RBI's Clarification on Cryptocurrencies

Why in news?

- Some leading banks cautioned people against dealing in cryptocurrencies.
- Following this, the RBI intervened and made a clarification.

What did the RBI say and what was the trigger?

- State Bank of India and HDFC Bank cautioned their customers against dealing in virtual currencies such as Bitcoin.
- They cited the April 2018 order of the RBI on virtual currencies (VCs).
- Banks also warned customers that failure to adhere to the advisory may lead to cancellation or suspension of their cards.
- The 2018 order banned entities regulated by RBI from dealing in VCs or providing services for facilitating others to deal with or settling VCs.
- The RBI had no option but to allow it after the Supreme Court lifted the ban in 2020.
- So, the RBI now intervened and said the 2018 order was no longer valid from the date of the Supreme Court judgement (click here to know more).
- Therefore, it cannot be cited or quoted from.

What clarification does it offer?

- The RBI clarification is expected to give some relief to customers who have invested in cryptocurrencies.
- Many Indians have invested in cryptocurrencies like Bitcoin and Ethereum.
- Their money, estimated to be around Rs 10,000 crore, will not be blocked now.
- Banks, as well as other entities addressed above, may continue to carry out customer due diligence processes with existing mechanisms.
- E.g. KYC, Anti-Money Laundering (AML), Combating of Financing of Terrorism (CFT), PMLA, FEMA, etc.
- Meanwhile, the RBI is in the process of developing its own virtual currency.

Source: The Indian Express

