campaign. “We will record all the sessions and also collate the information coming to us through social media, and distill it down to a report of our own.” This will then be presented to Subhash Garg, secretary of the Department of Economic Affairs, who is preparing the report for the government. “Hopefully, some of these perspectives, on the pros and cons of cryptocurrency and the regulatory way forward, will be incorporated into the final Garg report,” adds Aggarwal.

Since early March, meet-ups have been organised in Mumbai, Delhi and Hyderabad. Bengaluru, Ahmedabad, Pune, Goa and Kolkata are next. The sessions held so far have, each, seen between 300 and 400 participants, and many more logged on remotely. “Every presentation has been followed by at least 35 minutes of question-answer sessions — we had provisioned for 15 — and the sessions themselves have gone on for over six hours,” says Aggarwal. “We didn’t realise that so many people are either involved, or interested, in cryptos. In Goa, Kolkata, Pune and Ahmedabad, where we couldn’t organise sessions, volunteers plan to hold them on their own, with support from us.”

Nischal Shetty, who operates the cryptocurrency exchange WazirX, has been running a 130-day social media campaign seeking legitimacy for cryptos. In April 2018, the RBI issued a circular to all banks directing them to stop dealing with individuals or businesses that transacted in virtual currencies (a ban which was fully enforced by July 5). In subsequent clarifications, the RBI spelt out that since cryptos are not officially currency, they can’t be recognised as a valid payment system. The regulator also expressed concerns about market integrity and the possibility of crypto scams. There is also a fear that crypto may be used for money-laundering and to fund terrorism.

“Cryptocurrency is indeed used for various kinds of surreptitious activities, like suspicious and hidden money transfers,” says Brijesh Singh, Special Inspector General of Police, Cyber, Government of Maharashtra. “And even for terror activities. We’ve heard that there is a special ‘Jihadi Investment’ bitcoin. In India, there have been cases of abduction where the ransom was sought, and paid, in bitcoins. And when it comes to large banking hacks, we’ve found that the secondary money transfers between criminals, is often via bitcoins.” While Singh agrees that blockchain is a robust technology, “its implementation leaves room for misuse. There are a number of people who have created multi-level Ponzi schemes around cryptocurrencies”.

Crypto advocates believe checks are already built into the system — but the government is unwilling to accept this. “It’s not that we are resisting regulation. We don’t feel that a blanket ban is the way to go,” adds Shetty. “No democratic country has banned cryptocurrency. The US, UK, Japan and some European nations have allowed its use even as they continue to frame regulations around it.”

Shetty adds that at the peak of the crypto economy in early 2018, India had 10 bourses. Now, after a post-ban shakeout, only five operate in the country. “Most of the bourses had to shut down after the ban. And the current value of a bitcoin is Rs 2.8 lakh, about five times lower than it was in January 2018,” he points out. “Cryptos are the currency of the future. But India wants to stifle this economy even before it can develop.”

According to lawyer Jaideep Reddy, Leader, Blockchain Practise, with the Mumbai-based law firm Nishith Desai and Associates (NDA): “The RBI is concerned about consumer protection and market integrity. The government feels that because of its volatility and price swings, people who invest in cryptos may lose their investment. But [there’s also a concern that] if the crypto eventually becomes a parallel currency, it may go out of their control.” In other words, traders may bypass banks and transact completely in the online space.

“But there are widely-circulated reports that say that cryptocurrencies don’t pose any threat to global financial stability as of now,” says Reddy. Aggarwal says it is also a misconception that cryptos leave no trail and are untraceable; in fact, all digital wallets through which they must be transacted, are subjected to rigorous KYC norms, much like bank accounts. “This helps trace transactions back to the ‘addresses’ from where they originated, and then it’s only a matter of investigation to find out who operates that wallet,” he adds.

In a submission to the government, prepared by NDA in December 2018, the law firm offered certain suggestions. The activists' views echo these: to subject cryptocurrency businesses to regulatory authorities to prevent money-laundering; to bring it within a licensing regime through new or existing laws, and to work to actively disburse the government's concerns about crypto.

"Additionally, some countries have tried to bring these entities under various kinds of jurisdiction," says Agarwal. Switzerland's Crypto Valley, based in Zug, is a licensed bricks-and-mortar entity for all crypto companies to work from; The Netherlands has Bitcoin City, a platform for IoT (Internet of Things) products. "And Dubai is exploring the idea of developing a smart city around the use of bitcoins," adds Aggarwal.