Draft Bill Banning Cryptocurrency

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The **Inter-Ministerial Committee on Virtual Currency** constituted under the Chairmanship of **Subhash Chandra Garg** has submitted its report along with **Draft Bill 'Banning of Cryptocurrency & Regulation of Official Digital** Currency **Bill, 2019'.**

Provisions of the Draft Bill

- **<u>Cryptocurrency</u> cannot be** used as legal tender or currency at any place in India.
- The bill prohibits everyone to mine, generate, hold, sell, deal in, issue, transfer, dispose of or use Cryptocurrency in the territory of India.
- The **Central Government** is allowed to declare **Digital Rupee** to be legal tender with the consent of the **<u>Reserve Bank of India.</u>**
- The **Reserve Bank** is empowered to declare any **official foreign digital currency** to be recognised as foreign currency in India.
- The use of **Distributed Ledger Technology** for creating a network for delivery of any financial or other services or for creating value, without involving any use of cryptocurrency is not prohibited.
- Direct or indirect use of Cryptocurrency shall be punishable with **fine** or imprisonment of **1 year** which may be extended to **10 years or both.**
- The maximum amount of fine that may be imposed upon a person for an offence shall be as follows:
    - **the higher of,–**
        - **three times the** loss or harm caused by the person; or
        - **three times the** gains made by the person.
- The Court is empowered to transfer any fees recovered, to the Consolidated Fund of India.
- The **Central Government** on the recommendation of investigating agency without being bound to it, is empowered to grant immunity for any offence under the act.
- The bill also provides that **no such immunity** can be granted by the Central Government in cases where the **proceedings for the prosecution** for any such offence have been instituted before the date of receipt of application for grant of such immunity.
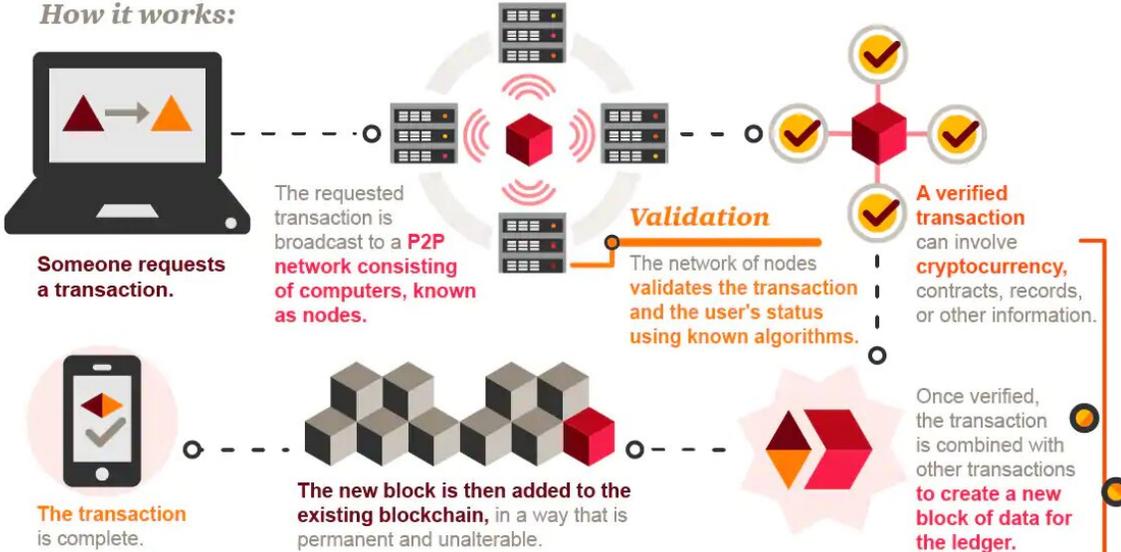
Blockchain technology

What is it?

The blockchain is a decentralized ledger of all transactions across a peer-to-peer network. Using this technology, participants can confirm transactions without the need for a central certifying authority. Potential applications include fund transfers, settling trades, voting, and many other uses.

How it works:

Someone requests a transaction.

The requested transaction is broadcast to a **P2P network consisting of computers, known as nodes.**

Validation

The network of nodes **validates the transaction and the user's status using known algorithms.**

A verified transaction can involve **cryptocurrency,** contracts, records, or other information.

Once verified, the transaction is combined with other transactions **to create a new block of data for the ledger.**

The new block is then added to the existing blockchain, in a way that is permanent and unalterable.

The transaction is complete.

Benefits

- Increased transparency
- Accurate tracking
- Permanent ledger
- Cost reduction

Unknowns

- Complex technology
- Regulatory implications
- Implementation challenges
- Competing platforms

Cryptocurrency

Cryptocurrency is a medium of exchange, created and stored electronically in the blockchain, using encryption techniques to control the creation of monetary units and to verify the transfer of funds. Bitcoin is the best known example.

Has no intrinsic value in that it is not redeemable for another commodity, such as gold.

Has no physical form and exists only in the network.

Its supply is not determined by a central bank and the network is completely decentralized.

Potential applications

Automotive
Consumers could use the blockchain to manage fractional ownership in autonomous cars.

Financial services
Faster, cheaper settlements could shave billions of dollars from transaction costs while improving transparency.

Voting
Using a blockchain code, constituents could cast votes via smartphone, tablet or computer, **resulting in immediately verifiable results.**

Healthcare
Patients' encrypted health information could be shared with multiple providers without the risk of privacy breaches.

- **Digital Rupee** means a form of currency **issued** digitally by the **Reserve Bank** and **approved** by the **Central Government** to be legal tender.
- <u>**Blockchain**</u> is one type of a **distributed ledger.**

<u>**Source: Livemint**</u>