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March 9, 2020

Don't Nip The Crypto-Bud!

SUPREME COURT LIFTS RBI BAN ON CRYPTOCURRENCIES

In a historic move, the Supreme Court of India has lifted the ban on financial institutions from dealing in virtual currencies in the case of Internet and Mobile Association of India *vs.* Reserve Bank of India.

The Reserve Bank of India (“**RBI**”) had repeatedly through its public notices on December 24, 2013, February 01, 2017 and December 05, 2017, cautioned users, holders and traders of virtual currencies such as bitcoins, regarding various risks associated in dealing with such virtual currencies. On April 6, 2018, the RBI issued a circular (“**Circular**”), restricting entities regulated by it from dealing in virtual currencies and from providing any services such as maintaining accounts, registering, trading, settling, clearing, giving loans against virtual tokens, accepting them as collateral, opening accounts of exchanges dealing with them and transfer / receipt of money in accounts relating to purchase/ sale in relation to virtual currencies. The Internet and Mobile Association (“**IMA**”) had approached the Supreme Court, challenging the Circular. After a wait of almost 2 years, the Supreme Court, on March 04, 2020, has set aside the Circular, paving way for business in virtual currencies.

During the course of the proceedings, the IMA had contended that cryptocurrencies depict characteristics of a ‘*commodity*’ rather than ‘*currency*’, thereby challenging the jurisdiction of RBI from releasing the Circular imposing ban on dealing in cryptocurrencies. The RBI responded to these arguments asserting that the Circular was released as a measure to protect the integrity of the payment systems in the country, especially, given their nature, cryptocurrencies, including bitcoins, could operate as a parallel payment system undermining the existing traditional payment systems in India.

Adjudicating in favour of the IMA, this ruling of the Supreme Court can be viewed as a step forward, presenting India as a potential attraction for crypto-businesses. With the welcoming attitude of the Supreme Court towards the emerging technology and the vast market the country boasts-of, India could once again become an attractive destination for the new cryptocurrency hub.

**This is an update for general information purposes only and does not constitute legal advice. Please contact us if you require further clarification on this subject.*



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