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Market Watch

Now that crypto trade is legal in India, here's what happens next

BY [ANANDI CHANDRASHEKHAR](#) & [SANGHAMITRA KAR](#) & [ASHWIN MANIKANDAN](#),
ET BUREAU | UPDATED: MAR 05, 2020, 10.22 AM IST

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MUMBAI | BENGALURU: Crypto currency companies are expected to revive plans to invest and expand their business in India following a [Supreme Court](#) verdict overturning a Reserve Bank of India notification that had restricted banking access for virtual currency trading. ZPX will consider ramping up operations in India, said Ramani Ramachandran, CEO of the Singapore-based crypto firm. WazirX will start investing in the Indian market this year, said Nischal Shetty, cofounder of the crypto-exchange firm.

India's virtual currency industry had come to a standstill following the April 2018 notification that prohibited use of banking channels for transactions of cryptocurrencies such as [Bitcoin](#). Several exchanges shifted overseas or closed their business altogether in the last two years. "When a regulator like [RBI](#) bans, the market closes down. Six months back, we pivoted from crypto to blockchain, as we had to sustain. No investor was ready to back us amid the uncertainty of regulations," said Wilson Bright, CEO of BlockSurvey.

Investors say peer to peer (P2P) companies will see inflow of capital, similar to what has been happening globally. Crypto founders, investors and industry bodies told ET that the order would open up more avenues for a [cryptocurrency](#) ecosystem to be built. "From my perspective, hopefully the funding environment for startups gets better as funds no

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VIRTUAL CURRENCY

1.7 million*
Verified users
in India

2-10% India's
share of the over-
all market

\$430 billion
global market size

A draft bill to prohibit mining, buying, holding, selling, dealing in, issuance, disposal or use of cryptocurrency is before Parliament

Verdict also raises questions on how regulators have understood their role and jurisdiction in such matters

SALMAN WARIS,
Partner, TechLegis
Advocates and
Solicitors

* IAMA data

longer have to worry as much about regulatory clarity,” said Nitin Sharma, founder of Incrypt Blockchain. The Internet and Mobile Association of India (IAMA), an industry body representing cryptocurrency startups, had challenged the RBI circular, arguing that it was a disproportionate response by the regulator. The three judge SC bench comprising Justices RF Nariman, Aniruddha Bose and V Ramasubramanian ruled in favour of IAMA.

According to the copy of the 180-page judgement, accessed by ET, “the petitioners are entitled to succeed and the impugned Circular dated 06-04-2018 is liable to be set aside on the ground of proportionality.”

IAMA is looking forward to working jointly with the RBI and the government on a constructive policy framework for cryptocurrencies in India, it said in a statement.

Know your Crypto

Bankers said the regulator would now have a nuanced understanding of crypto technology and regulate it in a way that will encourage innovations. “They (RBI)

obviously issued an advisory earlier to make sure it doesn't become the Wild Wild West of crypto and gets too systemic. Now, RBI is better prepared to address the nuances of crypto,” said Akhil Handa, head — fintech and new business initiative, Bank of Baroda.

RBI did not respond to an emailed query till press time Wednesday. Legal experts said the case throws up questions on the fairness of regulatory bodies. “The fact that the apex court outrightly shot down a strong policy step by the RBI against a whole industry has consequences on the fairness of our regulators, given their quasi-judicial status,” said Salman Waris, partner at TechLegis Advocates and Solicitors.

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