

Business Standard

Supreme Court lifts curbs on cryptocurrencies, junks RBI circular

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The Supreme Court on Wednesday set aside the Reserve Bank of India's (RBI's) April 2018 circular asking banks and entities the central bank regulated to stay away from dealing in crypto currencies, including Bitcoin.

The judgment said the circular had been "set aside on the ground of proportionality". This has given a major relief to exchanges dealing in these crypto currencies. It opens a window for developing a market for crypto currencies, which are formally traded in derivatives markets in the US, with CME allowing trade in them.

The 180-page Supreme Court judgment, by a three-judge Division Bench, in a way allowed trading and investment in crypto assets and exchanges offering this services in India.

Crypto currencies are virtual currencies and are a digital representation of value. They can be digitally traded and can function as a medium of exchange and/or a unit of account and/or a store of value, though they do not have the status of legal tender.

Former finance secretary Subhash Garg headed the committee to propose action on virtual currencies. In its report, the committee had recommended banning private cryptocurrencies in India, with imprisonment of up to 10 years for anyone dealing in them.

The panel has suggested a federal digital currency be examined, and the government should keep an open mind on the matter.

Garg said after the judgment: "I stand by what the committee had recommended. The use of private cryptocurrencies is dangerous. They are not stable and have no sovereign backing, and their use can lead to a lot of problems. They can be used to fund illegal activities. They will never work as a payment system." The government will now have to decide on regulating crypto currencies.

The judgment is also expected to benefit blockchain. Nishith Desai, founder of Nishith Desai Associates, which represented the Internet and Mobile Association of India (IAMAI) in this case, said: "We have been fighting this issue since 2013. We have submitted to the government a draft framework for self-regulations incorporating best practices for crypto trade and KYC norms. This ruling will facilitate the growth of blockchain for the benefit of eGovernance in the matters of land records, eVoting, stock records, etc. The government too will benefit as it will be able to collect more direct and indirect taxes."

Exchanges are eager to launch trading in cryptos. Many exchanges have shifted their base to Singapore, Malta, or Malaysia. The promoters of one of the largest exchanges, Zebpay, recently sold their stake to overseas investors and, under new promoters, Zebpay will offer crypto-to-crypto trading. Now, such exchanges can allow buying and selling cryptos against money, subject to KYC and banks opening their current accounts.