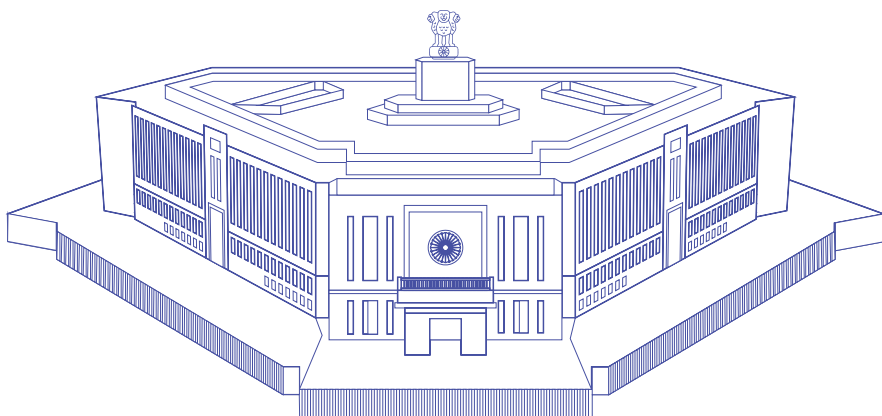


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# Blockchain, Web3 and Virtual Digital Assets

A compendium of questions and answers in Parliament

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# **Blockchain, Web3 and Virtual Digital Assets**

*A compendium of questions and answers in Parliament*



# Foreword

Virtual Digital Assets (VDAs) have been around for more than a decade but efforts to put in place an effective regulatory response is accelerating only now. Some nations have taken early and decisive steps on this front. In India, home to over 450+ innovative Web3 startups, regulatory actions are evolving, slowly but with certainty. Comprehensive and consensus-based VDA regulations have been included as one of the key discussion points in the Finance Track of India's G20 Presidency.

Over the last six years, CoinSwitch has been in the forefront of engaging with Governments—both at the Centre and States—as well as with regulators to demystify Web3 and VDAs with an intent to make India a home for a vibrant digital assets ecosystem.

This first-of-its-kind compendium, Blockchain, Web3 and Virtual Digital Assets, is our effort to curate questions raised by our Hon'ble. Members of Parliament across both Houses on blockchain technology, VDAs, Web3, and the responses offered by different Ministries, including Finance, IT, Commerce and Industry, during the period 2021-2023. This is intended to serve as a ready reckoner for everyone interested in understanding the gamut of issues surrounding this sector and the discussions underway so far in the Parliament. A glossary of key VDA terminology is also available at the end.

We thank the Lok Sabha and Rajya Sabha Secretariats for making available these Q&As via their websites, from where we were able to access and source them. We would also like to thank our Hon'ble. MPs, Ministers and officials of the Government of India, who continue to engage with us and raise pertinent issues both inside and outside Parliament.

Happy reading!

**R Venkatesh**  
Senior VP & Head-Public Policy, CoinSwitch





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# **Lok Sabha Q&As**

## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 587

TO BE ANSWERED ON 24.07.2023

### REGULATION OF CRYPTO CURRENCY

#### 587. SHRI KURUVA GORANTLA MADHAV:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is yet to introduce a comprehensive legislation for regulating crypto currency;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the lack of regulation for crypto currency has created legal ambiguities and resulted in unregulated transactions;
- (d) if so, the details thereof and the steps taken by the Government to address these issues; and
- (e) the tentative timeline for introduction of new legislation for regulating the crypto currency?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (e): There is currently no specific legislation for crypto assets in India. Crypto Assets are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore, any legislation for regulation or for banning can be effective only with significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.

While the Government does not consider crypto-assets legal tender or coin, they are taxed under Income-tax Act, 1961 and different aspects of crypto assets are regulated under Information Technology Act, 2000, the Code of Criminal

Procedure, 1973 and the Companies Act, 2013. Government vide notification dated 7th March, 2023 has also brought Virtual Digital Assets (VDAs) under the purview of the Prevention and Money- laundering Act, 2002 (PMLA) to bring the transactions involving VDAs within the ambit of PMLA.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 5186

TO BE ANSWERED ON 03.04.2023

#### VIRTUAL DIGITAL ASSETS

##### 5186. SHRI SUBBARAYAN K:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has notified placing all transactions involving virtual digital assets under the purview of the Prevention of Money Laundering Act (PMLA);
- (b) if so, the details thereof;
- (c) whether the virtual digital assets have the potential to have criminal misuse considering the speed and anonymity with which they can be traded world-wide and if so, the details thereof and the reaction of the Government thereto;
- (d) whether many countries have moved to regulate virtual assets and some others have banned them outrightly; and
- (e) if so, the details thereof and the reaction of the Government thereto?

#### ANSWER

##### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) & (b) Government vide Gazette notification No. S.O. 1072(E), dated 07.03.2023 has notified activities involving virtual digital assets under sub-clause (vi) of clause (sa) of subsection (1) of section 2 of the Prevention of Money-laundering Act, 2002.

(c) Yes, the virtual digital assets have the potential for criminal misuse. Directorate of Enforcement is investigating several cases related to crypto currency/virtual digital currency frauds wherein a few crypto exchanges have also been found involved in money laundering. Necessary action as per provisions of Prevention of Money Laundering Act, 2002 (PMLA) has been taken by the Directorate of Enforcement.

As on 31.01.2023, proceeds of crime amounting to Rs. 936.89 crores have been attached/seized/freezeed, 05 persons have been arrested and 06 Prosecution Complaints (PCs) including 01 supplementary PC have been filed before the Special Court, PMLA in these cases.

Further, under Foreign Exchange Management Act, 1999 (FEMA) assets amounting to Rs. 289.28 crores have been seized under section 37A of FEMA and 01 Show Cause Notices to cryptocurrency exchange Zanmai Labs Pvt Ltd, known as WazirX, and its Directors under FEMA for transactions involving cryptocurrencies worth Rs. 2,790.74 crore have also been issued.

(d) and (e) As per recommendations of the Financial Action Task Force, some countries regulate virtual assets and some others have banned them outrightly. Government is taking action on virtual digital assets as per the recommendation of the Financial Action Task Force.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO.5242

TO BE ANSWERED ON 03.04.2023

### LEGALIZATION OF CRYPTO CURRENCY

**5242. SHRI KHAGEN MURMU:**

**SHRI RAVINDRA KUSHWAHA:**

**SHRI RAVI KISHAN:**

**SHRI SUBRAT PATHAK:**

**SHRI MAHABALI SINGH:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is planning to legalize crypto currency in the country;
- (b) if so, the details thereof; and
- (c) the kind of impact crypto currency will have on the common people and especially youth?

### ANSWER

### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (c): Crypto assets are currently unregulated in India. Crypto Assets are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore, any legislation for regulation or for banning can be effective only with significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards. RBI has been cautioning users, holders and traders of Virtual Currencies (VCs) that dealing in VCs is associated with potential economic, financial, operational, legal, customer protection and security related risks.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO.5127

TO BE ANSWERED ON 03.04.2023

#### CRYPTO RELATED FRAUDS

##### 5127. SHRIMATI CHINTA ANURADHA:

Will the Minister of FINANCE be pleased to state:

- (a) whether the crypto related frauds have increased in last few years and if so, the details thereof including the number of such frauds reported with the Government during each of the last five years;
- (b) the steps taken by the Government to prevent such frauds;
- (c) whether all crypto exchanges operating in the country are in compliance with international financial regulations; and
- (d) if so, the details thereof and if not, the reasons therefor?

#### ANSWER

##### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (d): Crypto assets are currently unregulated in India. Frauds relating to crypto are dealt with under extant laws against fraud and cyber crime. The Ministry of Home Affairs has a portal at <http://cybercrime.gov.in> where frauds involving crypto assets can be reported to the Cyber & Information Security Division. Further, 'Police' and 'Public Order' are State subject as per the Seventh Schedule of the constitution of India. States/UTs are primarily responsible for the prevention, detection, investigation and prosecution of such crimes including financial frauds through their law Enforcement Agencies. The 'Citizen Financial Cyber Reporting and Management System' has been launched for immediate reporting of financial frauds and to stop siphoning of funds by the fraudsters. A toll-free Helpline number '1930' has been operationalized to get assistance in lodging online cyber complaints.

The Enforcement Directorate is investigating several cases under the provisions of Prevention of Money Laundering Act, 2002 (PMLA) and Foreign Exchange Management Act, 1999 (FEMA), related to crypto assets. As on date, proceeds of crime amounting to Rs. 953.70 crores have been attached/seized/frozen, 05 persons have been arrested and 06 Prosecution Complaints (PCs) including 01 supplementary PC have been filed before the Special Court, PMLA in these cases.

Further, under Foreign Exchange Management Act, 1999 (FEMA) assets amounting to Rs. 289.28 crores have been seized under section 37A of FEMA and 01 Show Cause Notice to crypto asset exchange Zangme Labs Private Limited known as WazirX and its Directors under FEMA for transactions involving crypto assets worth Rs. 2790.74 crores have also been issued.

Government vide Finance Act, 2022, has brought a comprehensive taxation regime for transfer of virtual digital assets (VDAs) and vide notification dated 7th March, 2023 has also brought VDAs under the preview of the Prevention and Money-laundering Act, 2002.

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

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## MINISTRY OF COMMERCE & INDUSTRY

### LOK SABHA UNSTARRED QUESTION NO. 4813.

TO BE ANSWERED ON 29.03.2023

### STARTUPS IN EMERGING TECHNOLOGY

**4813. SHRI JAGDAMBIKA PAL:**

**SHRI VINCENT H. PALA:**

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether the Government has collected any data on the number of corporations and startups in the emerging technology space such as Web 3 that has been incorporated in India;
- (b) whether the Ministry has taken any steps to protect these new-age startups;
- (c) if so, the details thereof and if not, the reasons therefor;
- (d) whether the Government is aware of the talent drain in the Web 3 ecosystem as a result of heavy taxation and uncertain regulatory framework around the sector;
- (e) if so, the details thereof and if not, the reasons therefor; and
- (f) the details of the action taken by the Government in this regard?

### ANSWER

#### THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI SOM PARKASH)

(a) to (c): The Government with an intent to build a strong ecosystem for nurturing innovation and startups of the country launched Startup India initiative on 16th January 2016.

In order to meet the objectives of the initiative, the Government unveiled an Action Plan for Startup India that laid the foundation of Government support. The Action Plan comprises of 19 action items spanning across areas such as "Simplification and

handholding”, “Funding support and incentives” and “Industry-academia partnership and incubation”. Realising the action items, various programs are implemented by the Government under Startup India initiative to recognise, develop and promote the startups to be able to raise private investments.

Details of programs implemented by the Government to support startups in the country across various sectors including emerging technologies are placed at **Annexure-I**.

Sustained Government efforts in this direction have resulted in increasing the number of recognised startups in India from 442 in 2016 to 92,683 in 2023 (as on 28th February 2023). More than 4,000 recognised startups are engaged in sectors relating to emerging technologies such as Internet of Things (IoT), robotics, artificial intelligence, analytics, etc.

(d) to (f): Web3 refers to the next generation of the internet, characterized by decentralized technology and increased user control over data and privacy. The Web3 sector is relatively new and still evolving. Currently, there is no specific regulation for Web3 other than the provisions of the Information Technology Act 2008 and the Information Technology (Intermediary Guidelines and the Digital Media Ethics Code) Rules 2022. Further, the Ministry of Electronics and Information Technology (MeitY) has released the National Strategy on Blockchain. This document provides strategies and recommendations for the Indian Blockchain ecosystem to harness the benefits of this emerging technology by focusing on technological and administrative aspects. The strategy document is available at <https://www.meity.gov.in/content/nationalstrategy-on-blockchain>.

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For Annexure-1 scan here



## MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY

### LOK SABHA UNSTARRED QUESTION NO. 4711

TO BE ANSWERED ON 29.03.2023

### NATIONAL LEVEL WEB3 STRATEGY

#### 4711. SHRI MANISH TEWARI:

Will the Minister of ELECTRONICS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the Government has conducted any study to ascertain the economic and technological opportunities that Web3 provides and if so, the details thereof;
- (b) whether the Government has conducted any study to develop and implement a national level Web3 strategy like National Blockchain Strategy 2021 and if so, details thereof and if not, the reasons therefor;
- (c) the details related to any initiatives under the Ministry led mandates of Digital India and Emerging Technologies towards developing the Web3 sector in the country;
- (d) whether the Government supports startups that are innovating in the Web3 sector in the form of any incubation or mentorship and if so, the details thereof; and
- (e) whether the Government trains or plans to train relevant Government officials in Emerging Technologies such as blockchain and if so, the details thereof.

#### ANSWER

#### MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY (SHRI RAJEEV CHANDRASEKHAR)

(a) and (b): While the Ministry of Electronics and Information Technology (MeitY) has not conducted any formal study on the economic and technological opportunities that Web3 provides or for developing and implementing a national strategy for the same, it is cognizant of such opportunities and has issued the National Strategy

on Blockchain. Blockchain plays an important role in realising Web3, and the said Strategy encompasses major technology components required for Web3.

(c): Blockchain technology is an important component of Web3. Government has undertaken the following research initiatives in the field of blockchain technology:

(i) MeitY has initiated a research project titled “Design and Development of a Unified Blockchain Framework for offering National Blockchain Service and Creation of Blockchain Ecosystem”. The project focuses on evolving the blockchain technology stack for end-to-end blockchain application development, enabling Open Application Programming Interfaces (Open APIs) for seamless integration and offering blockchain-as-a-service (BaaS) over distributed infrastructure.

(ii) The Centre of Excellence (CoE) in Blockchain Technology has been set up at National Informatics Centre, Bangalore to provide consultancy and training to government departments for identifying potential use-cases and developing proofs-of-concept and deployable systems.

(iii) The Software Technology Parks of India (STPI) has also established a CoE in Blockchain Technology at Gurugram to support and promote innovative startups and entrepreneurs working in blockchain technology.

(d): MeitY promotes technology startups engaged in developing technology solutions related to societal challenges using emerging technologies, including Web3, through the following initiatives:

(i) Technology Incubation and Development of Entrepreneurs (TIDE 2.0) Scheme was initiated in the year 2019 to promote tech-entrepreneurship through financial and technical support to incubators engaged in supporting information and communication technology startups using emerging technologies, such as technologies related to Internet of Things, artificial intelligence, blockchain, robotics etc.

(ii) MeitY has operationalised 26 CoEs in diverse areas of national interest for driving self-sufficiency and creating capabilities to capture new and emerging technology areas.

(iii) The Start-up Accelerator Programme of MeitY for Product Innovation, Development and Growth (SAMRIDH) provides startups with a platform to enhance their products and secure investments for scaling their business.

(e): Yes, Sir. Training in emerging technology, including in blockchain technology, is imparted under the FutureSkills Prime programme of MeitY

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 3050

TO BE ANSWERED ON 20.03.2023

### G-20 FINANCE MINISTER AND CENTRAL BANK GOVERNORS MEET

**3050. SHRI BIDYUT BARAN MAHATO:**

**SHRI DHAIRYASHEEL SAMBHAJIRAO MANE:**

**SHRI SANJAY SADASHIVRAO MANDLIK, SHRI SUDHEER GUPTA:**

**SHRI PRATAPRAO JADHAV:**

**SHRI SHRIRANG APPA BARNE:**

Will the Minister of FINANCE be pleased to state:

- (a) Whether the first meeting of G-20 Finance Minister and Central Bank Governors (FMCBG) was held recently in the country;
- (b) if so, the details and the outcome thereof along with the details of the discussion held in the said meeting;
- (c) whether any decision has been taken by the participant members regarding future of cryptocurrency in the said meeting;
- (d) if so, the details thereof and the country's stand on the regulation of cryptocurrency in the said meeting;
- (e) the steps taken by the Government to strengthen coordination between India and G-20 Central Bank Governors in the said meeting; and
- (f) whether the Financial Stability Board (FSB) has finalized its recommendations on the regulation, supervision and oversight of global stablecoins, crypto-asset markets and activities and if so, the details thereof?

### ANSWER

### MINISTER OF STATE FOR FINANCE (SHRI PANKAJ CHAUDHARY)

(a): Yes, Sir.

(b) The First G20 Finance Ministers and Central Bank Governors (FMCBG) Meeting under the Indian Presidency of the G20 was held in Bengaluru during 24-25 February 2023, covering subjects like international financial architecture, sustainable finance, infrastructure, financial sector, financial inclusion, global economy, health and international taxation. The outcome of the meeting was the G20 Chair's Summary & Outcome Document, comprising 17 paragraphs and 2 Annexes. The Chair's Summary reflects the deliberations held during the meeting. The same can be accessed at the following link – [https://www.g20.org/content/dam/gtwenty/gtwenty\\_new/document/1st%20FMCBG%20Chair%20Summary.pdf](https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/1st%20FMCBG%20Chair%20Summary.pdf)

(c) and (d): The details of discussions among the G20 Finance Ministers and Central Bank Governors regarding future of cryptocurrency have been recorded in para 15 of the G20 Chair's Summary & Outcome Document, which may be seen at the following link – [https://www.g20.org/content/dam/gtwenty/gtwenty\\_new/document/1st%20FMCBG%20Chair%20Summary.pdf](https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/1st%20FMCBG%20Chair%20Summary.pdf)

(e): Following the regular G20 practice, the Central Bank Governors meet regularly three to four times in a year under the ambit of the G20 Finance Ministers and Central Bank Governors (FMCBG) Meetings. This platform acts as a coordination mechanism for G20 Central Bank Governors. In the recently concluded FMCBG meeting, an informal meeting of Central Bank Governors was held on February 24, 2023 to set the tone for the discussions, which was chaired by Governor, RBI. The Central Bank Governors had discussions on growth prospects, inflation, financial sector issues, and global policy cooperation.

(f): No Sir.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO.1907

TO BE ANSWERED ON 13.03.2023

### REGULATION OF VDAS

#### 1907. SHRI VINCENT H. PALA:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has prepared a roadmap for the future to regulate the Virtual Digital Assets in the country, and if so, the details thereof;
- (b) whether the Government has undertaken any consultation process in the past with the relevant stakeholders, including industry, on the regulation of VDAs and related policy formulations, and if so, details thereof;
- (c) whether the Government is undertaking any initiative to create awareness about the VDAs and to engage with the industry in this regard and if so, the details thereof; and
- (d) whether the Government is undertaking any initiative to ensure the protection of customer interests in the VDA sector and if so, the details thereof along with any discussions held with the industry by the Government in this regard?

### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

- (a) Crypto Assets are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore, any legislation for regulation or for banning can be effective only with significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.



(b): Government has undertaken necessary consultations with stakeholders including industry and with relevant international organisations from time to time on policy formulation of crypto assets.

(c) & (d): RBI has been cautioning users, holders and traders of Virtual Currencies (VCs) that dealing in VCs is associated with potential economic, financial, operational, legal, customer protection and security related risks.

Further, RBI 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.

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## MINISTRY OF FINANCE

### LOK SABHA STARRED QUESTION NO. 162

TO BE ANSWERED ON 13.03.2023.

### MISUSE OF CRYPTO-CURRENCY

#### 162. SHRI VELUSAMY P.:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken note of the fact that the Financial Action Task Force has issued warning that crypto-currencies are increasingly being resorted to for money laundering, criminal activities, terror funding to avoid detection by any regulatory law enforcement agency and if so, the details thereof;
- (b) whether the Government is aware of the fact that crypto-currency has been used for money laundering;
- (c) if so, the estimated amount of money laundered as detected by different agencies entrusted with monitoring of money laundering; and
- (d) whether the Reserve Bank of India is having any control over monitoring the crypto-currency?

### ANSWER

#### THE MINISTER OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the Table of the House.

Statement referred to in parts (a) to (d) of the Lok Sabha Starred Question No. \*162 for answer on 13.03.2023 regarding "Misuse of Crypto-Currency" by Shri VELUSAMY P.

(a) The FATF Plenary discussed and adopted amendments to the FATF Standards to respond to the increasing use of virtual assets for money laundering and terrorist

financing at the request of the G20 Ministers. This includes an amendment to the FATF Recommendations and glossary to clarify to which businesses and activities the FATF requirements apply in the case of virtual assets. Exchanges and wallet providers will be required to implement AML/CFT controls, and to be licensed or registered and supervised or monitored by national authorities. Strengthening the standards is part of a comprehensive approach that the FATF has developed to prevent the misuse of virtual asset activities for money laundering and terrorist financing.

(b) & (c) Enforcement Directorate is investigating several cases under the provisions of Prevention of Money Laundering Act, 2002 (PMLA) and Foreign Exchange Management Act, 1999 (FEMA) related to crypto-currencies. As on date, proceeds of crime amounting to Rs. 953.70 crores have been attached/seized/frozen, 05 persons have been arrested and 06 Prosecution Complaints (PCs) including 01 supplementary PC have been filed before the Special Court, PMLA in these cases. Further, under Foreign Exchange management Act, 1999 (FEMA) assets amounting to Rs. 289.28 crores have been seized under section 37 A of FEMA and 01 Show Cause Notice to crypto-currency exchange Zangni Labs Pvt Ltd, known as WazirX, and its Directors under FEMA for transactions involving crypto-currencies worth Rs. 2,790.74 crore has also been issued.

(d) RBI has been cautioning users, holders and traders of Virtual Currencies (VCs) vide public notices on 24 December, 2013, 01 February, 2017 and 05 December, 2017 that dealing in VCs is associated with potential economic, financial, operational, legal, customer protection and security related risks. RBI, vide its circular dated 31 May, 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.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO.1864

TO BE ANSWERED ON 13.03.2023

### INVESTMENT IN CRYPTOCURRENCY

#### 1864. SHRI HARISH DWIVEDI:

Will the Minister of FINANCE be pleased to state:

- (a) whether complaints are being received by the Government about the loss caused to investors due to investment in crypto currencies across the country and if so, the details thereof and the action taken by the Government thereon; and
- (b) whether many companies in the country are involved in the business of investing in crypto currency through online mode and if so, the details thereof?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a): Crypto assets are currently unregulated in India. Complaints have been received by the Government from time to time on several issues related to crypto assets including losses from frauds and losses arising due to the risk profile of crypto assets which carry no underlying economic value and are volatile. National Cybercrime Reporting Portal ([www.cybercrime.gov.in](http://www.cybercrime.gov.in)) facilitates victims/complainants to report cyber-crime complaints online 24x7 basis. This portal allows complainants to report all types of cyber crime including frauds relating to crypto assets. Further, 'Police' and 'Public Order' are State subjects as per the Seventh Schedule of the constitution of India. States/UTs are primarily responsible for the prevention, detection, investigation and prosecution of such crimes including financial frauds through their law Enforcement Agencies.

(b): Ministry of Corporate Affairs vide notification dated 24.03.2021 has amended the Schedule III to the Companies Act, 2013 effective from 1st April, 2021 to mandate various disclosures on crypto asset exposures by companies in their financial statements which are publically available.

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## MINISTRY OF FINANCE

### LOK SABHA STARRED QUESTION NO.146

TO BE ANSWERED ON 13.02.2023

### REGULATION OF VDAS, CRYPTOS AND WEB3 SECTORS

**\*146. DR. T. SUMATHY (a) THAMIZHACHI THANGAPANDIAN:**

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has prepared any future roadmap to regulate Virtual Digital Assets (VDAs)/Cryptos/Web3 sectors in the country and if so, the details thereof;

(b) whether the Government has undertaken any consultation process with the relevant stakeholders, on the regulation of VDAs/Cryptos/Web3 and related policy formulations and if so, the details thereof and if not, the reasons therefor;

(c) whether the Government is engaging with any academic or non-academic institutions to better navigate the Web3 ecosystem and if so, the details thereof; and

(d) whether the Government is undertaking any initiatives to ensure the protection of customer interests in the VDA sector and if so, the details thereof along with the details of discussions, if any, held with the industry in this regard?

### ANSWER

### FINANCE MINISTER (SMT. NIRMALA SITHARAMAN)

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

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 146 RAISED BY DR. T. SUMATHY (a) THAMIZHACHI THANGAPANDIAN, HON'BLE MEMBERS OF PARLIAMENT TO BE ANSWERED ON 13.02.2023 REGARDING REGULATION OF VDAS, CRYPTOS AND WEB3 SECTORS

(a) Crypto Assets sector and Web3 sector are relatively new and still evolving. Currently there are no specific regulations for these sectors. By definition, these sectors are borderless and require significant international collaboration for any specific legislation on these sectors to be fully effective. The Ministry of Electronics & Information Technology (MeitY) has released the National Strategy on Blockchain. This document provides strategies and recommendations for the Indian Blockchain ecosystem to harness the benefits of this emerging technology by focusing on technological and administrative aspects. The strategy document is available at <https://www.meity.gov.in/content/national-strategy-on-blockchain>.

(b): Government has undertaken necessary consultations with stakeholders from time to time, including with relevant international organisations.

(c): The Government is cognizant of the emergence of the technologies related to Web3 and Blockchain and has been taking steps to create awareness and the ecosystem building around Web3. During Digital India Week in July 2022, MeitY had organized a panel discussion on “Metaverse and Web3”. Further, Government of India is supporting industry in organizing conferences on Web3 and related technologies for understanding the ecosystem and their challenges.

(d): RBI has been cautioning users, holders and traders of Virtual Currencies (VCs) that dealing in VCs is associated with potential economic, financial, operational, legal, customer protection and security related risks. Further, RBI 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.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO.474

TO BE ANSWERED ON 06.02.2023

### REGULATION OF VIRTUAL DIGITAL ASSETS

**474. DR. SUJAY RADHAKRISHNA VIKHE PATIL:**

**DR. SHRIKANT EKNATH SHINDE:**

**DR. HEENA GAVIT:**

**SHRI UNMESH BHAIYYASAHEB PATIL:**

**DR. KRISHNA PAL SINGH YADAV:**

**PROF. RITA BAHUGUNA JOSHI:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has any plans for regulating virtual digital assets in the country and if so, the details thereof;
- (b) whether the Government plans to provide investor protection to those trading virtual digital assets and if so, details thereof;
- (c) whether the Government plans to address the risks related to money laundering and terror financing using crypto-currencies and if so, the details thereof; and
- (d) whether there have been cases of money laundering and terror financing using crypto currencies and if so, the details thereof?

### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (d): Crypto Assets are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore, any legislation for regulation or for banning can be effective only with significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.



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, 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), AntiMoney 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.

The Directorate of Enforcement is investigating several cases related to crypto currency frauds wherein a few crypto exchanges have also been found involved in money laundering. Necessary action as per provisions of Prevention of Money Laundering Act, 2002 (PMLA) has been taken by The Directorate of Enforcement. As on 31.01.2023, proceeds of crime amounting to Rs. 936 crore have been attached/seized/frozen, 05 persons have been arrested and 06 prosecution complaints (PCs) including 01 supplementary PC have been filed before the Special Court, PMLA in these cases.

Further, under Foreign Exchange Management Act, 1999 (FEMA) assets amounting to Rs. 289.28 crores have been seized under section 37A of FEMA and 01 Show Cause Notice to cryptocurrency exchange Zankai Labs Pvt Ltd, known as WazirX and its directors under FEMA for transactions involving cryptocurrencies worth Rs. 2790 crore has also been issued.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 2039

TO BE ANSWERED ON 19.12.2022

### CRYPTOCURRENCY BILL

#### 2039. SHRI BHARTRUHARI MAHTAB:

Will the Minister of FINANCE be pleased to state:

- (a) the current status of the cryptocurrency bill, which was due for being tabled during the Winter Session, 2021 of the Parliament;
- (b) the timeframe within which the cryptocurrency bill would be tabled and subsequently be open for public inputs;
- (c) the Ministry and/or department which would regulate cryptocurrency and crypto token; and
- (d) the Ministry and/or department which would regulate various other virtual digital assets other than cryptocurrency such as NFT, Decentralised Applications or dApps, real estate tokens and other blockchain based assets etc.?

### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (b): Crypto assets are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore, any legislation on the subject can be effective only with significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.

(c) to (d): Currently, policy related to crypto assets and related ecosystem is with the Ministry of Finance.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 1938

TO BE ANSWERED ON 19.12.2022

### CRYPTO CURRENCY AND VIRTUAL DIGITAL ASSETS

**1938. DR. UMESH G. JADHAV:**  
**SHRI SANGANNA AMARAPPA:**  
**SHRI L.S. TEJASVI SURYA:**  
**SHRI SHA.BRA.DR.JAI SIDDESHWAR**  
**SHIVACHARYA MAHASWAMIJI:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to regulate or restrict the Virtual Digital Assets (VDA) in the country and if so, the details thereof;
- (b) the salient features of regulation, if any, laid down by the Government for crypto currency and VDAs;
- (c) whether the Government plans to forge international cooperation for regulating crypto currencies and VDAs and if so, the details thereof;
- (d) the estimated size of the crypto currency market in the country along with the number of registered/recognised crypto exchanges in the country; and
- (e) the details of crypto exchanges which are under investigation by the Government for money laundering and tax evasion cases?

### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (d): Currently, crypto assets are unregulated in India. The government does not register crypto exchanges. Crypto assets by definition are borderless and require international collaboration to prevent regulatory arbitrage. Therefore, any legislation for regulation or for banning can be effective only with significant

international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.

(e): The Directorate of Enforcement is investigating several cases related to Crypto frauds wherein a few crypto exchanges have also been found involved in money laundering. Necessary action as per provisions of Prevention of Money Laundering Act, 2002 (PMLA) has been taken by the Directorate of Enforcement. As on 14.12.2022, proceeds of crime amounting to Rs. 907.48 crores have been attached/seized, 03 persons have been arrested and 04 Prosecution Complaints have been filed before the Special Court, PMLA, in these cases.

Further, under Foreign Exchange management Act, 1999 (FEMA), assets amounting to Rs. 289.68 crores have been seized under section 37A of FEMA and 01 Show Cause Notice to crypto exchange Zama Labs Pvt Ltd, known as WazirX, and its Director under FEMA for transactions involving crypto assets worth Rs. 2,790.74 crore has also been issued. Few cases of evasion of Goods and Services Tax (GST) by crypto exchanges have been detected by Central GST formations as given below:

<b>No. of Crypto Exchange Investigated</b>	<b>Quantum of evasion detected (In Cr.)</b>	<b>Recovery (In Cr.)</b>	<b>Status</b>
12	87.60	110.97 (Including interest & penalty)	Further investigation under process in 8 cases and 4 cases closed on payment of tax along with interest and penalty.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO.1207

TO BE ANSWERED ON 25.07.2022

#### CRYPTO AND NFTS

**1207: DR. PRITAM GOPINATHRAO MUNDE:**

**SHRI CHANDRA SEKHAR SAHU:**

**SHRI GIRISH BHALCHANDRA BAPAT:**

**SHRI RAHUL RAMESH SHEWALE:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government considers Crypto and Non-fungible Tokens (NFTs) as assets for the country;
- (b) if so, the details thereof and if not, the reasons therefor;
- (c) whether the Government has any proposal to prohibit trading in private Crypto and NFTs as well as their possession in the country;
- (d) if so, the details thereof;
- (e) whether the Government has any plans/proposals to regulate the trading in private Crypto and NFTs as well as their possession; and
- (f) if so, the details thereof?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) The term 'Crypto' has not been defined in the Income-tax Act, 1961 (the Act). However, through Finance Act, 2022, clause (47A) was inserted to section 2 of the Act to provide definition of virtual digital assets (VDA) to mean any information or code or number or token (not being Indian currency or foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value exchanged with or without consideration, with the

promise or representation of having inherent value, or functions as a store of value or a unit of account including its use in any financial transaction or investment, but not limited to investment scheme; and can be transferred, stored or traded electronically. Non fungible token and any other token of similar nature are included in the definition.

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## MINISTRY OF FINANCE

### 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.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO.5246

TO BE ANSWERED ON 04.04.2022

### REGULATIONS ON INVESTMENT IN METAVERSE/ WEB 3.0

#### 5246: MS. LOCKET CHATTERJEE:

Will the Minister of Finance be pleased to state:

- (a) whether the Government plans to announce any regulations on Metaverse/Web 3.0 in any manner;
- (b) if so, the details thereof; and
- (c) the scope of startups that have raised huge investments in domains like NFTs, Crypto Wallet, Metaverse, etc.?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) & (b) : The technologies related to Metaverse/ Web 3.0 are still evolving. The Government is cognizant of emergence of new technologies and rapid proliferation of emerging technologies such as Artificial Intelligence, Blockchain, Drone, Augmented Reality / Virtual Reality, Metaverse, Web 3.0 etc. The Information Technology Act, 2000 covers the technology space. The Government of India has worked out national strategy on the emerging areas especially National Strategy on Artificial Intelligence and National Strategy on Blockchain.

(c): Startups working on emerging technology space are making good business progression based on the utility of their products and services. Some technology startups are also working with the government on the use of emerging technologies on the projects for public service delivery.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 5222

TO BE ANSWERED ON 04.04.2022

### USE OF CRYPTOCURRENCY FOR DRUG TRAFFICKING AND ARMS SMUGGLING

#### 5222. SHRIMATI RANJANBEN DHANANJAY BHATT:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that there is increasing use of cryptocurrencies/virtual currencies for drug trafficking and arms smuggling in the country;
- (b) if so, whether the Government proposes to take concrete steps to check it;
- (c) if so, the details thereof along with the time by which steps are likely to be taken by the Government in this regard; and (d) if not, the reasons therefor?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHOUDHARY)

(a) Narcotics Control Bureau and Central Board of Indirect Taxes and Customs has unearthed the payment of approx. Rs. 2.2 crore through crypto-currency in 11 cases linked to drug trafficking.

(b) to (d) In this respect, Government of India has taken the following steps: Conducting training for the field officers on cyber and forensic technologies. Conducting training for the field officers on collection of evidences through electronic means. Regular liaisoning with technical experts. Coordination with foreign drug law enforcement agencies. Assistance to states for procuring of equipment including electronic surveillance systems. Hiring of technical experts to assist in intelligence collection and investigation. Setting up of e-surveillance and monitoring systems.

## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO.3964

TO BE ANSWERED ON 28.03.2022

### CRYPTOCURRENCY EXCHANGES

#### 3964: SHRI RAMALINGAM S:

Will the Minister of Finance be pleased to state:

- (a) whether the Government has any data regarding the number of cryptocurrency exchanges that are presently involved in cryptocurrency exchange business in the country;
- (b) if so, the details thereof;
- (c) whether it is true that some cryptocurrency exchanges were involved in evasion of Goods and Services Tax (GST) and it was also detected that other cryptocurrency exchanges and major investors in digital currencies are under investigation by the Government;
- (d) if so, the details thereof; and
- (e) the action taken or proposed to be taken by the Government against those cryptocurrency exchanges that were detected in GST evasion, name-wise?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) & (b): The Government does not collect any data on cryptocurrency exchanges.

(c) & (d): Few cases of evasion of Goods and Services Tax (GST) by cryptocurrency exchanges have been detected by Central GST Formations as given below:

No. of Crypto Exchange Investigated	Quantum of evasion detected (In Cr.)	Recovery (In Cr.) ( including interest & penalty)
11	81.54	95.86

(e): The details of Recovery including interest and penalty from the cryptocurrency exchanges are given below:

Sl. No.	Name of the Crypto exchange booked	Quantum of evasion detected (In Cr.)	Recovery (In Cr.)
1	Coin DCX	15.70	17.10
2	Buy Ucoin	1.05	1.10
3	CoinSwitch Kuber	13.76	16.07
4	UnoCoin	2.97	4.44
5	Fitpay	0.05	0.06
6	Zeb IT Services Pvt. Ltd.	0.46	0.55
7	Secure Bitcoin Traders Pvt. Ltd	0.54	0.30
8	Giottus Technologies Pvt. Ltd.	3.85	3.50
9	Awlencan Innovations India Ltd. (Zebpay)	2.01	2.50
10	M/s Zanmai Labs Pvt. Ltd (WAZIRX)	40.51	49.18
11	M/s Discidium Internet Labs Pvt. Ltd.	0.64	1.09
	<b>Total</b>	<b>81.54</b>	<b>95.86</b>

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## MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY

### LOK SABHA UNSTARRED QUESTION NO.4407

TO BE ANSWERED ON: 30.03.2022

### BLOCKCHAIN ENGINEERING

**4407. SHRI RAVNEET SINGH BITTU:**

**SHRI VIJAYAKUMAR (ALIAS) VIJAY VASANTH:**

Will the Minister of Electronics and Information Technology be pleased to state:

- (a) whether the Government is aware that there is a huge demand of blockchain engineering talent in the country;
- (b) if so, the details thereof and if not, the reasons therefor;
- (c) whether the Government is taking any steps to promote blockchain engineering which can lead to generation of a large number of jobs in the country;
- (d) if so, the details thereof and if not, the reasons therefor; and
- (e) the details of the training programmes and dedicated programmes in the blockchain technology being conducted and likely to be conducted by the Government in future?

### ANSWER

#### MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY (SHRI RAJEEV CHANDRASEKHAR)

(a): Yes, Sir. Government of India has issued National Strategy on Blockchain in Dec 2021, which focuses on R&D, innovation, Technology which in turn creates Blockchain talent and capabilities in Tech workforce. The strategy document is available at <https://www.meity.gov.in/content/national-strategy-on-Blockchain>.

(b): The Government has facilitated rollout of Blockchain based courses in the educational/academic and Research & Development institutions including

engineering & higher education institutions in the country as given below:

- ▶ Ministry of Electronics & IT (MeitY) & NASSCOM has jointly initiated a programme titled FutureSkills PRIME ([www.futureskillsprime.in](http://www.futureskillsprime.in)), a B2C framework for re-skilling/ upskilling of IT professionals in 10 Emerging area including Blockchain, Cloud Computing and Artificial Intelligence.
- ▶ Government has initiated 'Visvesvaraya PhD Scheme' with an objective to enhance the number of PhDs in Electronics System Design & Manufacturing (ESDM) and IT/IT Enabled Services (IT/ITES) sectors including AI in the country. The research areas under the scheme inter-alia include Blockchain Technology, Artificial Intelligence, Machine Learning, Image Processing, etc. Presently, 908 Full time & 308 part-time PhD candidates are enrolled under the scheme at 97 academic institutions across the country.
- ▶ IITs / IIITs and government & private universities are offering course curriculum in the Blockchain.
- ▶ Indian Institute of Information Technology & Management (IIITM-K) has started Kerala Block Chain Academy, a unique initiative for offering Blockchain training, research, and consultancy in multiple domains.
- ▶ The Academic {Blockchain} Documents (ABCD) has been implemented by CBSE, which presently hosts 97.6 lakh Class X & Class XII certificates on the chain for academic session 2018-19, 2019-20 and 2020-21.
- ▶ MeitY has also established Centres of Excellence in Blockchain to facilitate start-ups and entrepreneurs working on Blockchain based solutions.

(c) and (d): Yes, Sir. Government is taking several steps to promote Blockchain through the courses offered by various institutions leading to generation of many jobs in the country.

(e): The training programmes in Emerging Technologies including Blockchain are as below:

- ▶ The adoption of Blockchain based solutions are promoted using Digital India Dialogues, a series of 100 knowledge sharing sessions on emerging technologies.

- ▶ Under the programme so far, around 3.46 lakh candidates have enrolled for various courses, out of which, around 1.2 Lakh candidates have completed their course. In addition, 524 Trainers and 4292 Government Officials have been trained on these technologies by NIELIT/C-DAC Resource Centres, out of which, 186 Government Officials and 26 Trainers have been certified under the Blockchain technology. Further, around 1.27 lakh unique learners have collectively earned 8.89 lakh badges in recognition of having completed bite-sized digital fluency content, out of which, around 2100 unique learners have completed around 13,500 badges under Blockchain technology.
- ▶ C-DAC is also offering a skill based online course on Blockchain Technology & Application Development through “C-DAC’s HARMONIZED Industry skilling program through Online Training - CHARIOT”. (<https://vikaspedia.in/events/c-dac-s-harmonizedindustry-skilling-program-through-online-training>).
- ▶ Blockchain courses are offered at SWAYAM Portal of Ministry of Education.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION No.2864

TO BE ANSWERED ON 21.03.2022

### MECHANISM FOR TRADING OF CRYPTOCURRENCY

**2864 SHRI T.R.V.S. RAMESH:**

**SHRI SRIDHAR KOTAGIRI:**

**SHRI SANJAY(KAKA) RAMCHANDRA PATIL:**

**SHRI B.B. PATIL**

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India(RBI) has proposed any mechanism for trading of crypto assets and if so, the details thereof;

(b)whether the Government proposes to define cryptocurrencies as securities or other financial instruments;

(c) if so, the details thereof;

(d) whether the Government has undertaken any steps to formulate transparent, regulatory measures for digital currencies/cryptocurrencies rather than the intended banning; and

(e) if so, the details and the status thereof including the details of protection for investors that the same will involve?

### ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)**

(a): No Sir.



(b) to (e): Cryptocurrency sector is unregulated. The legal framework for the sector may be finalised only after all aspects are carefully examined in consultation with stakeholders concerned.

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 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.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION No.2800

TO BE ANSWERED ON 21.03.2022

### STATUS OF CRYPTOCURRENCY

#### 2800: SHRI KARTI P. CHIDAMBARAM

Will the Minister of FINANCE be pleased to state:

- (a) the current legal status of cryptocurrency in India;
- (b) whether infrastructure costs incurred in mining cryptocurrencies are to be treated as cost of acquisition and are therefore permissible deductions;
- (c) if so, the details thereof?
- (d) while losses incurred due to the transfer of virtual digital assets cannot be set off against any other income, whether the losses arising from the sale of one virtual digital asset can be set off against the gains arising from another virtual digital asset; and
- (e) if so, the details thereof?

### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a): Currently, Cryptocurrencies are unregulated in India.

(b)&(c): Finance Bill, 2022 (the Bill) has proposed to insert section 115BBH to the Income-tax Act, 1961 (the Act) to provide for taxation of income from transfer of virtual digital assets (VDA). As per the proposed section, any income from transfer of VDA shall be taxed at the rate of 30%. Further, while computing the income from transfer of VDA, no deduction in respect of any expenditure (other than cost of acquisition) or allowance is allowed. The Bill also proposes to define VDA. If any asset falls within the proposed definition, such virtual asset will be considered as VDA for

the purposes of the Act and other provisions of the Act will apply accordingly. As per the proposed provisions of section 115BBH, infrastructure costs incurred in mining of VDA (eg. crypto assets) will not be treated as cost of acquisition as the same will be in the nature of capital expenditure which is not allowable as deduction as per the provisions of the Act.

(d)&(e): As per the provisions of the proposed section 115BBH to the Income-tax Act, 1961 (the Act), loss from the transfer of VDA will not be allowed to be set off against the income arising from transfer of another VDA.

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## MINISTRY OF POWER

### LOK SABHA UNSTARRED QUESTION NO.2729

ANSWERED ON 17.03.2022

### INCREASE IN DEMAND FOR ENERGY

#### 2729. SHRI FEROZE VARUN GANDHI:

Will the Minister of POWER be pleased to state:

- (a) whether the Government has assessed the increase in demand for energy from the mining of digital currencies including cryptocurrencies;
- (b) if so, the details thereof;
- (c) whether the demand for power from mining is expected to grow in the current year and if so, the details thereof;
- (d) whether the Government is adequately equipped to meet this increased demand; and
- (e) if so, the details thereof?

#### ANSWER

#### THE MINISTER OF POWER AND NEW & RENEWABLE ENERGY (SHRI R.K. SINGH)

(a) to (e): The Central Electricity Authority (CEA) conducts Electric Power Survey (EPS) of the country every five years for estimating the electricity demand of the country on medium and long term basis as obligated under Section 73(a) of the Electricity Act-2003. The Electricity demand projection has been carried out for consumer categories like domestic, commercial, public lighting, public water works, irrigation, industrial railways, bulk supply and others. The demand for energy from mining of the digital currencies including cryptocurrencies may be met within the overall demand projection under EPS. It may be noted that the actual demand is less than the projected demand in EPS. Therefore, any additional demand due to such new commercial/industrial activities shall get served within the overall energy projection given in EPS.

## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION No.2003

TO BE ANSWERED ON 14.03.2022

### MISLEADING ADVERTISEMENTS ON CRYPTOCURRENCY

#### 2003: SHRI RATTAN LAL KATARIA:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is making any policy to check the attempts to mislead the youth through exaggerated promises and non-transparent advertisements amid the concerns over misleading claims for high returns on investing in cryptocurrency;
- (b) if so, the details thereof;
- (c) whether the Government has agreed to set up a regulatory authority for investment in cryptocurrency; and
- (d) if so, the details thereof

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a)& (b): The Government and the Reserve Bank of India (RBI) to protect the interest of consumer/investor, have been cautioning users, holders and traders of cryptocurrency, from time to time, about the potential economic, financial, operational, legal, customer protection and security related risks associated in dealing with cryptocurrency.

(c): No Sir.

(d): Doesn't arise in view of (c) above.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 1918

TO BE ANSWERED ON 14.03.2022

### USE OF CRYPTOCURRENCY FOR MONEY LAUNDERING

#### 1918. SHRI RAKESH SINGH:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware of the use of cryptocurrency for money laundering by cyber criminals and if so, the details thereof;
- (b) whether there is an apprehension of money laundering activities in the country through this and if so, the details thereof; and
- (c) whether the Government has identified people involved in such activities in the country and if so, the details thereof?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) & (b): Yes Sir. Reports have been received from Law Enforcement Agencies (LEAs) in connection with usage of cryptocurrency by cyber criminals. Directorate of Enforcement (ED) is investigating 07 cases under PMLA, 2002 in which cryptocurrency has been used for Money Laundering. Cases investigated by ED under PMLA, reveals that accused have laundered Proceeds of Crime (PoC) through cryptocurrency.

(c): Yes Sir, investigations conducted by Enforcement Directorate so far, revealed that some foreign nationals and their Indian associates have laundered the PoC through cryptocurrency accounts at certain exchange platforms. In one of such case an accused has been arrested by ED in the year 2020 for facilitating the foreign related accused companies to launder the PoC by converting money generated

out of crime into cryptocurrency and thereafter transfer to foreign countries. Prosecution Complaint has been filed in this case before the Special Court, PMLA. So far, ED has attached PoC amounting to Rs. 135 Crore (approx.) under PMLA in above mentioned cases.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 784

TO BE ANSWERED ON 07.02.2022

#### VIRTUAL CURRENCIES

##### 784. SHRI DK SURESH:

Will the Minister of Finance be pleased to state:

- a) whether the Government has constituted any committee to study the issues related to virtual currencies and its impact on the economy of the country;
- (b) if so, the details of recommendations made by the said committee;
- (c) whether the committee has given any specific recommendation on prohibiting the cryptocurrencies in the country and if so, the details thereof;
- (d) whether the Government has taken any steps to implement the recommendations of the committee; and
- (e) if so, the details thereof and if not, the reasons therefor?

#### ANSWER

##### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) & (b): Yes, Sir. The Government had constituted an Inter-Ministerial Committee (IMC) on 2nd November, 2017 under the Chairmanship of Secretary (EA) with member representatives from Ministry of Electronics & Information Technology (Meity), Securities & Exchange Board of India (SEBI) and Reserve Bank of India (RBI) for examining the issues of Virtual Currencies (VC) and to propose specific action to be taken in this matter. The details of the recommendations made by the said committee are at **Annexure-I**.

(c): Yes, Sir. The Committee, inter-alia, recommended that all private cryptocurrencies, except any cryptocurrency issued by the State, be banned in India.



(d) & (e): The Government examined the IMC report in consultation with concerned ministries & regulators (RBI & SEBI). However this sector is still evolving and issues connected with this sector require careful examination, consultation with experts and stakeholders, and international coordination. Accordingly, the Government is in the process of such consultation. With regard to introduction of Central Bank Digital Currency (CBDC) the Government has included necessary amendments to the Reserve Bank of India Act, 1934 in the Finance Bill, 2022 to provide for an enabling framework for introduction of CBDC.

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For Annexure-1 scan here



## MINISTRY OF HOME AFFAIRS

### LOK SABHA UNSTARRED QUESTION NO. 3794

TO BE ANSWERED ON 21.12.2021

#### SHORTAGE OF PERSONNEL IN NCB

##### 3794. SHRI RAVNEET SINGH BITTU:

Will the Minister of HOME AFFAIRS be pleased to state:

- (a) whether the Government is aware of the huge shortage of personnel in the Narcotics Control Bureau (NCB) in the country;
- (b) if so, the details thereof along with the adverse impact on the speedy disposal of cases due to staff shortage;
- (c) whether any steps are being taken to create additional posts in the NCB and if so, the details thereof;
- (d) the corrective measures, if any, taken to improve the technical competence of the NCB personnel and acquaint them with latest surveillance and investigation techniques; and
- (e) if so, the details thereof and if not, the reasons therefor?

#### ANSWER

##### MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS (SHRI NITYANAND RAI)

(a) to (c): NCB is a premier Drug Law Enforcement Agency in the country with the mandate for enforcement of the NDPS Act, collection of intelligence and coordination among various Drug Law Enforcement agencies. At present, the NCB is headquartered at New Delhi, having 13 zonal offices and 12 sub-zonal offices, across the country. The officers/staff are placed at different field formations, as per the requirement. Assessing requirement of personnel for a Government organization is a continuous process and is taken up from time to time. NCB is taking all necessary steps to ensure that all cases are disposed of in time.

(d): In-house training on crypto currency, dark-net, digital surveillance, cyber crime information, cyber crime forensics, digital forensics are being organized to improve the technical competence of NCB personnel and acquaint them with latest surveillance and investigation techniques. Officials of NCB are also being nominated for various technical courses conducted by other training institutions like the Central Bureau of Investigation Academy, Central Detective Training School, Central Academy for Police Training, National Forensic Sciences University, United Nations Office on Drugs & Crime.

(e): The details of training conducted in the last 03 years are as follows:-

<b>Year</b>	<b>2019</b>	<b>2020</b>	<b>2021 (upto 30th Nov)</b>
<b>No. of training courses conducted</b>	24	20	24
<b>No. of officials trained</b>	85	149	197

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 2475

TO BE ANSWERED ON 13.12.2021

### COMPLAINTS OF DIGITAL CURRENCIES

#### 2475. SHRI ANTO ANTONY:

Will the Minister of FINANCE be pleased to state:

- a) whether the Government has any plan to legalise the digital currency system in the country;
- (b) if so, the details thereof along with the steps taken by the Government in this regard;
- (c) whether the Government has noticed that complaints/cheating cases of digital currencies have been reported in the country, including the recent reports from Karnataka; and
- (d) if so, the details thereof along with the details of inquiry, if any, conducted in this regard?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) & (b): A Bill on the Cryptocurrency and Regulation of Official Digital Currency is under finalisation for consideration of the Cabinet.

(c) & (d): The Government does not collect data on digital currencies. However, eight cases concerning cryptocurrency related fraud are under investigation by the Directorate of Enforcement. Further, a case has also been registered by the Bangalore Zonal Unit of the Directorate of Enforcement in respect of Bitcoin. Further disclosure of information of these cases will not be in the larger public interest.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 2455

TO BE ANSWERED ON 13.12.2021

#### IMPACT OF CRYPTOCURRENCY

##### 2455. SHRI HEMANT SRIRAM PATIL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the increasing impact of cryptocurrency in the country is likely to affect the economy of the county along with the common people; and
- (b) if so, the steps taken by the Government in this regard during the last three years?

#### ANSWER

##### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) & (b): 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. Further, RBI has also raised concerns on the de-stabilising effect of cryptocurrency on the monetary and fiscal stability of a country.

For examining the issues of VCs, the Government had constituted an Inter-Ministerial Committee (IMC) which submitted its report in 2019. The IMC Report was further examined and a Bill on the Cryptocurrency and Regulation of Official Digital Currency is under finalisation for consideration of the Cabinet.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 2334

TO BE ANSWERED ON 13.12.2021

### REGULATING CRYPTOCURRENCY

**2334. SHRI A. GANESHAMURTHI:**

**SHRI B.B.PATIL:**

**SHRI KESINENI SRINIVAS:**

**DR T SUMATHY (A) THAMIZHACHI THANGAPANDIAN:**

**SHRI RITESH PANDEY:**

Will the Minister of FINANCE be pleased to state:

- (a) the details of regulatory framework for regulating cryptocurrency investments in India;
- (b) whether the Government has data on total investments made in cryptocurrencies by Indians and if so, the details thereof and if not, the reasons therefor;
- (c) whether the Government proposes to bring proper regulations for cryptocurrency/digital token currencies in the country and if so, the status thereof along with the steps taken in this regard and if not, the reasons for delay;
- (d) whether it would be allowed as an alternative payment system and if so, the details thereof;
- (e) whether any safeguards would be provided to ensure that the investors and innocent and poor people are not exploited or fleeced and if so, the details thereof;
- (f) whether the said currency will be available for everyone and if so, the details thereof and the extent to which it will be a transparent currency; and
- (g) the effective steps taken by the Government to ensure emerging opportunities in the cryptocurrency sector?

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)**

(a) & (b): Currently, cryptocurrencies are unregulated in India. The Government does not collect data on investment in cryptocurrency.

(c) to (g): A Bill on the Cryptocurrency and Regulation of Official Digital Currency is under finalisation for consideration of the Cabinet.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 1357

TO BE ANSWERED ON 06.12.2021

### CRYPTOCURRENCY RULES AND REGULATIONS

#### 1357. SHRI PRAJWAL REVANNA:

Will the Minister of FINANCE be pleased to state:

- (a) the reasons as to why the Government has not formulated any rules and regulations with regard to use of cryptocurrency in the country; and
- (b) the details and number of people presently using/trading/investing in Bitcoins along with the money invested?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a): A Bill on Cryptocurrency and Regulation of Official Digital Currency has been listed for introduction in the Lok Sabha Bulletin-Part II as part of Government Business expected to be taken up during the Seventh Session of Seventeenth Lok Sabha, 2021.

(b): The Government does not collect such data.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 1356

TO BE ANSWERED ON 06.12.2021

### CRYPTOCURRENCY SECTOR

#### 1356. SHRI JAGDAMBIKA PAL:

Will the Minister of Finance be pleased to state:

- (a) whether the Government has got any plans for boosting the cryptocurrency sector in India;
- (b) if so, the details thereof along with the steps taken by the Government to ensure the same;
- (c) the data available for active cryptocurrency exchange companies working in India for both the local developers and the international developers along with the details of cyberattacks happened on these companies in last two years;
- (d) the details of how big economically the cryptocurrency market is and how much employment has been generated in this sector till date; and
- (e) the details of how trustable the cryptocurrency is and whether it is possible for the Government to regulate the market by reassessing the mode of working involved in the cryptocurrency process?

### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a): No, Sir. The Government has no plans for boosting the cryptocurrency sector in India.

(b): Does not arise in view of (a).

(c) to (e): Currently, cryptocurrencies are unregulated in India. The Government does not collect data on the cryptocurrency sector. A Bill on Cryptocurrency and Regulation of Official Digital Currency has been included for introduction in the Lok Sabha Bulletin-Part II as part of Government Business expected to be taken up during the Seventh Session of Seventeenth Lok Sabha, 2021.

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## MINISTRY OF CORPORATE AFFAIRS

### LOK SABHA UNSTARRED QUESTION NO. 1154

ANSWERED ON 06.12.2021

### AMENDMENT TO COMPANIES ACT, 2013

**1154. Dr. MANOJ RAJORIA:**

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) the details of the amendments made by the Government to the Companies Act, 2013 vide notification dated 24.03.2021; and
- (b) whether these amendments pertain to crypto-currency transactions and have also changed the provisions related to Corporate Social Responsibility and if so, the details thereof?

#### ANSWER

**MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION; MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF PLANNING AND MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS (RAO INDERJIT SINGH)**

(a) and (b): The Ministry of Corporate Affairs (MCA) vide notification dated 24.03.2021 has amended the Schedule III to the Companies Act, 2013 effective from 1st April, 2021 to mandate various disclosures by the companies in their financial statements including the following disclosures with respect to the virtual currency/crypto currency transactions undertaken and CSR contribution made by the companies during a financial year:

#### **Details of Crypto Currency or Virtual Currency**

Where the Company has traded or invested in Crypto currency or Virtual Currency

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during the financial year, the following shall be disclosed:

- (a) profit or loss on transactions involving Crypto currency or Virtual Currency
- (b) amount of currency held as at the reporting date,
- (c) deposits or advances from any person for the purpose of trading or investing in Crypto currency/Virtual currency.

### **Corporate Social Responsibility (CSR)**

Where the company covered under section 135 of the Companies Act, the following shall be disclosed with regard to CSR activities:

- (a) amount required to be spent by the company during the year,
- (b) amount of expenditure incurred,
- (c) shortfall at the end of the year,
- (d) total of previous years shortfall,
- (e) reason for shortfall,
- (f) nature of CSR activities,
- (g) details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard,
- (h) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately.

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## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 196

TO BE ANSWERED ON 29.11.2021

### BITCOIN SCAM IN KARNATAKA

#### 196. SHRI PRAJWAL REVANNA:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware of multi crore Bitcoin scam recently unearthed in Karnataka wherein a person was arrested in connection with hacking of bitcoins worldwide;
- (b) if so, the details thereof along with the money involved in this case;
- (c) whether the Government proposes to hand over the investigation to ED/CBI/ any special Central agency or special investigation team as the scam involves transaction of international nature;
- (d) if so, the details thereof; and
- (e) the action taken or being taken by the Government for fair investigation of the scam and the time by which it is likely to be initiated?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (e): Information in public domain suggests that a case of cybercrime involving Bitcoin has been under examination by the Karnataka police. 'Police' and 'Public Order' are State subjects as per the Seventh Schedule of the Constitution of India. State/UTs are primarily responsible for the prevention, detection, investigation & prosecution of such crimes including financial frauds through their Law Enforcement Agencies (LEAs). The LEAs take legal action as per provisions of law against the offenders. However, a case has also been registered by Bangalore Zonal Unit of the Directorate of Enforcement. Further disclosure of information in the matter is not in larger public interest.

## MINISTRY OF FINANCE

### LOK SABHA UNSTARRED QUESTION NO. 173

TO BE ANSWERED ON 29.11.2021

### CRYPTOCURRENCY

#### 173. SHRI THIRUMAAVALAVAN THOL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware of the cryptocurrencies that are traded in India;
- (b) if so, whether trading in cryptocurrency is legally permitted in India and if so, the details thereof;
- (c) whether the Government has allowed the cryptocurrency exchanges as a legally permitted entity in India; and
- (d) if so, the details of Acts that are applicable to cryptocurrency and cryptocurrency exchanges?

### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

- (a): Government does not collect information on trading in cryptocurrency.
- (b) to (d): Cryptocurrencies are unregulated in India. RBI has vide its circular dated May 31st, 2021, advised its regulated entities to continue to carry out customer due diligence processes in line with regulations governing standards for Know Your Customer (KYC), Anti-Money Laundering (AML), Combating of Financing of Terrorism (CFT) and obligations of regulated entities under Prevention of Money Laundering Act, (PMLA), 2002 in addition to ensuring compliance with relevant provisions under Foreign Exchange Management Act (FEMA) for overseas remittances.

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## MINISTRY OF FINANCE

### LOK SABHA STARRED QUESTION NO.\*12

ANSWERED ON 29.11.2021

### BITCOIN TRANSACTIONS

**\*12. SHRIMATI SUMALATHA AMBAREESH:**

**SHRI D.K. SURESH:**

Will the Minister of Finance be pleased to state:

- (a) whether the Government is aware that Bitcoin transaction is silently blooming in India in the recent years;
- (b) if so, the details thereof and the response of the Government in this regard;
- (c) whether the Government has any proposal to recognise Bitcoin as a currency in the country; and
- (d) if so, the details thereof?

#### ANSWER:

#### FINANCE MINISTER (SMT. NIRMALA SITHARAMAN)

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

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 12 RAISED BY SHRIMATI SUMALATHA AMBAREESH AND SHRI D.K. SURESH, HON'BLE MEMBER OF PARLIAMENT TO BE ANSWERED ON 29.11.2021 REGARDING BITCOIN TRANSACTIONS

- (a) The Government does not collect data on Bitcoin transactions.
- (b) Does not arise in view of (a) above.
- (C) No, sir.
- (d) Does not arise in view of (c) above.

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# **Rajya Sabha Q&As**

## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO. 3104

TO BE ANSWERED ON 28.03.2023

### CLARIFICATION REGARDING CRYPTOCURRENCIES

#### 3104 SHRI P. WILSON:

Will the Minister of Finance be pleased to state:

- (a) the present status of allowing cryptocurrencies issued by private agencies in the country;
- (b) the steps Government has taken with regard to RBI's recommendation of regulating cryptocurrencies;
- (c) whether any Inter-Ministerial committee has examined the issue of cryptocurrency and if so, the outcome of the committee; and
- (d) if so, the details thereof?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a): Currently, Crypto Assets are unregulated in India. However, Government vide Finance Act, 2022, brought a comprehensive taxation regime for transfer of virtual digital assets (VDAs) and vide notification dated 7th March, 2023 also brought VDAs under the preview of the Prevention and Money-laundering Act, 2002.

(b): RBI has recommended that crypto assets should be prohibited. Crypto assets are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore, any legislation for regulation or for banning can be effective only with significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.

(c) & (d): For examining the issues of Virtual Currencies, the Government had constituted an Inter-Ministerial Committee (IMC) which submitted its report in 2019. The IMC, inter-alia, recommended that all private cryptocurrencies be prohibited in India. A copy of the report is available at <https://dea.gov.in>.

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO. 3097

ANSWERED ON 28.03.2023

#### TAX RECEIVED FROM CRYPTOCURRENCY

##### 3097. SHRI RAM NATH THAKUR:

Will the Minister of Finance be pleased to state:

- (a) the details of tax received by Government from cryptocurrency;
- (b) the details of the regulator's role for transactions in cryptocurrencies; and
- (c) whether it is a fact that the crypto market is a speculative market?

#### ANSWER

##### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) Direct tax collected by way of tax deducted at source under section 194S of the Income-tax Act, 1961, on payments made upon transfer of Virtual digital Assets, aggregates to Rs.157.9 Crore upto 20/03/2023 for FY 2022-23.

(b) Crypto assets are currently unregulated in the country. However, transactions in cryptocurrencies are subjected to provisions of various laws like the Prevention of Money Laundering Act, 2002 and Income-Tax Act, 1961.

(c) The Financial Stability Board states in its Consultative Document titled "Regulation, Supervision and Oversight of Crypto-Asset Activities and Markets," dated October 11, 2022 that investment and activity in the cryptoasset market is largely self-contained and is mostly for speculative purposes with limited connections to the real economy.

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## MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY

### RAJYA SABHA UNSTARRED QUESTION NO. 1014

TO BE ANSWERED ON: 10.02.2023

#### IMPACT OF WEB 3.0

**1014. DR. AMEE YAJNIK:**

**SHRI SYED NASIR HUSSAIN:**

Will the Minister of ELECTRONICS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether Government has collected any data on the number of corporations and Start-ups in Web 3.0 incorporated in India;
- (b) the steps taken by Government to prevent “brain-drain” in the Web 3.0 ecosystem as a result of heavy taxation and uncertain regulatory framework;
- (c) whether Government is aware of the total value of global investments in Web 3.0, the share of these investments that India is receiving, and the disadvantages India is facing from other competing countries; and
- (d) if so, the details of the action taken by Government in this regard?

#### ANSWER

#### MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY (SHRI RAJEEV CHANDRASEKHAR)

(a): Ministry of Electronics and Information Technology (MeitY), being the line-Ministry for digital technology, promotes tech startups engaged in developing technology solutions related to societal challenges and pressing issues using emerging technologies including Web 3.0. As per NASSCOM, there are 450+ total number of Web3.0 startups in India, as of 2022. In addition, MeitY is continuing to support the tech startups including those engaged in Web 3.0 technology through the following initiatives:

- ▶ TIDE 2.0 Scheme: Technology Incubation and Development of Entrepreneurs (TIDE 2.0) Scheme was initiated in the year 2019 to promote tech entrepreneurship through financial and technical support to incubators engaged in supporting ICT startups using emerging technologies such as IoT, AI, Block-chain, Robotics etc. The Scheme is being implemented through 51 incubators through a three tiered structure with an overarching objective to promote incubation activities at institutes of higher learning and premier R&D organisations. The scheme is expected to provide incubation support to approximately 2000 tech start-ups with an overall outlay of Rs. 264 Crore over a period of five years.
- ▶ Domain specific Centres of Excellence: MeitY has envisaged and operationalised 26 Centres of Excellence (CoEs) in diverse areas of national interest for driving self-sufficiency and creating capabilities to capture new and emerging technology areas. These domain specific CoEs act as enablers and aid in making India an innovation hub in emerging through democratisation of innovation and realisation of prototypes.
- ▶ SAMRIDH Scheme: Ministry of Electronics and Information Technology (MeitY) has launched the 'Start-up Accelerator Programme of MeitY for Product Innovation, Development and Growth (SAMRIDH)' in August 2021 with an aim to support existing and upcoming Accelerators to further select and accelerate potential software product based start-ups to scale. The total cost of the scheme is Rs. 99 Crore for a duration of 3 years. A total of 300 startups are to be supported under the SAMRIDH Scheme.
- ▶ Next Generation Incubation Scheme (NGIS): NGIS has been approved to support software product ecosystem and to address a significant portion of National Policy on Software Product (NPSP) 2019.
- ▶ Support for International Patent Protection in E&IT (SIP-EIT) Scheme: MeitY had initiated a scheme titled "Support for International Patent Protection in E&IT (SIPEIT) that encourages international patent filing by Indian MSMEs and start-ups so as to encourage innovation and recognize the value and capabilities of global IP. Reimbursement provided under the scheme is upto a maximum of

Rs.15 lakhs per invention or 50% of the total expenses incurred in filing and processing of patent application upto grant whichever is lesser. GENESIS (Gen-Next Support for Innovative Startups): Ministry of Electronics and Information Technology (MeitY) has launched an umbrella program Digital India

- ▶ GENESIS (Gen-Next Support for Innovative Startups) to discover, support, grow and make successful startups in Tier-II and Tier-III cities with emphasis on collaborative engagement among startups, government and corporates for promoting digitization based on the principals of inclusivity, accessibility, affordability, leading to growth in employment and economic outputs.

(b): Through the aforementioned initiatives, MeitY is promoting fast growing startup ecosystem where thousands of entrepreneurs and startups all over the country have been supported and thus, helped in preventing 'brain-drain'. Further, the Government is aware of the emergence of new technologies such as Web 3.0 as future trend of internet. The regulatory challenges of Web3.0 ecosystem are still being understood and learnt by Government all over the world including us.

(c) and (d) Cryptocurrencies and blockchain are the building blocks of Web3.0.As per NASSCOM report, a total of 30.5 Billion USD Venture capital (VC) funding was received in blockchain and cryptocurrency market in 2021 globally with 14.5+ Billion USD VC funding received in the first quarter of 2022.In India, a total of 1.3 Billion USD Web3.0 investments has been made since 2020.Moreover, as the Web 3.0 technology is globally evolving, several challenges are being as well faced by the Web 3.0 startups in India, including high tax bracket for Virtual Digital Assets (VDAs) trading and gains and acceptances of crypto currencies/ assets.

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## MINISTRY OF HOME AFFAIRS

### RAJYA SABHA UNSTARRED QUESTION NO. 693

TO BE ANSWERED ON 08.02.2023.

### UPGRADATION OF NARCOTICS CONTROL BUREAU (NCB)

**693 SHRI JAGGESH:**

Will the Minister of HOME AFFAIRS be pleased to state:

- (a) whether it is a fact that the increasing use of technology has given drug traffickers an edge, where they can receive orders on dark-net and order payments through cryptocurrencies;
- (b) whether the prevailing narcotics use is emerging as national threat; and
- (c) if so, the steps taken by Government to upgrade Narcotics Control Bureau (NCB) across the country to fight new challenges of rising drug proliferation?

### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS (SHRI NITYANAND RAI)

(a): The use of dark-net and crypto-currency for drug trafficking has been noticed in 38 cases by Narcotics Control Bureau (NCB) in the last 03 years (2020-2022).

(b): As per the survey report of Ministry of Social Justice & Empowerment published in 2019, the consumption of drugs in India has increased as compared to survey report in 2004, which is a matter of concern.

(c): The Government of India has taken the following steps to upgrade Narcotics Control Bureau:

- (i) 419 new posts at various levels have been sanctioned.



(ii) 04 new Regional Offices at Amritsar, Guwahati, Chennai and Ahmedabad have been sanctioned.

(iii) 5 new Zonal Offices at Gorakhpur (Uttar Pradesh), New Jalpaigudi (West Bengal), Agartala (Tripura), Pasighat/Lower Siang (Arunachal Pradesh) & Raipur (Chhattisgarh) have been sanctioned.

(iv) 12 existing Sub-Zones (Dehradun, Amritsar, Mandi, Ajmer, Ranchi, Bhubaneswar, Imphal, Goa, Mandasaur, Cochin, Madurai and Hyderabad) have been upgraded to Zonal level.

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO. 562

ANSWERED ON 07.02.2023

### RESTRICTION ON MONEY TRANSFER TO FOREIGN COUNTRIES

#### 562. DR. SANTANU SEN:

Will the Minister of FINANCE be pleased to state:

- (a) the details of the limit set by Government to the money transfer/transaction to foreign countries;
- (b) the details of the steps taken by Government to stop illegal money transfer to foreign countries in the last five years, year-wise;
- (c) the details of the necessary steps taken by Government to prevent sending of more than 2.5 million dollars through crypto exchange in the last three years, year-wise; and
- (d) if no steps have been taken, the reasons therefor?

#### ANSWER

#### MINISTER OF STATE FOR FINANCE (SHRI PANKAJ CHAUDHARY)

(a): The limits for transfer of money to foreign countries have been prescribed under the provisions of Foreign Exchange Management Act (FEMA), 1999. The details are available at **Annexure**.

(b): Directorate of Enforcement (ED) takes necessary steps under the provisions of Foreign Exchange Management Act, 1999 (FEMA), Prevention of Money Laundering Act (PMLA), 2002 and Fugitive Economic Offenders Act (FEOA), 2018 to stop illegal money transfer to foreign countries. During the last five years, the Directorate has issued 2933 Show Cause Notices and imposed penalties amounting to Rs. 7872.56 crore in 2477 adjudication orders pertaining to various violations of FEMA including

transfer of illegal money to foreign countries. Under PMLA, proceeds of crime amounting to Rs. 33,862.20 crore have been attached and assets amounting to Rs. 15,113.02 crores have been confiscated by the Directorate. Applications have been filed against 15 persons under FEOA, out of which 09 persons have been declared as Fugitive Economic Offenders by the Competent Courts and properties worth Rs. 862.43 crore have been accordingly confiscated

(c) & (d): Reserve Bank of India (RBI) has been cautioning users, holders and traders on the potential economic, financial, operational, legal, customer protection and security related risks of Virtual Currencies (VCs) vide public notices on 24 December 2013, 01 February 2017 and 05 December 2017. RBI, vide its circular dated 31 May 2021, has advised its regulated entities to carry out due diligence processes for such transactions in line with the specified regulatory standards for Know Your Customer, Anti-Money Laundering, Combating of Financing of Terrorism and obligations under PMLA, 2002 etc.

### Annexure

Sr. No.	Category	Limit
1	Resident Individuals - ( Under the Liberalised Remittance Scheme)	USD 2,50,000 per Financial Year
2	Remittances by citizen of foreign state, individuals not being NRIS/ PIOs or a citizen of Nepal or Bhutan (as per regulation 4.1 of notification 13(R) on Foreign Exchange Management (Remittance of Assets) Regulations, 2016 dated April 1, 2016.	USD one million per Financial Year.
3	Remittances by NRIs/ PIOs (as per regulation 4.2 of notification 13(R) on Foreign Exchange Management (Remittance of Assets) Regulations, 2016 dated April 1, 2016	USD one million per Financial Year.

Sr. No.	Category	Limit
4	Remittances by foreign student (as per regulation 4.1.iv of notification 13(R) on Foreign Exchange Management (Remittance of Assets) Regulations, 2016 dated April 1, 2016.	Balance available in his account (provided such balance represents proceeds of remittances received from abroad through normal banking channels or rupee proceeds of foreign exchange brought by such person and sold to an authorised dealer or out of stipend/ scholarship received from the Government or any organisation in India).

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO. 529

TO BE ANSWERED ON 07.02.2023

### CRYPTO CURRENCY

#### 529 SHRI NARAYANA KORAGAPPA:

Will the Minister of FINANCE be pleased to state:

- (a) how the Ministry looks at 7 per cent Indians owning crypto currency, which is the 7th highest in the world;
- (b) how the Ministry looks at that, except US, there is no other country having large economy in top seven positions;
- (c) the manner in which the Ministry protects citizens from duping or cheating by crypto players;
- (d) the status of WazirX case which shows dark side of crypto; and (e) whether Government is considering banning crypto?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) & (b): Crypto Assets are unregulated in India and Government does not collect data on crypto assets.

(c): Fraud, cheating and duping are punishable offences in India under law. The crimes involving crypto assets can be reported to the Cyber & Information Security Division, Ministry of Home Affairs at <https://cybercrime.gov.in>.

(d): The Enforcement Directorate has taken up investigation in three cases against WazirX, one under the provisions of Foreign Exchange Management Act, 1999 (FEMA) and two under the provisions of Prevention of Money Laundering Act, 2002 (PMLA).

In FEMA case, investigation revealed that crypto exchange platform, WazirX, operated by Zanmai Labs Private Limited in India, was using the wallet infrastructure of Cayman Island based exchange BINNACE. It has further revealed that all crypto transactions between these two exchanges were not even being recorded on the blockchains and were these cloaked in mystery.

Accordingly, a Show Cause Notice (SCN) has been issued under the provisions of FEMA to WazirX for allowing outward remittance of crypto assets worth Rs. 2790 crores to unknown wallets. In PMLA case, an amount of Rs. 64,67,42,053 lying in the different accounts of M/s Zanmai Labs Private Limited has been frozen under Section 17(1) of PMLA. (e): Crypto is by definition borderless and requires international collaboration to prevent regulatory arbitrage.

Therefore, any legislation for regulation or for banning can be effective only with significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.

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## MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY

### RAJYA SABHA UNSTARRED QUESTION NO. 268

TO BE ANSWERED ON 03.02.2023

### WEB 3.0 AND BLOCKCHAIN IN GOVERNMENT INFRASTRUCTURE

#### 268 DR. AMAR PATNAIK:

Will the Minister of ELECTRONICS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) the details of Government regulations for the use of Web 3.0 and Blockchain technology;
- (b) the various uses and cases under adoption and implementation of the two adopted by the Ministry in its own infrastructure;
- (c) whether the Ministry is considering long-term plans for Web 3.0 and blockchain in collaboration with NitiAyog;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

#### ANSWER

#### MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY (SHRI RAJEEV CHANDRASEKHAR)

(a): The Government is focused of the emergence of new technologies such as Web 3.0 and Blockchain as future trend of internet. MeitY has released National Strategy on Blockchain. This document provides strategies and recommendations for Indian Blockchain ecosystem to harness the benefits of this emerging technology by focusing on technological and administrative aspects. The strategy document is available at <https://www.meity.gov.in/content/national-strategy-on-blockchain>

The regulatory challenges of Web3.0 and Blockchain are still being understood and

learnt by Government all over the world including us.

(b): National Informatics Centre(NIC) has supported and successfully piloted Blockchain enabled solutions/ applications in the areas of Certificate Chain and Property Chain. Some of them are deployed in distributed infrastructure in Data Centres of NIC at Rajasthan, Chennai, Bengaluru, Pune, Hyderabad etc. The details are as follows: Certificate Chain: A Platform for storage of CBSE marksheet of students of class X and XII in the State of Manipur and Karnataka. Property Chain: Blockchain system for storage of property details in collaboration with Government Karnataka and IIT Kanpur.

(c), (d) and (e): There is no such proposal.

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO. 723

TO BE ANSWERED ON 13.12.2022

### CRYPTO CURRENCY REGULATION

#### 723 SHRI JOSE K. MANI:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government is aware that lack of regulatory clarity in Crypto is pushing entrepreneurial talent away from India to other Crypto friendly countries;
- (b) if so, the details thereof;
- (c) why Government has not come up with clear regulations with respect to Crypto currency;
- (d) whether Government has any plans to expand the use of recently introduced Central Bank Digital Currency (CBDC) to other segments of digital transactions in the country any time soon; and
- (e) if so, the details thereof?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (c): Crypto assets are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore, any legislation for regulation or for banning can be effective only with significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.

(d) & (e): The CBDC pilots have been introduced in both wholesale and retail segments. Further expansion of the pilots has to be through a phased implementation strategy based on feedback and learnings from the pilots.

## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO. 692

TO BE ANSWERED ON 13.12.2022

### FOREIGN CRYPTO EXCHANGES

#### 692 SHRI VIVEK K. TANKHA:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government is aware of foreign Crypto exchanges operating in the country without any legal registration, if so, Government's policy position on the issue;
- (b) whether foreign Crypto exchanges are complying with Indian laws including the 1 per cent TDS mandate, if not, how Government plans to check this;
- (c) whether Government is aware of the estimated loss caused due to migration of Crypto investors to offshore exchanges post 1 per cent TDS mandate since July 2022; and
- (d) if so, the details of remedial steps being taken by Government?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (d): Currently, crypto assets are unregulated in India. Crypto assets are by definition borderless and require international collaboration to prevent regulatory arbitrage. Government does not register foreign crypto exchanges. Regarding 1 per cent TDS mandate, the CBDT administers direct tax laws like the Income Tax Act, 1961, Prohibition of Benami Property Transactions Act, 1988, Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 etc. Under the Income-tax Act, 1961 (hereinafter referred to as the 'Act'), section 194S has been inserted through the Finance Act, 2022 for deduction of tax at source in respect of transfer of Virtual Digital Assets (VDAs) which is to be complied with by

any person engaged in transactions related to VDAs.

The section 194S inserted by Finance Act, 2022, w.e.f. 01.07.2022, is as under:

**Payment on transfer of virtual digital asset.**

194S. (1) *Any person responsible for paying to any resident any sum by way of consideration for transfer of a virtual digital asset, shall, at the time of credit of such sum to the account of the resident or at the time of payment of such sum by any mode, whichever is earlier, deduct an amount equal to one per cent of such sum as income-tax thereon:*

*Provided that in a case where the consideration for transfer of virtual digital asset is—*

*(a) wholly in kind or in exchange of another virtual digital asset, where there is no part in cash; or*

*(b) partly in cash and partly in kind but the part in cash is not sufficient to meet the liability of deduction of tax in respect of whole of such transfer,*

*the person responsible for paying such consideration shall, before releasing the consideration, ensure that tax required to be deducted has been paid in respect of such consideration for the transfer of virtual digital asset.*

*(2) The provisions of sections 203A and 206AB shall not apply to a specified person.*

*(3) Notwithstanding anything contained in sub-section (1), no tax shall be deducted in a case, where—*

*(a) the consideration is payable by a specified person and the value or aggregate value of such consideration does not exceed fifty thousand rupees during the financial year;*

*or (b) the consideration is payable by any person other than a specified person and the value or aggregate value of such consideration does not exceed ten thousand rupees during the financial year*

*(4) Notwithstanding anything contained in section 194-O, in case of a transaction to which the provisions of the said section are also applicable along with the provisions of this section, then, tax shall be deducted under sub-section (1).*

*(5) Where any sum referred to in sub-section (1) is credited to any account, whether called "Suspense Account" or by any other name, in the books of account of the person liable to pay such sum, such credit of the sum shall be deemed to be the credit of such sum to the account of the payee and the provisions of this section shall apply accordingly.*

*(6) If any difficulty arises in giving effect to the provisions of this section, the Board may, with the prior approval of the Central Government, issue guidelines for the purposes of removing the difficulty.*

*(7) Every guideline issued by the Board under sub-section (6) shall be laid before each House of Parliament, and shall be binding on the income-tax authorities and on the person responsible for paying the consideration on transfer of such virtual digital asset.*

Explanation-For the purposes of this section "specified person" means a person—

*(a) being an individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business carried on by him or profession exercised by him does not exceed one crore rupees in case of business or fifty lakh rupees in case of profession, during the financial year immediately preceding the financial year in which such virtual digital asset is transferred;*

*(b) being an individual or a Hindu undivided family, not having any income under the head "Profits and gains of business or profession".]*

Under sub-section (6) of section 194S of the Act, the CBDT has been empowered to issue guidelines, with the approval of the Central Government to remove any difficulty arising in giving effect to the provisions of TDS section relating to VDA. CBDT has issued guidelines for removal of difficulties under sub-section (6) of section 194S of the Act in Circular No. 13 of 2022 dated 22nd June 2022 which may apply in cases where transfer of VDA is taking place on or through an Exchange.

Through Circular No. 14 of 2022 dated 28th June 2022, order u/s 119 of the Act in relation to TDS under section 194S of the Act for transactions other than those taking place on or through any Exchange has been issued.

Post insertion of Section 194S in the Income-tax Act, 1961 through Finance Act, 2022, a total of 318 direct tax challans having TDS code 194S have been received having total amount of Rs. 60.46 crores. CBDT conducts outreach/ awareness programs for deductors/taxpayers and also takes appropriate action as required under the provisions of the Income-tax Act, 1961 including search & seizure operations, surveys, enquiries etc.

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO.1816

TO BE ANSWERED ON 02.08.2022

### PERMISSION BY CRYPTO EXCHANGES TO TRANSACT WITHOUT KYC

#### 1816: SHRI SUSHIL KUMAR MODI:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that some crypto exchanges allowed citizens from countries like US, Germany, Brazil to transact without KYC, AML compliance, the details thereof;
- (b) the amount received by these crypto exchanges from global capital ventures for which disclosure has not been made;
- (c) whether Indian crypto platform used wallet infra of foreign exchange without any agreement; and
- (d) whether some exchanges have ever facilitated foreign users' request to convert one crypto into another by using third party exchange based overseas and earn commission on it?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (d): Currently, Cryptocurrencies are unregulated in India. The Government does not collect any data on such information. However, the Directorate of Enforcement is investigating two cases related to Crypto-currency against WazirX under the provisions of Foreign Exchange Management Act, 1999 (FEMA).

In one of the cases, investigation done so far has revealed that One Indian Crypto-exchange platform, Wazirx, operated by Zانmai Labs Private Limited in India was using the walled infrastructure of Cayman Island based exchange BINANCE.

Further it has been found that all crypto transactions between these 2 exchanges were not even being recorded on the blockchains and were thus cloaked in mystery. Accordingly, a Show Cause Notice (SCN) has been issued under the provisions of FEMA against WaxirX for allowing outward remittance of crypto assets worth ₹2790 Crore to unknown wallets.

Further, in another case, it is noticed that Indian Exchanges namely WazirX has allowed the foreign users' request to convert one crypto into another on its own platform as well as by using transfer from third party exchanges namely FTX, BINANCE, etc.

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO.1805

TO BE ANSWERED ON 02.08.2022

### RBI GOVERNOR'S STATEMENT ON CRYPTOCURRENCY

#### 1805: SHRI JOHN BRITTAS:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has taken note of RBI Governor's statement on cryptocurrency that the same is a major threat to the economy and financial stability of the country;
- (b) if so, the stand of Government thereon; and
- (c) whether the Government will draw up a policy on cryptocurrency?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (c): The specific statement referred to in the question is not clear. However, RBI has registered its concern over the adverse effect of Cryptocurrency on the Indian Economy. Currently cryptocurrencies are unregulated in India. However, Government Vide Finance Act, 2022, brought a comprehensive taxation regime for transfer of virtual digital assets (VDA) including gifting of VDA. Cryptocurrencies are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore, any policy framework on cryptocurrency can be effective only after significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.

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## MINISTRY OF COMMERCE & INDUSTRY

### RAJYA SABHA UNSTARRED QUESTION NO. 699.

TO BE ANSWERED ON FRIDAY, THE 22ND JULY, 2022.

### EXIT OF CRYPTO STARTUPS FROM INDIAN MARKETS

#### 699. SHRI DEREK O' BRIEN:

Will the Minister of Commerce and Industry be pleased to state:

- (a) whether Government has taken note of the crypto startups exiting Indian markets; (b) if so, the details thereof and if not, the reasons therefor;
- (c) the details and reasons for the exit of crypto startups; and
- (d) the impact of their exit on the Indian economy, the details thereof?

#### ANSWER

#### THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI SOM PARKASH)

(a) to (d): The Government does not maintain information on the exit of startups. It may be noted that Reserve Bank of India (RBI) has cautioned 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 has issued a circular dated 6th April 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.

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 destabilising effect on the monetary and fiscal stability of a country.

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO.250

TO BE ANSWERED ON 19.07.2022

#### STATUS OF CRYPTO AND NFTS

**250: DR. PRASHANTA NANDA:**

Will the Minister of FINANCE be pleased to state:

- (a) whether Government considers 'Crypto' and 'Non-Fungible Tokens' (NFTs) as assets; and
- (b) if so, the details thereof, and if not, the reasons therefor?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) The term 'Crypto' has not been defined in the Income-tax Act, 1961 (the Act). However, through Finance Act, 2022, clause (47A) was inserted to section 2 of the Act to provide definition of virtual digital assets (VDA) to mean any information or code or number or token (not being Indian currency or foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account including its use in any financial transaction or investment, but not limited to investment scheme; and can be transferred, stored or traded electronically.

Non fungible token and any other token of similar nature are included in the definition

(b) Vide notification no. 75/2022 dated 30.06.2022, Central Government specified a token which qualifies to be a virtual digital asset as non-fungible token within the meaning of sub-clause (a) of clause (47A) of section 2 of the Act but shall not include a non-fungible token whose transfer results in transfer of ownership of underlying tangible asset and the transfer of ownership of such underlying tangible asset is legally enforceable.

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO. 228

ANSWERED ON 19.07.2022

#### TAX EXEMPTION FOR CRYPTOCURRENCY

##### 228. SHRI ABDUL WAHAB:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government wants to exempt cryptocurrency transactions from taxes;
- (b) if so, the reasons therefor;
- (c) action taken by Government to deter risky cryptocurrency transactions; and
- (d) the current status of the Indian Digital Rupee?

#### ANSWER

##### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a): There is no such proposal under consideration.

(b): Does not arise.

(c): In order to reduce risk, Reserve Bank of India (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, 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.

(d): RBI has started the work for a phased implementation of the announcement made on Introduction of Digital Rupee-Introduction of Central Bank Digital Currency (CBDC) in the budget speech 2022-23.

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## MINISTRY OF INFORMATION AND BROADCASTING

### RAJYA SABHA UNSTARRED QUESTION NO. 2481

TO BE ANSWERED ON 24.03.2022

### ADVERTISEMENTS RELATED TO CRYPTOCURRENCY

#### 2481. SHRI BRIJLAL:

Will the Minister of INFORMATION AND BROADCASTING be pleased to state:

- (a) whether the Advertising Standards Council of India (ASCI) has proposed a clamp down on the advertisements related to cryptocurrency and NFT (Non-Fungible Token);
- (b) if so, the rules to be followed by such advertisers;
- (c) whether the ASCI has formulated any guidelines for transactions in cryptocurrency; and
- (d) if so, whether the Government has consulted the concerned stakeholders for the same, if so, the outcome thereof?

#### ANSWER

#### MINISTER OF INFORMATION AND BROADCASTING; AND MINISTER OF YOUTH AFFAIRS AND SPORTS, (SHRI ANURAG SINGH THAKUR)

(a) to (d): Advertising Standards Council of India (ASCI) is a non-statutory, non-Governmental organization of the industry. It has informed that a guideline for advertising of virtual Digital Assets and linked services was issued by it on 23rd February, 2022.

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## MINISTRY OF FINANCE DEPARTMENT OF ECONOMIC AFFAIRS

### RAJYA SABHA UNSTARRED QUESTION NO.2151

TO BE ANSWERED ON 22.03.2022

### CRYPTOCURRENCY ADVERTISEMENTS

#### 2151 SHRI SUKHENDU SEKHAR RAY:

Will the Minister of Finance be pleased to state:

- (a) whether Government is aware of sharp increase in opening up cryptocurrency exchanges and advertising of cryptocurrency in the country;
- (b) if so, whether Government has approved opening of such exchanges and advertisements; and
- (c) if not, the action initiated by the Government against such business of cryptocurrency which is not legal tender?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

- (a): Government does not maintain data on opening of cryptocurrency exchanges or advertisements on cryptocurrency.
- (b): No, Sir.
- (c): Cryptocurrency sector is currently unregulated in India.

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO.1480

TO BE ANSWERED ON 15.03.2022

#### RBI CRYPTOCURRENCY

**1480 Shri Sanjay Singh:**

Will the Minister of Finance be pleased to state:

- (a) whether it is a fact that Government is planning to introduce a cryptocurrency that will be regulated by the Reserve Bank of India (RBI);
- (b) if so, the details thereof;
- (c) whether Government is aware that cryptocurrency means that it is unregulated and free from Government intervention; and
- (d) if so, what is the difference between the RBI cryptocurrency and traditional paper currency?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

- (a): No Sir.
- (b): Doesn't arise in view of (a) above.
- (c): Currently, cryptocurrencies are unregulated in India.
- (d): RBI does not issue cryptocurrency. Traditional paper currency is a legal tender and is issued by RBI in terms of provisions of RBI Act, 1994. A digital version of traditional paper currency is called Central Bank Digital Currency (CBDC).

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO.691

TO BE ANSWERED ON 08.02.2022

### CRYPTOCURRENCY SUBSCRIBERS IN INDIA

#### 691. SMT. PRIYANKA CHATURVEDI:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has collected data on the number of subscribers in India across various cryptocurrency exchanges;
- (b) the value of cryptocurrencies investment by Indian citizens; and
- (c) whether there is any framework for check and balance on the cryptocurrency market currently?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) & (b): No, Sir. Government does not collect data on the number of subscribers in India across various cryptocurrency exchanges and value of cryptocurrencies investment by Indian citizens.

(c): RBI vide its circular dated May 31, 2021 has advised its regulated entities dealing in virtual currencies to continue to carry out customer due diligence processes in line with regulations governing standards for Know Your Customer (KYC), Anti-Money Laundering (AML), Combating of Financing of Terrorism (CFT) and obligations of regulated entities under Prevention of Money Laundering Act, (PMLA), 2002 in addition to ensuring compliance with relevant provisions under Foreign Exchange Management Act (FEMA) for overseas remittances.

## MINISTRY OF FINANCE

### RAJYA SABHA STARRED QUESTION NO. \*69(9)

ANSWERED ON 13.12.2022

### COMMON BLOCKCHAIN-BASED PLATFORM FOR THE BANKING SECTOR

#### 69 SHRI S NIRANJAN REDDY:

Will the Minister of FINANCE be pleased to state:

- (a) whether banks are creating prototypes for using blockchain technology, independent of each other;
- (b) if so, whether the interoperability of such blockchain based applications between different banks may pose a problem in the future;
- (c) whether Government intends to set up guidelines or prescribe a model common blockchain technology platform for the banks to ensure standardization and interoperability in the use of blockchain technology in the banking sector; and
- (d) if so, the details thereof, and if not, the reasons therefor?

#### ANSWER

#### THE FINANCE MINISTER (SMT. NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the Table of the House.

Statement as referred to in reply to Part (a) to (d) of Rajya Sabha Starred Question no.\*69(9) for answer on 13th December, 2022 regarding "Common blockchain-based platform for the banking sector" by SHRI S NIRANJAN REDDY, Hon'ble Member of Parliament

(a) to (b): Indian Banks Association (IBA) has informed that at present, only a few banks are using blockchain technology at a small scale. As such, the issue pertaining to interoperability of such a platform between banks is not present.

Further, Indian Banks' Blockchain Infrastructure Company (IBBIC) Private Limited that was incorporated with an objective of providing a platform for exploring, building, and implementing Distributed Ledger Technology (DLT) solutions for the Indian financial services sector, is currently working on scoping the implementation of domestic Letter of Credit (LC) issuance as its first use case through the platform. The consortium consists of 18 banks comprising leading Public and Private Sector banks of India.

Reserve Bank of India (RBI) has been providing guidance for development of blockchain-based application through its mechanism for testing of innovative technologies, products and services, known as Regulatory Sandbox. Blockchain technology has been listed as one of the innovative technologies in this regard, where innovators can apply to test their products through this mechanism.

(c) to (d): There is no proposal to set up guidelines or prescribe a model common blockchain technology platform for the banks.

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO. 992

ANSWERED ON 07.12.2021

#### REGULATOR FOR CRYPTO SECTOR

##### SHRI PARIMAL NATHWANI:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has decided to regulate the cryptocurrency sector instead of an outright ban;
- (b) if so, the details thereof;
- (c) whether Government has finalised the regulatory agency which will be regulating the 235 sector, if so, the details thereof;
- (d) whether the Central Bank has expressed grave reservations regarding this sector; and
- (e) if so, the details thereof?

##### ANSWER

##### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) to (c): A Bill on Cryptocurrency and Regulation of Official Digital Currency has been included for introduction in the Lok Sabha Bulletin-Part II as part of Government Business expected to be taken up during the Seventh Session of Seventeenth Lok Sabha, 2021,

(d) & (e): Yes, Sir. RBI has been cautioning users, holders and traders of Virtual Currencies (VCs) via 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, 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. Further, RBI has also raised concerns on the de-stabilising effect of cryptocurrency on the monetary and fiscal stability of a country.

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## **MINISTRY OF FINANCE**

### **RAJYA SABHA UNSTARRED QUESTION NO. 1012**

**ANSWERED ON 07.12.2021**

### **SCHEME FOR REGULARISE CRYPTOCURRENCY**

#### **SHRI RAMKUMAR VERMA:**

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has formulated any scheme to regularize cryptocurrency in the country; if so, the details thereof; and
- (b) whether the Government has any plan to regularize the cryptocurrency purchased by citizens in the last five years, if so, the details thereof and, if not, the reasons therefor?

#### **ANSWER**

#### **MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJCHAUDHARY)**

(a) &(b): A Bill on Cryptocurrency and Regulation of Official Digital Currency has been included for introduction in the Lok Sabha Bulletin-Part II as part of Government Business expected to be taken up during the Seventh Session of Seventeenth Lok Sabha, 2021.

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO. 1013

ANSWERED ON 07.12.2021

### MECHANISM TO REGULATE CRYPTOCURRENCY IN TRANSACTIONS

**SHRI SHRI ABDUL WAHAB:**

Will the Minister of Finance be pleased to state:

- (a) whether Government is aware of scams that are happening in the country in the form of cryptocurrency;
- (b) how Government is planning to regulate cryptocurrency in transactions;
- (c) whether Government has any data pertaining to the amount of money in circulation in the country in the form of various digital currencies; and
- (d) if so, the details thereof?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a): Eight cases concerning cryptocurrency related fraud are under investigation by the Directorate of Enforcement. However, as 'Police' and 'Public Order' are State subjects as per the Seventh Schedule of the Constitution of India. States/UTs are primarily responsible for the prevention, detection, investigation and prosecution of such crimes, including financial frauds, through their Law Enforcement Agencies.

(b): A Bill on Cryptocurrency and Regulation of Official Digital Currency has been included for introduction in the Lok Sabha Bulletin-Part II as part of Government Business expected to be taken up during the Seventh Session of Seventeenth Lok Sabha, 2021.

(c) & (d): The government does not collect data on digital currencies.



## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO. 201

TO BE ANSWERED ON 30.11.2021

### INCORPORATION OF BLOCKCHAIN TECHNOLOGY BY GOVERNMENT BANKS

#### 201. DR. K. KESHAVA RAO:

Will the Minister of Finance be pleased to state:

- (a) whether Government banks have taken steps to incorporate blockchain technology that is more cost-efficient, secure and transparent;
- (b) if so, the details thereof; and
- (c) if not, the reasons therefor?

#### ANSWER

#### THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. BHAGWAT KARAD)

(a), (b) and (c): Reserve Bank of India (RBI) has informed that it has been pro-active in providing guidance for development of blockchain-based application through its new regulatory sandbox environment. State Bank of India (SBI) and Canara Bank are part of a company called Indian Banks' Blockchain Infrastructure Company Private Limited (IBBIC) for using Blockchain technology for providing various financial services. SBI has informed that as a part of IBBIC development, it has initiated steps to incorporate Blockchain technology in trade related transactions.

Further, SBI has been onboarded on a blockchain enabled platform, for exchanging payment related compliance queries. Canara Bank has informed that it had formed a small technology innovation team, which is working on identifying the potential use cases best suited to banking operations.

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## MINISTRY OF FINANCE

### RAJYA SABHA UNSTARRED QUESTION NO. 200

TO BE ANSWERED ON 30.11.2021

### CRYPTOCURRENCY CRAZE

#### 200 SHRI SANJAY RAUT:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that the craze of cryptocurrencies has increased among Indian investors and unlawful activities have increased through cryptocurrencies in the country;
- (b) if so, the details thereof and Government's response thereto;
- (c) whether the Reserve Bank of India (RBI) has raised alarm on cryptocurrencies and cautioned investors on potential pitfalls of digital currency; and
- (d) if so, the details of steps taken or proposed to be taken by Government to regulate bitcoins and cryptocurrencies in the country?

#### ANSWER

#### MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a) & (b): Currently, Cryptocurrencies are unregulated in India. The Government does not collect such data on cryptocurrencies.

(c): 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, 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.

(d) A Bill on Cryptocurrency and Regulation of Official Digital Currency has been listed for introduction in the Lok Sabha Bulletin-Part II as part of Government Business expected to be taken up during the Seventh Session of Seventeenth Lok Sabha, 2021.

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## **MINISTRY OF FINANCE**

### **RAJYA SABHA UNSTARRED QUESTION NO. 199**

**TO BE ANSWERED ON 29.11.2021**

### **LEGISLATION TO REGULATE CRYPTOCURRENCY**

**199.DR. C. M. RAMESH:**

Will the Minister of FINANCE be pleased to state:

- (a) whether Government proposes to bring legislation to regulate cryptocurrency in the country, if so, the details thereof; and
- (b) whether Government proposes to constitute high level cryptocurrency in the country, if so, the details thereof?

### **ANSWER**

#### **MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)**

(a) & (b): Currently, Cryptocurrencies are unregulated in India. A Bill on Cryptocurrency and Regulation of Official Digital Currency for introduction in the Lok Sabha has been included in the Lok Sabha Bulletin-Part II as part of Government Business expected to be taken up during the Seventh Session of Seventeenth Lok Sabha, 2021.

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## MINISTRY OF FINANCE

### RAJYA SABHA STARRED QUESTION NO. \*19

ANSWERED ON 30.11.2021

### REGULATION OF CRYPTOCURRENCY IN INDIA

#### 19.DR. K.KESHAVA RAO:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has conducted any study for regulating cryptocurrency in India;
- (b) the kind of overhaul that will be required to monitor cryptocurrency transactions;
- (c) whether Indian banks have the requisite technological system and training to regulate cryptocurrency transactions; and
- (d) if so, the details thereof, if not, the reasons therefor?

#### ANSWER

#### FINANCE MINISTER (SMT. NIRMALA SITHARAMAN)

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

STATEMENT REFERRED TO IN REPLY TO RAJYA SABHA STARRED QUESTION NO. 19 RAISED BY DR. K. KESHAVA RAO, HON'BLE MEMBER OF PARLIAMENT TO BE ANSWERED ON 30.11.2021 REGARDING REGULATION ON CRYPTOCURRENCY IN INDIA

(a): A study was conducted by the Government through a research firm on "Virtual Currencies: An Analysis of the Legal Framework and Recommendations for Regulation" in July, 2017. Thereafter, Government constituted an Inter-ministerial Committee (IMC) on 2nd November, 2017 under the Chairmanship of Secretary (Economic Affairs) to study the issues related to Virtual Currencies and propose

specific action to be taken in this matter. The Committee submitted its report in February, 2019 and inter-alia recommended that all private cryptocurrencies be prohibited in India. It also recommended that it would be advisable to have an open mind regarding the introduction of an official digital currency in India. A copy of the report is available at <https://dea.gov.in>.

(b) to (d): A Bill on Cryptocurrency and Regulation of Official Digital Currency for introduction in the Lok Sabha has been included in the Lok Sabha Bulletin-Part II as part of Government Business expected to be taken up during the Seventh Session of Seventeenth Lok Sabha, 2021. The question of monitoring cryptocurrency transactions, if any or regulating cryptocurrency transactions, if any is consequent to the passage of the Bill in Parliament.

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## MINISTRY OF FINANCE

### RAJYA SABHA STARRED QUESTION NO. \*23

ANSWERED ON 30.11.2021

### VOLUME OF TRANSACTIONS IN CRYPTOCURRENCY

#### 23. SHRI NEERAJ SHEKHAR:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has an estimate about volume of transactions in crypto currency in India during 2020 and 2021 so far;
- (b) if so, the details thereof;
- (c) if not, the reasons therefor;
- (d) whether the Government proposes to regulate crypto currency in India; and (e) if so, the details thereof?

#### 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 RAJYA SABHA STARRED QUESTION NO. 23 RAISED BY SHRI NEERAJ SHEKHAR, HON'BLE MEMBER OF PARLIAMENT TO BE ANSWERED ON 30.11.2021 REGARDING VOLUMES OF TRANSACTIONS IN CRYPTOCURRENCY**

(a) to (c): Cryptocurrencies are unregulated in India. The Government does not collect data on transactions in cryptocurrency.

(d) & (e): A Bill on Cryptocurrency and Regulation of Official Digital Currency for introduction in the Lok Sabha has been included in the Lok Sabha Bulletin-Part II as part of Government Business expected to be taken up during the Seventh Session of Seventeenth Lok Sabha, 2021.

## MINISTRY OF FINANCE

### RAJYA SABHA STARRED QUESTION NO. \*30

ANSWERED ON 30.11.2021

### CRYPTOCURRENCY AND NFT REGULATION

#### 30. SHRI SUSHIL KUMAR MODI:

Will the Minister of FINANCE be pleased to state:

- (a) the current legal stance on trading of non fungible tokens (NFT) on cryptocurrency exchanges;
- (b) whether Government is seeking to make a separate legal framework for Non Fungible Tokens;
- (c) the number of instances of cryptocurrency related frauds and value of such scams booked;
- (d) the tax rate currently applicable to crypto-exchanges and other crypto service providing platforms; and
- (e) the details of how the tax will be applicable and collected?

#### 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 RAJYA SABHA STARRED QUESTION NO. 30 RAISED BY SHRI SUSHIL KUMAR MODI, HON'BLE MEMBER OF PARLIAMENT TO BE ANSWERED ON 30.11.2021 REGARDING CRYPTOCURRENCY AND NFT REGULATION**

(a): Currently, Cryptocurrency including non-fungible tokens (NFTs) is unregulated in India. (b): A Bill on Cryptocurrency and Regulation of Official Digital Currency for introduction in the Lok Sabha has been included in the Lok Sabha Bulletin-Part



II as part of Government Business expected to be taken up during the Seventh Session of Seventeenth Lok Sabha, 2021. (c): The Government does not collect specific information on cryptocurrency related frauds. Further, 'Police' and 'Public Order' are State subjects as per the Seventh Schedule of the Constitution of India. States/UTs are primarily responsible for the prevention, detection, investigation and prosecution of such crimes including financial frauds through their Law Enforcement Agencies. The State Police takes legal action as per provisions of law against the offenders. However, eight cases related to cryptocurrency related fraud are under investigation by the Directorate of Enforcement. Further disclosure of information may not be in larger public interest.

(d) & (e): The extant statutory provisions on scope of total income for taxation as per section 5 of the Income-tax Act, 1961 envisage that total income shall include all income from any source derived. No separate section or provision in Income-tax Act, 1961 presently deals specifically with the rate of tax, applicability and collection of tax on the income earned by crypto exchanges and other crypto service providing platforms. The income earned by Crypto Exchanges and other crypto service providing platforms is liable to tax under the head Business or Profession under Chapter-IV of the Income-tax Act, 1961. Applicability of tax rate will depend on status and category of taxpayer.

\*\*\*\*\*



# **Glossary: A to Z of VDAs**

# A

## **Airdrop**

Airdrops refer to a unique crypto marketing strategy wherein tokens are distributed to users' wallets for free to spread awareness about the new coin and boost interest.

# B

## **BLOCKCHAIN**

A blockchain is a distributed ledger that records transaction data, is cryptographically secured, tamper-proof, and distributed over a network of computers. Bitcoin network was the first blockchain developed and went live in 2009. Ethereum, Solana, Cardano, Tron, and BNB are other major blockchains.

# C

## **CRYPTO**

Crypto is a digital asset that uses a blockchain to record transactions and prove ownership. All public blockchains have a native crypto token, which is used to settle the transaction fee on the network. The native crypto of the Bitcoin network is called Bitcoin; the native crypto of the Ethereum network is Ether.

# D

## **DECENTRALIZATION**

Decentralization refers to the distribution of authority away from a central authority or single entity to a larger number of individuals. In a blockchain, decision-making and governance are distributed across a network of participants referred to as nodes.

# E

## **ETHEREUM**

Ethereum is an open-source, decentralized blockchain that enables smart contracts and decentralized applications (DApps). First proposed by Vitalik Buterin, the network went live on July 30, 2015. Ether is the native crypto token of the Ethereum network.

# F

## **FORK**

Fork refers to the splitting of a blockchain into two or more branches with distinct transaction histories. Such an event occurs when participant members differ on the consensus or rule of the protocol.

# G

## **GAS FEE**

Gas fee refers to a transaction fee imposed by a blockchain as a means to allocate computational resources and prioritize transactions within the network. The blockchain's native token is used to settle such fees.

# H

## **HASH FUNCTION**

A hash function is a mathematical algorithm that takes an input of any size and produces a unique fixed-size alphanumeric string. In a blockchain, transaction data are encrypted and stored using a hash function.

# I

## **IMMUTABILITY**

Immutability refers to the tamper-free quality of data stored on the blockchain. This is accomplished since transactions are recorded on the chain only upon consensus among all node participants.

# J

## **JURISDICTIONAL ARBITRAGE**

Jurisdictional arbitrage refers to the practice adopted by global crypto projects to base their operations in jurisdictions that aligns with the company's goals, regulatory requirements, and tax framework. Unequal regulations across countries contribute to this.

# K

## **KEYLOGGER**

Keylogger is a short form for keystroke logging software. It is a type of spying tool used by hackers to record the keystrokes of users, which helps them access sensitive information such as account numbers, passwords, and private keys. They then use the information for personal gain.

# L

## **LAYER-1 BLOCKCHAIN**

A foundational blockchain network that can function independently and provide all features required for the operation of a blockchain is called Layer-1. Bitcoin, Ethereum, Polkadot, Cardano, and Solana are examples of Layer-1 Blockchain. Blockchains that are built atop Layer-1 chains to meet specific goals like greater transaction speed are referred to as Layer-2 blockchains. Optimism, Lightning Network, and Polygon are Layer-2s.

# M

## **MINING**

The process followed by certain blockchains to record transactions and involves a computational race between nodes to solve a puzzle is called mining. “Miners” who solve the puzzle add data blocks to the chain, and they are rewarded with newly “minted” coins.

# N

## **NODE**

A node is a computer (or set of computers) that participates in the consensus mechanism of the blockchain to ensure its integrity. Anyone that meets the technical requirements can set up a node—a key aspect of decentralization. Each node has a copy of the blockchain’s data.

## O

### **ORDINALS**

Ordinals are unique identifiers of the smallest unit of bitcoins, satoshis (1 sat=0.00000001 BTC). These unique identifiers were a result of an upgrade in Bitcoin software in 2023, and enabled bitcoin developers to implement NFT-like use-cases on the network.

## P

### **PRIVATE KEY**

Private key is an alphanumeric code (string of alphabets and numbers) that is required to sign and verify any transaction on a blockchain. Private keys are randomly generated and confidential to the user, and help them securely hold their assets.

## Q

### **QUADRATIC FUNDING**

Quadratic funding is a unique algorithm-defined fundraising model first proposed by Vitalik Buterin, the co-creator of Ethereum network. It proposes to use algorithm to design and manage crowdfunding—a lot like blockchain. According to the proposal, this algorithm defined method will benefit smaller and underrepresented communities to secure funding for their projects.

## R

### **RUGPULL**

A rugpull refers to a deceptive practice where the token issuers or project developers intentionally and without warning abandon the project or cash out their tokens, leaving investors with near worthless assets.

## S

### **STAKING**

Staking is a process of locking-up a crypto asset in the blockchain to support its operations as defined by the consensus algorithm. Staking enables crypto holders to earn rewards in proportion to their contribution.

# T

## **TOKENIZATION**

Tokenization refers to the process of converting real-world assets or contracts into digital tokens on a blockchain. Tokenization enables a real-world asset to be transferred, stored, and maintained digitally in a tamper-proof and secure manner.

# U

## **UNISWAP**

Uniswap is a decentralized exchange (DEX) built on the Ethereum blockchain. A decentralized exchange is a marketplace where transactions occur directly between crypto traders, with no human intermediary involved. DEXs only enable crypto-to-crypto transactions.

# V

## **VALIDATOR**

A validator is a participant in a blockchain consensus mechanism responsible for validating and confirming transactions and maintaining the integrity of the blockchain. In a Proof-of-Work (PoW) blockchains like Bitcoin, miners act as the validator nodes (computers). In Proof of Stake (PoS) blockchain like Ethereum, participants who “stake” a certain amount of crypto as collateral earn the right to be a validator..

# W

## **WRAPPED TOKENS**

Wrapped tokens are representative digital tokens of a crypto asset on a different blockchain network. “Wrapping” or collateralizing the original crypto with an equivalent representation on a different blockchain enables cross-chain transfers.



## X

### **XRP**

XRP is the native digital token of the Ripple network. It is designed to facilitate fast and low-cost blockchain-based money transfers for the financial services industry. Ripple was created by Ripple Labs Inc., a technology company founded in 2012.

## Y

### **YIELD FARMING**

Yield farming is a practice in decentralized finance (DeFi) where users provide liquidity to decentralized exchanges (DEXs), lending platforms, or other DeFi protocols and earn rewards in the form of additional tokens. Major yield farming protocols are Aave, UniSwap, and Curve Finance.

## Z

### **ZERO-KNOWLEDGE PROOF**

A zero-knowledge proof (ZKP) is a cryptographic protocol that allows one party to prove the validity of a statement to another party (the verifier) without revealing any specific information about the statement itself.

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Q&As sourced from <https://sansad.in/lr> and <https://sansad.in/rs>

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"This compendium gives a first-hand account of the discussions underway in the Parliament on Web3/blockchain and will contribute to rich discussions on leveraging new, emerging technologies for the betterment of society. I appreciate the continued efforts of CoinSwitch in creating awareness about the new evolution of the internet."

**Shri Tejasvi Surya**  
Honourable Member of Parliament

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"Parliamentary discussions on Web3 are a sign of recognition and importance of the sector, and point to the stabilisation of India's Web3 ecosystem. We at BWA, are committed to promote Web3 innovation in India and help fulfil India's digital ambitions."

**Dilip Chenoy**  
Chairman, Bharat Web3 Association (BWA)



"Frontier technologies like Web3 and VDA can create a flywheel of economic growth that complements India's growth story. As an entrepreneur in this space for more than half a decade, it is encouraging to see the increasing nuances in the Parliamentary discussions on the ecosystem."

**Ashish Singhal**  
Co-founder and CEO, CoinSwitch

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