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## Top banks suspend accounts of major Bitcoin exchanges in India

BY [SACHIN DAVE](#) & [SALONI SHUKLA](#), ET BUREAU | UPDATED: JAN 20, 2018, 09.27 AM IST

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MUMBAI: Top lenders including State Bank of India, [Axis Bank](#), [HDFC Bank](#), ICICI Bank and Yes Bank have suspended some accounts of major [Bitcoin](#) exchanges in India, suspecting dubious transactions, three people aware of the development said.

The banks have also sought additional collateral from the promoters of these exchanges on their borrowings and have capped cash withdrawals from the few accounts that are still operational.

"Since last month, banks have been asking for additional collateral with 1:1ratio," a person with knowledge of the matter said.

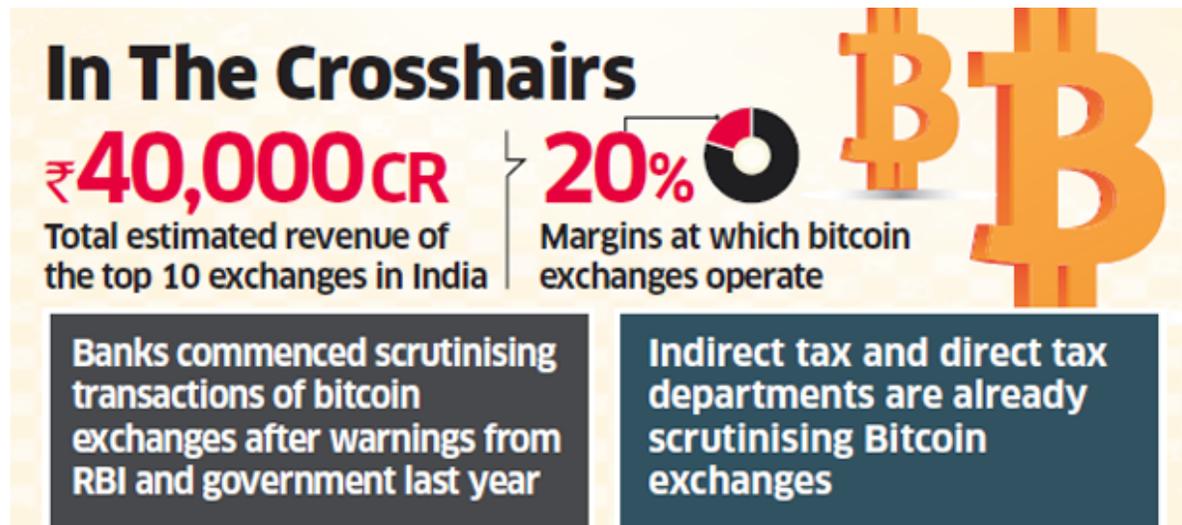
The banks are scrutinising current accounts held by top Bitcoin exchanges, a second person said. Action has been initiated against the top 10 Bitcoin exchanges including Zebpay, Unocoin, CoinSecure and [BtcxIndia](#), said four people aware of the matter.

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"The banks have not contacted the company or the promoters regarding the actions you have mentioned," said Sathvik Vishwanath, promoter of Unocoin.



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Emailed queries to Zebpay, Coin-Secure and BtcxIndia did not elicit any response. [SBI](#), Axis Bank, HDFC Bank, ICICI Bank and Yes Bank did not respond to emails seeking comment.

Bitcoins are a digital currency that can be used to buy products and services without any intermediary. People also buy Bitcoins, which has been banned in some countries, as an investment.

### Largely Unregulated

Although India hasn't banned Bitcoins, the cryptocurrency is largely unregulated.

The total revenue of the top 10 exchanges in India could be about Rs 40,000 crore, according to tax officials scrutinising these

companies.

"These exchanges tend to show the total volumes both on buy and sell side as their revenue. In many instances, the exchanges themselves buy and sell cryptocurrencies on their own platform," said an indirect tax official who is part of a team investigating the applicability of sales tax on Bitcoin exchanges for the previous financial year.

Many of the exchanges operate at a margin of close to 20%, according to the people. The profit comes from the premium charged by the exchanges, the difference in the buying and selling price and when the exchanges themselves get involved in trading.

Most of the exchanges have different rates for buying and selling cryptocurrency. Often, the difference between buying and selling rates is about 25%.

The accounts of the exchanges in India were frozen after banks discovered they were used for reasons other than those stated when they were opened, the people said. At least eight accounts in various banks have been suspended, while others are being scrutinised and have had cash withdrawal limits imposed. Even the operational accounts could be suspended in the coming weeks, the people said.

"[Reserve Bank of India](#) has not issued any directive to us - it's a cautionary move on our part," a banker involved in the matter said. "We are wary about the purpose for which some of these current accounts are being used."

The Bitcoin exchanges have multiple accounts with various banks, the people aware of the matter said.

## **SUSPICIOUS TRANSACTION REPORTS**

Banks have been mandated to file Suspicious Transaction Reports with the Financial Intelligence Unit in a time-bound manner.

"We have asked some of these companies to explain the businesses that they are involved in and why it was not specified when opening the accounts," said another banker who did not wish to be identified. "We will also be flagging some of these suspicious transactions with the concerned agencies."

Unable to operate their bank accounts, many Bitcoin exchanges are facing cashflow problems. Some promoters are looking to pledge their personal property as collateral.

Promoters had borrowed heavily from the banks and hoped to get private equity investment or other capital infusion, which hasn't happened. While there are cashflow issues, most of the exchanges have high revenue and healthy margins, said an investment banker who evaluated an exchange for investment.

"We would not like to invest till the taxation part is clarified," he said.

ET was the first to report on December 16 that tax departments in the country were assessing Bitcoin exchanges in India to determine their liability. At least two exchanges have approached the Authority for Advance Rulings seeking clarity on whether the goods and services tax (GST) applies to them.

The income tax department had launched searches on top Bitcoin exchanges in December.

The Indian government and the Reserve Bank of India have issued several warnings against dealing in Bitcoins, the former even comparing it with a Ponzi scheme. India has not banned Bitcoins, although eight countries including China have prohibited the digital currency.

The promoters of some cryptocurrency exchanges have tried unsuccessfully to get an appointment with senior government officials for the past month, according to a senior executive working with one of the exchanges.

Bitcoins have been volatile — having surged as much as 1,900% in 2017 to a high of \$20,000 in December, they have crashed by half since then, ending at \$10,000 on Friday.

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