

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA STARRED QUESTION NO.10
TO BE ANSWERED ON 18.07.2022

Cryptocurrency

10: SHRI THIRUMAAVALAVAN THOL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has issued instructions, circulars, directions, warnings etc. regarding restricting the issuance, buying, selling, holding and circulation of Cryptocurrency in India during the last ten years and if so, the details thereof;
- (b) whether RBI has registered its concern over the adverse effect of Cryptocurrency on Indian Economy and if so, the details thereof;
- (c) whether RBI has recommended for framing suitable legislation to restrict the flow of Cryptocurrency in India;
- (d) if so, the details thereof; and
- (e) if not, whether the Government has any plan to legislate any law restricting the use of Cryptocurrency in India and if so, the time frame fixed for the same?

ANSWER

FINANCE MINISTER

(SMT. NIRMALA SITHARAMAN)

- (a) to (e): A Statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 10 RAISED BY SHRI THIRUMAAVALAVAN THOL, HON'BLE MEMBER OF PARLIAMENT TO BE ANSWERED ON 18.07.2022 REGARDING CRYPTOCURRENCY

(a) Yes, Sir. RBI has been cautioning users, holders and traders of Virtual Currencies (VCs) vide public notices on December 24, 2013, February 01, 2017 and December 05, 2017 that dealing in VCs is associated with potential economic, financial, operational, legal, customer protection and security related risks. RBI had also issued a circular in April 6, 2018 prohibiting its regulated entities to deal in virtual currencies (VCs) or provide services for facilitating any person or entity in dealing with or settling VCs. The said circular has been set aside by the Hon'ble Supreme Court on March 04, 2020. Further RBI, vide its circular dated May 31, 2021 has also advised its regulated entities to continue to carry out customer due diligence processes for transactions in VCs, in line with regulations governing standards for Know Your Customer (KYC), Anti-Money Laundering (AML), Combating of Financing of Terrorism (CFT), obligations under Prevention of Money Laundering Act (PMLA), 2002, etc. in addition to ensuring compliance with relevant provisions under Foreign Exchange Management Act (FEMA) for overseas remittances.

(b) Yes Sir. RBI has registered its concern over the adverse effect of Cryptocurrency on Indian Economy. RBI mentioned that cryptocurrencies are not a currency because every modern currency needs to be issued by the Central Bank / Government. Further, the value of fiat currencies is anchored by monetary policy and their status as legal tender, however the value of cryptocurrencies rests solely on the speculations and expectations of high returns that are not well anchored, so it will have a de-stabilising effect on the monetary and fiscal stability of a country.

(c) to (e): In view of the concerns expressed by RBI on the destabilising effect of cryptocurrencies on the monetary and fiscal stability of a country, RBI has recommended for framing of legislation on this sector. RBI is of the view that cryptocurrencies should be prohibited.

Cryptocurrencies are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore any legislation for regulation or for banning can be effective only after significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.
