

How can the three policy responses (ban, contain or regulate) impact the cryptocurrency world

Reportedly, last week the cryptocurrency market saw a total volume rise of about \$29.95 billion

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Experts believe the government is taking steps towards cryptocurrency regulations

Despite calling for the ban on cryptocurrency, the Reserve Bank of India recently said that one of its key focus is to create a framework of regulation which would include the possibility of prohibition of unbacked crypto assets, stablecoins and DeFi (Decentralised Finance). However, industry experts believe that at this stage, cryptocurrencies cannot be an alternative to fiat payments in India. “The RBI has made it clear on different forums that it does not intend to recognise cryptocurrencies as legal tender in India. Lately, we can see the central bank’s stance hardening on DeFi too (where cryptocurrency acts in the nature of financial assets and not money) citing macroeconomic risks,” Purushotham Kittane, technology lawyer, Nishith Desai Associates, a legal firm, told FE Blockchain, adding that compensation mechanisms involving cryptocurrency

have been taken and will be continued to be made in compliance with the existing legal framework.

From what it is understood, “Under India’s G20 presidency, the RBI has to consider both macroeconomic and regulatory perspectives to address the full range of risks posed by cryptocurrency assets,” as per insights from its report titled The Financial Stability Report. Interestingly, last week the cryptocurrency market saw a rise of about \$29.95 billion reflecting about a 3.18% increase. It is expected that this surge took place due to the burgeoning DeFi sector, which accounts for about \$2.55 billion or 8.52% of volume in the cryptocurrency market.

Industry experts expect that the three policy responses (ban, contain or regulate) can address the risks posed to consumers, investors, market integrity and financial stability in the cryptocurrency market. “The government has taken a practical approach to cryptocurrency, Also, India added cryptocurrency to the Prevention of Money Laundering Act (PMLA), where cryptocurrency enterprises must register and comply with anti-money laundering and counter-terrorism funding laws. So, it is believed that the government is taking steps towards cryptocurrency regulation, which might stabilise the cryptocurrency market,” Rajagopal Menon, vice president, WazirX, a cryptocurrency exchange, explained.

Despite the ongoing ambiguity and tussle, the industry is optimistic that somewhere or someday the regulator will blink. “Future aspects such as the introduction of cryptocurrency-based salaries can be expected. This might have the capacity to simplify payments and offer financial autonomy, based upon the existence of supportive regulatory structures,” Edul Patel, CEO, co-founder, Mudrex, a global cryptocurrency-investment platform, concluded.

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