How to solve the crypto crossword

How to solve the crypto crossword
Synopsis

From the uber rich to the next-door geeks, everyone is dabbling in this digital asset. So, how do you decrypt crypto?

The cryptocurrency industry has had a second wind in India since last year.

This came after the Supreme Court lifted a ban on banks dealing with the digital asset early in 2020.

The popularity of cryptocurrencies can be gauged by their higher trading volumes on key crypto exchanges, conservative investors lapping up the risk asset, innovations and platforms for artists to express themselves through non-fungible tokens (NFTs).

Better-known crypto assets like Bitcoin and Ethereum as well as newer crypto tokens like Dogecoin and Shiba Inu coins have become a hit with Indian investors.

Indian crypto traders have flocked to cryptocurrencies. They have closely tracked every tweet and mention of Dogecoin, Bitcoin and other crypto assets by Tesla founder Elon Musk, who has a huge Twitter following among crypto traders.

At the same time, calls from stakeholders and experts to regulate crypto have also grown.
The industry is looking to self-regulate though.

The Internet and Mobile Association of India (IAMAI) is setting up a formal board to review and formulate best practices.

The government may also set up a committee to explore the use of blockchain and regulate cryptos as digital assets instead of currency.

Team ET looks at the growth and developments in the Indian crypto ecosystem.

**Top players**

Crypto exchanges and blockchain companies have breached several milestones amid a global crypto bull run.

Crypto exchange WazirX saw user sign-ups increase by almost 5,000% since March 2020. Its trading volumes have jumped to $6.2 billion as of May 2021, from $8.9 million in March last year.

Crypto exchange Coinswitch Kuber amassed six million users in the past year. It raised $25 million from New York-based investment fund Tiger Global in April.

User sign-ups grew by almost 700% at CoinDCX.

More than 12 million Indians - a majority under 30 - are trading in crypto on these three crypto platforms.

Indians have flocked to crypto exchanges amid a boom fuelled by institutional acceptance and aggressive marketing. They are buying Bitcoin, Ethereum, Ripple, Matic, USDT, and Musk’s favourite meme token, Dogecoin.
They have **invested in Polygon’s token (Matic)**, after the company – founded by three Indians – breached $10 billion in market capitalization in May. Polygon recently received an undisclosed sum from US billionaire entrepreneur Mark Cuban.

The crypto mania in India has attracted users across age groups and is no longer concentrated in metros.

“We have been seeing a lot of traction from senior citizens and users over 45 keen to get into crypto... as much as 45% of our user base comes from tier 2 and tier 3 towns,” said Ashish Singhal, cofounder of CoinSwitch Kuber.

**Regulatory status**

Crypto in India is unregulated.

This has led to confusion among customers, businesses and banking services providers.

The industry has mostly faced regulatory flip-flops.

While finance minister Nirmala Sitharaman indicated a “calibrated approach” and called for experimentation with blockchain, the RBI...
has expressed “major concerns” over cryptocurrencies. The Ministry of Corporate Affairs (MCA) in March asked companies to disclose their investments in crypto or virtual currency, along with source of funds and profit or loss earned through such transactions.

Despite the Supreme Court ruling, several large banks cited the RBI circular and refused to work with crypto exchanges. They also closed the business accounts of crypto exchanges and instructed them to stop processing such transactions. Some also cautioned customers and payment intermediaries citing the circular.

Finally, the RBI clarified on June 1 that the lenders could not use the circular to stop working with the crypto industry.

Meanwhile, there is also the question of how to tax crypto trades.

In March, minister of state for finance Anurag Thakur said "gains arising from transfer of cryptocurrencies/assets is liable to tax" as an income, and that supply of services by crypto exchanges will be taxed under GST.

“The gains made on crypto trading may be in the nature of business income or capital gains depending upon the facts of each case. This classification is important as the tax rate on business income could be as high as 43% and as low as 20% in the case of long-term capital assets,” said Amit Singhania, partner, Shardul Amarchand Mangaldas.

From a Tax perspective there is currently a lack of clarity over the tax status of cryptocurrencies, said Salman Waris, managing partner at TechLegis Advocates & Solicitors. "Currently, no data is maintained on
the cryptocurrency earnings of Indians as there is no provision in the Income-tax return to capture data on earnings arising from crypto currencies and assets," Waris said.

**The Cryptocurrency Bill**

Cryptocurrency’s future in India will be determined by the Cryptocurrency and Regulation of Official Digital Currency Bill, 2021.

The Bill is expected to be tabled in parliament in the upcoming monsoon session, after failing to make it in the budget session earlier.

The Bill reportedly seeks to completely ban the use of cryptocurrencies.

According to its brief description in a Lok Sabha bulletin, the Bill would seek to “create a facilitative framework for creation of the official digital currency to be issued by the Reserve Bank of India. The Bill also seeks to prohibit all private cryptocurrencies in India; however, it allows for certain exceptions to promote the underlying technology of cryptocurrency and its uses.”

Government officials have said that the Bill, once it becomes law, would allow cryptocurrency investors up to six months to liquidate their assets.

An inter-ministerial committee led by former finance secretary Subhash Chandra Garg had drawn up the draft Bill in 2019, which suggested penalising cryptocurrency trade in India, including a jail term of 10 years for those holding, selling or dealing in cryptocurrencies such as Bitcoin.

It is unclear whether the current crypto Bill also includes severe penalties.
Global ecosystem
The United States, Japan and Singapore – to name a few - have already issued varying degrees of guidance or established frameworks for governing crypto. Many countries are, however, concerned about tracking crypto transactions and its potential as a money laundering tool.

Last week, the US Treasury Department published a tax plan that warned about the “significant detection problem” with crypto use for illicit activities.

The US financial authorities have indicated that they want to play a more active role in regulating the industry.

This year, Singapore updated its Payment Services Act, as part of which it said entities facilitating the transmission, exchange or storage of cryptocurrencies should hold a license to operate.

In recent weeks, China has cracked down on crypto, banning financial institutions from providing services related to cryptocurrency transactions.

Estonia, once known for its crypto friendly stance, has also proposed a series of regulations to tighten regulations on crypto and related businesses.

NFT – the new digital asset
Interest in NFTs has picked up across developed markets.

In India, the appetite for NFTs among digital artists, crypto traders and art collectors has risen sharply over the last three months.

NFTs transform digital art in the form of
photos, video, music etc into unique verifiable
digital assets that are tradable on the
blockchain.

For example, a landmark NFT art piece by
digital artist Beeple sold for $69.3 million at a
Christie's auction. The piece was **snapped up
by Indian-origin crypto investor** Vignesh
Sundaresan, or Metakovan.

WazirX last Tuesday **launched an NFT
marketplace** that features artwork in the form
of photos, GIFs, sketches and other digital art
by Indian and Asian artists, as well as
photographers.

Ethereum is the most widely used blockchain
for minting NFTs, but WazirX has chosen to
deploy the blockchain technology of its parent
cryptocurrency firm, Binance, for its NFT
platform.

Indian blockchain startups are building out
native blockchain ecosystems for the country’s
favourite sport, Cricket. Zebi, a Hyderabad-
based blockchain company, is working with
sport management company Gaames
Unlimited to create cricket-based NFTs on a
blockchain platform.

This will allow enthusiasts “to own the iconic
scenes from our cricketing history or even
unique fan content,” according to Atul
Srivastava, founder of Gaames Unlimited.

“The fact that it could be a fan from the US or
UK, or simply anywhere, owning a piece of this
history is just mind boggling.”

**Share the joy of reading! Gift this story to
your friends & peers with a personalized
message.** Gift Now