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SCOPE OF LEGALITY OF VIRTUAL CURRENCIES IN INDIA & IT'S COMPARISON WITH OTHER JURISDICTIONS

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Abstract

A cryptocurrency is a virtual currency that is used as a medium of exchange and is almost possible to counterfeit or spend it twice, making it a safe and secure payment method. It is a kind of unregulated digital currency and is only available in electronic format. Transactions are processed and conducted only using approved devices, smartphone apps or specialized digital devices or wallets, and transactions are conducted on secure and specialized internet networks. Digital money is a branch of the traditional monetary community, which also includes all cryptocurrencies that actually reside within the blockchain network. Virtual currencies were a content, file, number or token that has a representation of digital value and appears to be beneficial in a business transaction and therefore serves as a store of value or a unit of account. The Supreme Court, however, ruled whether India's economy could not be compared to that of the United States of America, the United Kingdom or even Japan, which has developed economies that can withstand major shocks. The petitioner further stated that most countries, with the exception of China, Pakistan, Nepal, Bangladesh, Vietnam and the United Arab Emirates, have not imposed a ban on virtual currencies. The Supreme Court then noted that the list of countries where a similar ban has been implemented shows a similarity to India much
more clearly.

In November 2017, a high-level Intermenstrual Committee was established to study virtual currency issues and propose actions to be taken. On 28 February 2019, the Committee delivered its findings, and the report was made public on 22 July 2019. The committee's mandate included review of the policy and legal structure for virtual currency regulation. Cryptocurrency is a particular form of virtual currency, decentralised and secured by encryption techniques. Decentralization means there is no central body where records of transactions are kept. Instead, transaction data is registered and transmitted through separate computers across multiple dealer networks.

This technology is known as distributed ledger technology. Due to the rapid development of bitcoins, He wanted to consider the variables affecting its meaning creation. Today, the valuation of bitcoin is $7 million in market valuation and more than $60 million in change in value every day. The currency existed in 2009 yet was approved as a legitimate instrument to allow transfers from different countries. In June 2011, wikileaks acknowledges contributions via bitcoins. “This became famous later during PayPal's Master Card, Visa. In just about any event, the Supreme Court argued that its decision cannot be affected by what other people have done or just haven’t done, and as such the comparative point of view only assists with respect to judicial decision-making criteria, and does not test validity”. of the action taken based on the current legislative framework”. Therefore, this paper discusses the scope of the legality of virtual currencies in India and its comparison with other jurisdictions.

1. OVERVIEW

A cryptocurrency is now a digital or alternative currency intended to function as a medium of commerce. It uses cryptography to encrypt and verify transactions that trace the creation of new cryptocurrency units. Cryptocurrencies are, in fact, small entries in a database that no one can modify unless certain conditions are met. A cryptocurrency is a digital currency that does not exist in the form of coins or banknotes, but only as a countable currency. Cryptocurrencies differ in their characteristics and in the projects that support them. From this year at the latest, they are experiencing a turning point in the financial world. Right now, professional investors are also active in this industry due to its high growth rates and return opportunities.

Bitcoin is the pioneer of cryptocurrencies. The digital currency was launched in 2008. The inventor is the pseudonym of Satoshi Nakamoto. To date, it is unclear who exactly laid the foundation for Bitcoin. Bitcoin is a peer-to-peer (P2P) network based on blockchain technology. It happens like this for a plurality of people throughout the world who, before, had all their knowledge of money mainly revolves it around sheet of paper between their pocket, and are now overwhelmed by the incredible concept of digitally preserving wealth in something called cryptocurrencies.

It is perfectly normal to say, at one point, it will be too hard to handle. But this sudden dramatic change is simply the culmination of decades of foresight, statistical analysis, and powerful efforts to radically modify the world’s long-standing central economic order. However, long before bitcoin was developed, the first study on cryptocurrencies dates back to the 1980s, when

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1 Satoshi Nakamoto, Bitcoin: A Peer-to-Peer Electronic Cash System can be accessed at https://bitcoin.org/bitcoin.pdf
a David Chaum wrote extensively on cryptography and digital money in his articles "security without authentication", "blank signatures for untraceable pa". The idea was finally adopted and "DigiCash" was invented in 1994. However, finally in 1998, DigiCash had to file for bankruptcy, because e-commerce had not fully matured. Other quasi-cryptocurrencies have raised their heads.

Dr. Adam Black created "Hashcash" in 1997, similar to Digicash, but with an anti-spam scheme that paid users to send emails while avoiding Spambodia. “In 1998, “Wei Dai, a computer scientist, developed "B-money" to serve as a medium of exchange and to enforce contracts between anonymous parties”. Satoshi Nakamoto talked about his work in his bitcoin article.” In 2005, Nick Szabo, A computer scientist and lawyer, in the form of a digital collector piece, had a common idea and proposed "bit gold." That bit of gold has never been added, however. Based on the collecting principle by Nick Szabo, Hal Finney established Reusable Job Proof (RPOW) as a definition of digital money. Hal Finney would also become the first Bitcoin customer. The creators of cryptocurrency were motivated by a perceived need for "privacy", the need to abolish government intermediaries and central authorities and create a currency that was not subject to location. Some investors are seen as advocates for encouraging the widespread use of successful cryptocurrencies and privacy-enhancing technologies as a path to social and political change. The codes argue that the government cannot achieve privacy and that individuals themselves must protect privacy through encryption, digital signatures, and electronic currency.

**Cryptocurrency in India**

India, a leader in the use of smartphones, social networks and financial institutions, is digitizing transactions very fast. Since 2015, India traded Bitcoin but really only obtained true entry in November 2016, when 86 per cent of paper money was demonetized overnight. It's because people who hoard paper money in vast sums tax-free is searching for creative ways to launder money to prevent intervention by the government and reduce taxes. This paved the way to buy Bitcoin and cover the money so trades would not be subject to regulatory oversight. The explanation for jumping into Bitcoin mining was that Indians were scared to trust the bank and government when their paper money would lose value immediately at any moment. Citizens lose confidence in the government. People concerned with online transactions find that cryptocurrencies were exempt of banks of regulation, because such actions are carried out via blockchain. It had encouraged people to support bitcoin as a money exchange with the nation. Though the handling of bitcoin banks operating in India has gradually increased, it was more competitive than for the dominant prices in foreign markets. This was because of the shortage of Bitcoin mining and also the absence of fresh Bitcoins producing. Because of government prohibitions on bitcoins, Bitcoin is difficult for Indians to transact.

Reserve Bank of India has taken action to get Bitcoin regulated as in 2017, the Supreme Court admitted under Article 32 a PIL seeking for a regulatory framework to be made for use and exchange of Cryptocurrencies. RBI alerted Indians about cryptocurrency trading threats vide its circulars in 2018. Because of its lack of information over how cryptocurrency transactions operate, swashbuckling transactions was authorized and also the investment made in them was lost.

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Reserve Bank of India (RBI) first issued its ban on banks' dealings with crypto businesses back in April 2018 (the 'order'\(^5\)), which took effect in July of that year\(^1\). The RBI notification was then challenged before the Supreme Court of India in *Internet & Mobile Association of India (IAMAI) V. Reserve Bank of India WP(C) No.373/2018*. The Court, whilst deciding the matter, looked at the draft bill which has been proposed (but not passed) by the legislature, namely *Banning of Cryptocurrency & Regulation of Official Digital Currency Bill, 2019*. The Court held that consistent stand of RBI is that they have not banned VCs and when the Government of India is unable to take a call despite several committees coming up with several proposals including two draft bills, both of which advocated exactly opposite positions, the Court cannot hold that the impugned measure is proportionate.

The impugned order\(^6\) by the RBI was hence quashed and, the order seems well reasoned. It would be a welcome move for cryptocurrencies, blockchain technology and exchanges across the country.\(^7\)

**Reasons for the negative attitude**

In the modern era, currencies like crypto need larger public acceptance in order to survive in the system. Though, it is accepted at many places it faces many more challenges regarding its legal status in economies. This paper sheds light as to test its validity in a legal stand off and the challenges faced if not regulated.

In the Indian context, crypto currencies have faced a negative attitude from the govt and financial authorities due to many reasons mentioned below –

1. **Problem of Tracking** - The feature of cryptocurrency is that it is pseudonymous rather than anonymous, it is linked to an address which can be faked by the person using the wallet. Thus, tracking transactions becomes a difficult task for authorities as it can be used for funding terror organisations, drug cartels and numerous criminal activities. India can be clearly seen to be vocally protesting terrorism and condemning its existence on an international level. Considering the centuries old feud with its neighbour country, it is a huge risk to legalize cryptocurrencies without regulating them. However, most VCEs (Virtual Currency Exchanges) require the customers to disclose their identities before providing any kind of service to them.

2. **Vulnerable to Theft, Fraud, Hackers** – There is a quiet good chance of such currencies to be stolen by highly sophisticated hackers as if they obtain the 64-Character “Private Key” as the access to the consumer funds, all funds can be stolen.\(^8\) Fraudsters have also been seen to take advantages of the hype to pose as VCEs to the consumers. This problem

\(^5\) Writ Petition (Civil) No.528 of 2018

\(^6\) Regulation of Digital Currency Bill 2019

\(^7\) Cryptocurrency Judgement 2020 IAMAI vs RBI
https://www.mondaq.com/india/Technology/908970/Cryptocurrency-Verdict--IMAI-vs-RBI

\(^8\) Office of the Director of National Intelligence.
intensifies due to lack of proper cybersecurity systems in computers and lack of awareness among people about VCs their details. Highlighting this threat, the Reserve Bank of India (RBI) wide its notifications stated

“cautioning users, holders and traders on the risk of these currencies and clarified that it has not given any licence or authorisation to any entity or company to operate such schemes or deals.”

3. Money Laundering – Another such challenge faced by cryptocurrencies to be legalised is that it is vulnerable to be used for the purpose of money laundering. Legitimate VCEs follow regulatory requirements by obtaining KYC (Know Your Customer) details of the customers as per AML (Anti Money Laundering) laws, but other VCEs which are not as compliant to the regulations would manage to provide services to the customer without obtaining any details. Now Cryptocurrencies like Bitcoin can be purchased with cash or through wallet missing the radar of income tax departments, thus creating a virtual asset out of such money and legitimizing it later on. The surge of money laundering through cryptocurrency, however has been low due to the reason that the transaction though pseudonymous leaves behind a permanent mark which after intensive investigation leads to arrests years after the transactions.

The FATF vide its recommendations on tackling risks related to Virtual currencies has highlighted the need to identify the risks, cooperate related laws and establishing an authority specifically to focus on its regulation.

The current cryptocurrency trend in India

The Supreme Court’s recent judgment is being received positively among crypto players and those who view cryptocurrency as a new-age technology that can transform the financial system. Significant developments are taking place in the recent months indicate the growing appetite among Indians for cryptocurrency trading, and it is owed to the institutional and legal precedents which are currently complementing it. With several startups venturing into the cryptocurrency race, many are betting big on the innovations in blockchain technology. This is owing to similar pro-crypto trading measures across the world, indicating how it is transforming business operations everywhere. Many argue about India being left out of the global race to become a leader in the blockchain revolution, and the Supreme Court’s decision to turn down RBI’s 2018 directives is a testament to this widely accepted view.

RBI’s highlights the hazards of allowing cryptocurrency in the banking system. Moreover, companies like Visa has revealed its plans to partner with blockchain companies and bridge the gap between global merchants and cryptocurrencies. Similarly, MasterCard has launched a global initiative issuing payment cards through an authorized cryptocurrency platform for virtual currencies, and the developments are likely to peak enormous interest in India. Indian

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9 Vivina Vishwanathan, Bitcoin Regulations in India, LIVEMINT (Dec. 21 2017), http://www.livemint.com/Money/uQ1HZ7521L8gHClnuP66YM/Bitcoin-regulation
media is already reporting on a major increase in crypto-exchanges during the lockdown. Efforts by Visa and MasterCard will allow Indians to use payment cards as a digital asset wherever Visa and MasterCard are officially accepted by traders. The introduction of cards could be a great way to boost the adoption of cryptocurrency as a part of the mainstream financial system of the country.

It also aligns with our digital India mission, thereby creating flexible yet transparent and robust digital financial services. In addition to allowing their operation, their success will likely drive emerging startups to come up with the next generation of blockchain innovation, which could help in integrating people from tier II and III towns into the financial ecosystem. If the RBI’s directives remain measured without excessive regulatory constraints, India could be at the cusp of becoming one of the largest countries for crypto trading, owed to the multifold increase in crypto trading transactions. If local cryptocurrency exchanges get the opportunity to collaborate with global payment giants, it could bring millions of new users into the fold13.

2. VIRTUAL CURRENCIES IN INDIA & ITS COMPARISON WITH OTHER JURISDICTIONS

Virtual currencies

As the law is in place, Digital currency with a Bitcoin / Ether type are unlikely to trigger legislation relevant to securities. The Securities Contracts (Regulation) Act of 1956 (SCRA) includes a non-exhaustive description of securities so currently there are no legal requirements for theirs use in the virtual currency sense. Digital currencies are also not protected by the description elements listed here14. The elements within description additionally got their name from an intrinsic asset. Yet virtual currency such as Bitcoin and Ether don't even have any inherent properties.

Profit is also only calculated as follows of supply and demand. In addition, virtual currency including such Bitcoin frequently lack a recognizable source, but unlike elements in Indian law 's concept of protection15. And in Black Law Dictionary, securities may specified include instruments that show ownership rights of a proprietor in even a company or indeed the creditor relationship of a proprietor with the a company (or government). This is also mentioned that perhaps the values represent an investment interest in a common business. Digital currencies, like Bitcoin and Ether, may not possess any land interests, bank agreements, or popular business assets.

Thus certain virtual currencies are difficult to encounter under the worth concept. Certain (but not all) tokens issued through Initial Coin Offerings (ICOs) nonetheless Will come under the scope of the SCR if this is given by such an Indian agency and passes the above standards16.

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13 Durba Ghosh, Cryptocurrency startups pivot to P2P trading as India's Supreme Court upholds RBI's Ban, The Passage, (July 4, 2018), can be accessed at https://thepassage.cc/article/200
14 No. 15-CR-769 (AJN), 2016 WL 5107128
16 People’s Bank of China, Announcement of the People's Bank of China, Central Internet Information Office, Ministry of Industry and Information Technology, Industrial and Commercial Administration, China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission on Preventing Token Issuance and Financing Risks (September 4, 2017), can be accessed at PBC
This would certainly arise when they are released by a known issuer and are backed by the issuer’s underlying properties. Those tokens are subject to the Businesses Act 2013 “(the Companies Act) (regarding requirements relating to the issuance and transfer of securities) and the SCRA (regarding securities that may be listed on stock exchanges authorized)\(^{17}\).”

\textbf{ii. Deposits}

As several token sales require taking money or other tokens, it is crucial to analyse which regulations extend to such transactions other than securities (for example, tokens which do not count as securities). “The Companies Act and the Companies (Acceptance of Deposits) Rules of 2014 (Deposit Rules)” Specify whether the collection of money by such a corporation, in the form of a deposit or loan or other, will be referred to as a deposit, and thus create such exemptions from its applicability. For example, any payment received as an advance for the purchase of goods or services in the course of the business does not constitute a deposit if an additional advance has been made for the delivery of those goods or services.

Whenever a company is deemed to accept deposits, a collection of compliance measures would cause the Companies Act and its rules as well, along with the RBI regulations. Just having money will trigger some interventions and not the virtual currency. Furthermore, “following the enactment of the 2019 ordinance on the prohibition of unregulated deposit systems, issuers of virtual currency tokens will have to ensure, to be outside the scope of the ordinance, that the money received is not returned”.

\textbf{iii. Regulation as commodities}

If virtual currencies become listed as commodities, it's also possible to control the business of running an exchange for virtual currency as either a commodity exchange, which could have consequences there under Indian Foreign Direct Investment (FDI) law. And the Foreign Direct Investment Strategy unified email. 2017 (FDI Policy) and the Money Management Law “(Transfer or Issue of Bonds by a Person Resident Outside of India) of 2017 (TISPRO).” There have been two different definitions inside commodity space: a commodity spot market dealing in immediate delivery; as well as a commodity futures market dealing with derivative contracts. FDI policy restricts maximum amount of foreign investment in spot product trading to 49% of share capital without the permission of the government. The SCR allows a licensed stock exchange (i.e. an accepted entity) would be any trading platform that enables commodity derivatives\(^{18}\).

Digital currency really should not be treated as an asset, as when the regulation is in force. As shown in a circular from either the Indian Securities and Exchange Board (SEBI) read with the a central government notification there under SCRA, the central government informed those properties there under Scheme for the purposes of the word extracted from resources which does not include virtual currency. Although this note applies mostly to commodity futures and also not to spot delivery contracts, it offers most detailed advice over what can get at this point be called a commodity exchange\(^{19}\). However, there under previous notification that central

\(^{17}\) Vasilisa Strizh, Dmitry Dmitriev and Anastasia Kiseleva, Blockchain and Cryptocurrency Regulation 2020| Russia, can be accessed at https://www.globallegalinsights.com/practice-areas/blockchain-laws-and-regulations/russia.


\(^{19}\) Shaun Whittaker, Sylvia Ng and Hana Lee, New AML/CTF Regulations for Cryptocurrency exchanges, (April 23, 2018), can be accessed at https://www.pwc.com.au/legal/assets/legaltalk/new-amlctf-regulations-cryptocurrency-
government can opt to declare virtual currencies (in general, or any subset of them) as commodities at any time. Which might allow virtual currency derivative contracts in the SCR (and therefore into the jurisdiction of SEBI).

iv. FDI in Indian virtual currency-based businesses

India is a capital-controlled country, where the entry and exit of foreign currency from the country is regulated by the Foreign Exchange Management Act of 1999 (FEMA). The FDI and TISPRO policy, developed under FEMA, regulate FDI in Indian entities. Most business models involving virtual currency resale can be represented as e-commerce markets where, through government approval, foreign contributions of up to 100% of both capitals have been allowed.

TISPRO and FDI policy have defined this term "electronic commerce", which means "buying and selling of goods and services, including digital products over the Internet and mobile networks." Digital currencies like equities and bonds may well be represented as digital items or things. The activities among India's virtual currency firms, however, as stated in Section III, vary only to just the degree where their communicate with fiat currency across controlled banking or payment channels. The consequence was whether FDI problems become actually uncertain as a matter of practicality, as foreign investors don't always attempt to invest in those kind of undertakings regarding the legal surrounding environment virtual currencies in India.20

CROSS-BORDER TRANSACTIONS IN VIRTUAL CURRENCIES

Whether citizens of India transfer a virtual currency as payment for services provided or products sold by either a non-resident person (including other virtual currencies), this transaction becomes likely to be labeled as a controlled sale of goods from of the money market. “Management Regulations (Export of Goods and Services) 2015 and Core Guidelines on Export of Goods and Services (collectively, the Export Regulations).” Among some other items, exporting guidelines require also that maximum amount of almost any exports are obtained except through approved banking outlets (i.e., in fiat currency) and therefore any doubling for import prices against export credits are worked out through a mechanism supported either by designated entities. Banking. This suggests which bartering across borders will not be permitted. Thus, moving Indian residents' virtual currencies across borders through obtaining fiat currency by approved banking networks becomes probably to violate export regulations21. That export duties rest only with exporter: and it is, the Indian resident under general and not some other international consignee. Thus, international recipients may be covered by the other rules, unless their directly threaten Indian residents.

FEMA’s import requirements might formeris is being used to support those forms of fiat remittances for purchasing virtual currency. However, because the circumstance was the product of Circular VC, banks are obliged and hesitate to purchase virtual currencies from foreign currency mining. Consequently, countries are willing to decline to import virtual currencies through India via fiat cash remittances.

These issues are interesting questions in the context of Indian law and should be examined carefully on a case-by-case basis, as cryptocurrencies may have varying legal characteristics.

Internet and Mobile Association of India v. Reserve Bank of India, Writ Petition (Civil) No.528 of 2018

Most, jurisdictions have restricted only cryptocurrencies rather than banning them, while countries such as China, Pakistan and Indonesia have banned cryptocurrencies\(^22\).

**USA**

In the United States of America (‘US’), both federal and state regulators oversee the cryptocurrencies. The Commodity Futures Trading Commission (‘CFTC’) argues that VCs fall under the meaning of ‘commodity’ as specified in the 1936 U.S. Commodity Exchange Act (‘CEA’) pursuant to section 1(a)(9) as ‘all commodities, rights and interests in which future delivery contracts are currently or will be dealt with in the future.’ A federal court in the United States ruled that VCs are CEA commodities and could be the underlying commodity in a futures contract. In the case of United States v. Murgio, New York’s southern district court dismissed the accused’s claim that bitcoins are listed by CFTC as assets and IRS property, and thus cannot be funds. The court acknowledged that none of these classifications were focused on the 1960 Crimes and Criminal Procedure and held that it was never stated that the scope of ‘funds’ should not include VCs.

**UK**

The United Kingdom ("United Kingdom") does not have a clear financial regulation system for venture capitalists. Depending on the complexity of the transaction in question, the Financial Conduct Authority ("FCA") decides its own regulatory framework. The FCA has defined "cryptoasset" as a digital representation of ownership or contractual rights controlled by distributed ledger technology and stored, traded and traded electronically. Recently, the British High Court ruled in AA v. Unknown Persons that Bitcoin is owned and therefore has determined that Bitcoin is subject to an ownership order. He stated that property can generally be "things owned" or "real things". But a property can also be something new other than a property or moving objects. Therefore, crypto assets were considered a home, intangible assets and for the home a court order was issued. This decision is a relief for those seeking compensation for the misappropriation of crypto assets. “However, the UK sees each transaction differently and does not believe in a common classification because VCs can be kept for various purposes or obtained in different ways\(^23\).”

**China**

VCs including such bitcoin or ethereum cannot really be traded as both a currency, since they're not released either by monetary authority and thus are susceptible to such illicit behavior; “financing transaction was discontinued after the announcement date and any company that issued such tokens had to liquidate those tokens and reasonably secure their rights; Although, on either the one hand, the PBC was hesitant to recognise private-issued crypto-assets with in market, on the other, China are releasing its own sovereign digital currency that's also currently being checked and then will be launched by the PBC. These resumés must be of the same level as a Chinese yuan”.

**Russia**

Russia requires certain products or services to sell VCs. Such transactions justify the use of

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23 Disclosure: the authors are advising the Internet and Mobile Association of India in the proceedings against the RBI
VC as a means of payment. The Russian Civil Code has been updated to incorporate the concepts of "digital currency" and "digital rights" which could help protect the rights of cryptocurrency owners, but there is no legislation specifically governing cryptocurrencies in Russia. The Russian central bank opposes the legalization of cryptocurrencies and hopes that the Russian bill will ban the issuing of crystals and their distribution. The modified Russian bill allegedly could ban the use of cryptocurrencies as a means of payment. Furthermore, it was also claimed that only the Russian bill would restrict the issuance and distribution of DFA, but it does not yet include regulations on cryptocurrency mining\(^{24}\).

**Australia**

Cryptocurrencies are legal in Australia, and markets for cryptocurrencies are legal. Though making cryptocurrencies legal in 2017, the Australian government expressly announced that bitcoin (and similarly defined cryptocurrencies) should be considered "money" and subject to capital gains taxes. In 2018, the Australian Transaction Analysis and Reporting Center (‘Austrac’) announced the implementation of tougher regulations on cryptocurrency exchanges that require Australian exchanges to register, identify and verify customers with Austrac, among other items. Keep documents, and meet reporting responsibilities. On 3 April 2018, under the latest anti-money laundering and terrorist financing laws implemented in Australia through the 2006 Anti-Money Laundering Act amendment, Austrac began regulating digital currency exchanges ("DCEs"). The laws apply to anyone providing a recordable DCE service covering services like exchange of fiat currencies and cryptocurrencies. While conducting a digital currency exchange industry, services are necessary to cover the trade. Cryptocurrency, or 'digital currency,' is defined as a 'digital representation of value acting as a medium of trade, store of economic value or account unit,' and is also described as being available to the public, exchanged for money, used for consideration and not issued by the government\(^{25}\).

**Japan**

Japan has one of the world's largest markets for crypto-assets. Half the worldwide cryptocurrency transactions are in Japan. Japan authorized transactions in cryptocurrencies in September 2017 via its exchanges. Japanese money, foreign currencies, and money-denominated assets are thus exempt from the PSA’s concept of ‘virtual currency.’ Furthermore, in Japan the form of VC mentioned in Article 2(5)(i) of the PSA is allowed as a method of payment. In March 2019, Japan’s Financial Services Agency (‘FSA’) introduced reforms to the PSA and FIEA to improve investor security in crypto-assets, which came into effect on May 1, 2020 (‘Japan Crypto Amendment’). “The Japan Crypto Amendment used the term ‘crypto assets,’ instead of ‘virtual currencies,’ and applied ‘crypto assets’ with the word ‘financial instruments’ to describe the FIEA derivative transactions’ underlying properties”. For this purpose, a same laws that apply to several other FIEA derivative activities, such as with the prohibition of unsolicited applications and also the legislation on loss mitigation.

3. **USES OF CRYPTOCURRENCY**

Cryptocurrencies become usually regarded to most people as high-risk opportunities for millennials and Silicon Valley insiders. Something gets overlooked in the excitement and uncertainty, though, is that more and more digital currencies are decentralized, like bitcoin, they’ve been built to ‘do stuff’ and provide a wide variety of effective cases in usage. Here are a

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\(^{25}\)https://coinmarketcap.com/all/views/all/ (13 August 2019).
few responses to the 'what else would you do about cryptocurrency?'

**Low-cost money transfers**

Sending but obtaining low-cost, high-speed transfers is amongst the most common applications of cryptocurrencies. For eg, a recent $99 million litecoin (LTC) transaction took just two - and half minutes with transaction fees to process and cost that sender just $0.40. Whether this flow of funds would come by a financial broker, the payments would've been substantial, far faster and the transition would take several months, or more, if another exchange became cross-border.

The low transaction fees associated with the digital currency transactions including such litecoin (LTC), stellar (XLM) or bitcoin cash (BCH) makes them suitable payment mechanisms for foreign money transfers.

**Interest income on Bitcoin and other cryptocurrencies with 'Yield Farming'**

Successfully trading crypto for profits requires a lot of time, experience and skill and instead many cryptocurrency owners are holding their coins for long term gain. There are ways to earn steady 'interest' on crypto, though. Popular examples include DeFi lending and crypto staking. This article covers the main ways an investor can engage in crypto yield farming, and this survey shows which platforms are offering the highest interest and on what coins. With the interest rates offered by traditional bank accounts at all-time lows, lending your crypto to a reputable platform is certainly an option - with 10% per annum being offered for highly liquid cryptocurrencies like Tether. It is important to note, however, that this type of lending is not risk free and is not insured by the FDIC or similar government bodies in other countries.

**A censorship-resistant alternative store of wealth**

Even if you may not believe their bank account with properties will be frozen, the fact would be that this occurs more often individuals presume, particularly in jurisdictions with weak rule of law. Everything which may be required is to suspect others of financial fraud or to build strong enemies. Users may feel oneself with no or little access to capital when whatever happens, and if it was wrong those who did. That's where another of cryptocurrency's most important and interesting applications come into action. Cryptocurrencies such as bitcoin serve as both an alternate asset store immune against censorship, to because only the person through private keys to both the wallet requires access. Authorities still will never suspend a particular Bitcoin wallet.

**Investment in innovative early-stage start ups**

The emergence of digital token-based financing has quickly enabled anyone with an internet connection to become an investor in breakthrough tech companies, while offering businesses the venture capital they need so much, albeit a phenomenon. Rarer these days, Initial Coin Offerings (ICOs) and IPOs are a fundraising tool that offers companies the opportunity to raise capital by selling a newly created digital token to investors. Early supporters of a project in exchange for verified “cryptocurrencies” such as bitcoin (BTC) or ether (ETH). The price of your newly launched token serves as a measure of the success or failure of the company before it starts trading on the secondary market. In the past, only experienced venture capitalists may well have had access to these transactions, but really the rise of blockchain now started opening these possibilities to a far broader range of investors. In certain examples, ICO's most popular digital tokens having soared by a few thousand %, and cryptocurrency-based funding has helped companies raise or more $12 conducted over the past two years.
Make private transactions

Privacy-centric digital currencies such as Monero (XMR), Zcash (ZEC), and PIVX (PIVX) enable users to make anonymous financial transactions. This assumes people have made money transactions without needing to justify to a bank why they submit a huge amount of money, what are all the origins of the funds and to whom they submit it, that may prolong the transaction but entail excessively complicated processes.

Send non-cash remittances

Another strong usage case for cryptocurrency is cash-free remittances. For example, blockchain startup SureRemit helps its users to send non-cash remittances to selected African nations from anywhere in the world. Africans may buy SureRemit’s native RMT tokens, which then get used throughout the SureRemit app to allow non-cash remittances towards them relations in Africa, including such mobile data top-ups for energy bill payments.

Steemit, that world's first social networking & blogging website, allows authors to earn financial incentives for the development of cryptocurrencies for sharing content but curating upon this network through uploading high quality content. Steemit empowers their users financially when thanking people through contributing to the site, instead of collecting data of its users and selling it to third parties as Facebook does. Steemit has become increasingly popular across emerging markets, where everything boasts a significant number of users.

Can cover Travel Expenses

Because of the exponential development of the cryptocurrency economy in the past nine years, it is now possible to explore the planet through cryptocurrency spending. Established travel agencies including such CheapAir and Destinia embrace bitcoin as a payment option for booking tickets, car rentals, but hotels and for those who want to stay during an apartment while travelling can book accommodation on CryptoCribs using bitcoin (BTC) or ether (ETH). The growth of the bitcoin ATM market also means travelers are now able to convert their cryptocurrency into local currency in most major cities around the world. If space is more your scene Richard Branson’s commercial space travel company, Virgin Galactic, announced way back in November 2013 that is accepting bitcoin payments for space travel bookings. While the California-based company has not yet managed to successfully launch a commercial space flight, several future astronauts have already paid for their tickets — worth $250,000 — in bitcoin, including bitcoin advocates Cameron and Tyler Winklevoss.

4. ORIGINS: CRYPTOCURRENCY

The very first cryptocurrency based on blockchain were BitCoin which has been the most common & valuable. There have been thousands such alternate cryptocurrencies now, including distinct specifications and capabilities. Some of those are Bitcoin clones or forks, and many others are brand new scratch-made coins. "A person or group operating under the alias" Satoshi Nakamoto "launched bitcoin in 2009. There were more than 18 million bitcoins in circulation as of November

26 S.O. 3068(E) (Ministry of Finance, Department of Economic Affairs).

27 SEBI/HO/CDMRD/DMP/CIR/P/2016/105


29 Rule 14(2) of the Companies (Prospectus and Allotment Securities) Rules 2014
2019 with a total market value of about $146 billion. Several rival cryptocurrencies created by Bitcoin's popularity, known as "altcoins," including Litecoin, Peercoin, and Namecoin, as well as Ethereum, Cardano, and EOS; Today, the value added to all known cryptocurrencies is around $214 billion; Bitcoin already represents more than 68 per cent of the overall valuation.

![Graph showing market values of cryptocurrencies]

**Figure: List Of Cryptocurrency.**

- **Bitcoin**
  Maybe the Kleenex or Coca Cola of all cryptography, although its meaning is perhaps the most identifiable and nearest to the cryptocurrency framework.  

- **Bitcoin Cash**
  Bitcoin cash It is amongst the most common crypto-currency types on either the market. The key difference to the Bitcoin original is also its block size: 8 MB. Keep comparing that with the original block size of just 1MB. Bitcoin cash that was introduced in 2017.

- **Litecoin**
  Litecoin Extremely used in such a sentence as Bitcoin and then it uses the same technology. It was founded and Charlie Lee in 2011. A retired Google employee. They built that to boost the Bitcoin infrastructure, including shorter transaction times, lower fees, less focused miners.

- **Ethereum**
  Ethereum Concentrates though not on digital currencies as on open use. That company is looking to restore software ownership to its original developers and remove the power from intermediaries. The only one that does keep improving to the software will become the original developer. The token use here has been called Ether that app users and developers are using currency.

- **Ripple**
  Ripple Is really a cryptocurrency category but not Blockchain-based. This is not assumed for specific customers as it is about for greater sums of wealth throughout the globe. it is far more well-known for its digital payment protocol than for its XRP crypt. Since the mechanism makes money transfer of just about any shape, whether it's dollars or perhaps even Bitcoin.

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It claims to be able to handle 1500 transactions per second (tps). Ethereum, can handle 15 tps.

- **Stellar**

Stellar focuses on money transfers, and also its network is built to make the process more efficient much quicker, including across national boundaries. These are invented in 2014 by Jed McCaleb, co-founder of Ripple. The purpose is to support emerging countries which do not have access to conventional banks and resources for investment. It's doesn't charge customers or organization’s to access the Stellar network, and by allowing tax deductible it avoids running expenses public donations.\(^{33}\)

- **Cardano**

Cardano aka ADA Is used for wireless transmitting and receiving. It promises to be an even more secure and healthy environment for cryptocurrencies, and that the only coin with a research-driven approach as well as a scientific theory. Which means it is going through extremely thorough evaluations with scientists and programmers. These were created by Charles Hoskinson who is already Ethereum's co-founder.\(^{34}\)

- **IOTA**

IOTA launched in 2016, and stands for Internet of Things Application. Unlike most other Blockchain technologies, it works with smart devices on the Internet of Things.

**Special Considerations**

Blockchain technology is an integral part of both the appeal of usefulness of cryptocurrencies like bitcoin, and can be used to maintain and encrypted database of the all the transactions that've been made, thereby maintaining a solid database for such a ledger that's still exchanged as well as acknowledged by the entire network of a single node or computer who owns a copy of the ledger. Before committing, through new block created must always be checked by every other node, what makes spoofing transaction histories almost impossible.\(^{35}\) Many analysts see blockchain technology has having tremendous potential towards methods such as medical voting including crowdfunding although large financial companies along with JPMorgan Chase (JPM) can see potential in lowering transaction costs while simplifying the payment method.

However, since cryptocurrencies become intangible and are therefore not kept in a central archive, in which there was no private key backup, a credit card customer balance may well be wiped out from the failure or degradation of a hard drive. At same time, no central body, government and corporation requires access towards your assets or personal details.

5. **CONCLUSION**

_Cryptocurrencies and in India Industrialists and many other merchants will lift bitcoins. This is_

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too small to control currently. The rises in those currencies' movements are based on the following factors\textsuperscript{36}.

1) Few countries have already been legalized with this type of currencies and there will also be currency exchanges in the future.

2) Another reason is that you invest Rs 1 Lakh and earn 10% the next day.

3) The Reserve Bank of India and the Ministry of Finance have issued a warning against the use of this type of currencies for investors, traders, etc. Dealing with them can lead to speculation and money laundering at your own risk.

4) The Indian government will select amongst regulations on cryptocurrency, “which is practiced in countries such as Japan, South Korea, Russia, Australia, etc., and an absolute ban on cryptocurrencies, which has been imposed in China, Pakistan, and Indonesia. From the above case, using analysis and facts, you would have to show that such a ban is necessary and justified, otherwise the Supreme Court risks lifting”.

Cryptocurrencies, Nevertheless, they clearly now have potential to launder money as well as to fund criminal or violent activities. Consequently, through our opinion, India is likely to enact a VC law which also doesn't enforce an outright ban on cryptocurrencies. It could be considered as an asset for capitalist enterprises. That will certainly exempt venture capitalists requesting the applicant to stay anonymous.

In addition, registration with SEBI for venture capital exchanges would likely be mandatory. That managers of all these exchanges but anyone who issues VCs would have to maintain track among all releases or transactions in order to for Indian government should know that legitimate and real owners of all VCs being used in India at every time. “Cryptocurrencies Among other things were developed to provide anonymity to their holders and circumvent some central authority. If the policy of the Indian Government is in line with the predictions above, investing in venture capital would most likely not be stampede”. “Nevertheless, there has been likely to have been a relentless need for venture capital for all who genuinely wish to invest in their business investment portfolio.

\textsuperscript{36} JPMorgan Chase. "Could Blockchain Have as Great an Impact as the Internet?" Accessed Oct. 31, 2019.