Crypto currency

Why in news?

Recently, government said that a law will made to regulate crypto currencies for ending the ambiguities over their usage in India.

What is Crypto currency?

- It is a digital currency that is secured by cryptography, which makes it nearly impossible to counterfeit.
- Many crypto currencies are decentralized networks based on block chain technology.

What is their existing legal status?

- The government said that such currencies are not legal tender as they are highly volatile, can be used for illicit Internet transactions & are outside the ambit of state.
- In 2018, RBI sent a circular to banks directing them not to provide services for those trading in crypto currencies but this circular was set aside by the Supreme Court.
- Court found the circular to be disproportionate & also RBI could not prove that entities are adversely impacted by these crypto currency exchanges.

Do people abide by the state's directions?

- Currently, RBI and SEBI don't have a legal framework to directly regulate cryptocurrencies.
- However in India there is large number of user base for such & the desire to purchase only grows.
- Bitcoin, which is the most popular one, has hit new peaks in price and is gaining influential followers including Tesla founder Elon Musk.
- Hence these Cryptocurrencies exchanges are lobbying the government to make sure these currencies are regulated rather than getting banned outrightly.

Is banning such currencies a right approach?

- Smart regulation is preferable, as a ban on something that is based on a

technology of distributed ledger cannot be implemented for all practical purposes.

- Even in China, where cryptocurrencies have been banned & Internet is controlled, trading in cryptocurrencies has been low but not non-existent.
- In India, inter-ministerial committee in its study found that most countries opted for regulation but it recommended an outright ban.
- Interestingly it batted for an official digital currency and promoting its underlying block chain technology.
- Hence government must regulate such currencies rather than banning them.

Source: The Hindu

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