

Bitcoin trade may come under SEBI

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The government is considering the introduction of a regulatory regime for virtual or crypto currencies, such as Bitcoin, that would enable the levy of the Goods and Services Tax on their sale. The new regime may possibly bring their trading under the oversight of the stock market regulator, Securities and Exchange Board of India (SEBI).

Benefits of regulation of these currencies:

Proper regulation of these currencies will “promote” a formal tax base, while keeping a tab on their use for illegal activities such as money laundering, terror funding and drug trafficking.

What are cryptocurrencies?

Crypto-currency that is planned to be brought under the regulatory regime is a digital currency which allows transacting parties to remain anonymous while confirming that the transaction is a valid one. It is not owned or controlled by any institution – governments or private.

There are multiple such currencies — bitcoin, ethereum, ripple are some of the popular ones. Currently, they are neither illegal nor legal in India.

Need for regulation:

Cryptocurrencies have gained popularity in the last few years. Currently, they are neither illegal nor legal in many countries including India. The market cap for all crypto-currencies has just crossed \$100 billion, with most of the increase coming in the past few months. On April 1, 2017, the total market cap was just over \$25 billion, representing a 300% rise in just over 60 days. One bitcoin today is worth as much as 60 grams of gold.

Why banning cryptocurrencies altogether is not a good idea:

Banning will give a clear message that all related activities are illegal and will disincentivise those interested in taking speculative risks. It will also impede tax collection on gains made in such activities and that regulating the currency instead would signal a boost to blockchain technology, encourage the development of a supervision ecosystem (that tracks legal activities and may also assist in tracking illegal activities) and promote a formal tax base.

Concerns associated with this move:

However, the government is wary that regulation will provide legitimacy to “what is currently ambiguous,” and may lead to further rise in its valuation and end up contributing “to the investment bubble”.

To be looked in UPSC Paper 2 Topic: Important aspects of governance, transparency and accountability, e-governance- applications, models, successes, limitations, and potential; citizens charters, transparency & accountability and institutional and other measures.