



## The Market for Bitcoins in India

**OE Watch Commentary:** As the value of Bitcoin dramatically increased over the past year, cryptocurrencies and the blockchain technology behind them have been more frequently looked at by media and more closely scrutinized by governments around the world. The accompanying excerpted articles discuss Bitcoin and the recent rise in value from an Indian perspective and show how the cryptocurrency has been impacting the economy.

The first article from *Livemint*, an Indian daily newspaper, looks at the recent rise of Bitcoin's value. It points out that the Reserve Bank of India (RBI) "issued its third warning about trading in virtual currencies," but that despite multiple warnings, "The number of new users is doubling every three-four months on Indian trading platforms." The author also notes that "in India, the rush for Bitcoins has outpaced supply by a wide margin," causing "a mark-up of around 15-20% to the international price." According to the article, the RBI's Foreign Exchange Management Act "doesn't talk about virtual currencies specifically" and that "In short, it's all grey."

The article from India's *Daily News and Analysis (DNA)*, an English language daily newspaper, discusses the impact Bitcoin has been having on the property market in India. The author discusses that DNA carried out an investigation into how Bitcoin is being used and that it "is fast replacing the cash — read black — component in real estate deals." The author notes that "many sellers are now opting for cryptocurrencies for property deals and this is especially true of non-resident Indians, who can, with a few keystrokes, move this money abroad." The author also points out how Bitcoin "is also being offered as an investment option" by former real estate brokers through a "multi-level marketing (MLM) process."

The article goes on to report that many former brokers "have given up the old trade" and "lure investors on the assurance of returns of over 300 per cent in months." This is in addition to sources involved in the trade who claimed that "cryptocurrency exchanges have been adding over 2,500 users a day." The Indian Supreme Court recently "asked the government and its agencies... how they planned to regulate the cryptocurrencies" and three Indian Supreme Court Justices stated that "crypto money, if unchecked and unregulated, is a threat to exchequer's money and financial sovereignty of the country." While Bitcoin mining becomes increasingly complicated and the impact it has on the Indian economy remains to be seen, it appears that the Indian government is starting to see the popular cryptocurrency as a potential threat.

**End OE Watch Commentary (Stein)**

*"To make Bitcoins more acceptable, [real estate brokers]... push them through a multi-level marketing (MLM) process. The number of realty brokers, who are now part of this racket, is huge."*



Coinsecure Bitcoin Exchange India.

Source: [https://commons.wikimedia.org/wiki/File%3ACoinsecure\\_Logo\\_v1.png](https://commons.wikimedia.org/wiki/File%3ACoinsecure_Logo_v1.png), CC BY-SA 4.0.

**Source:** Philipose, Mobis. "The risks and thrill of investing in Bitcoins in India," *Livemint*, 7 December 2017. <http://www.livemint.com/Money/cwSJNgkEMGeQWMmTxBAY2O/The-risks-and-thrill-of-investing-in-bitcoins-in-India.html>

*On Tuesday, the Reserve Bank of India (RBI) issued its third warning about trading in virtual currencies such as Bitcoin. On Wednesday, the price of one Bitcoin hit a new high of \$12,000...Not that anyone expected RBI's warnings to cause a dent in appetite for Bitcoins...The irony is that the more Bitcoin rallies, the more people it draws into the rally...*

*For now, multiple hacks, thefts and scams haven't taken away anything from the charm of trading in Bitcoins. The number of new users is doubling every three-four months on Indian trading platforms. In fact, in India, the rush for Bitcoins has outpaced supply by a wide margin. As a result, there is a mark-up of around 15-20% to the international price; the price of one Bitcoin hovered around Rs9 lakh on the Coinsecure platform on Wednesday at the time of writing.*

*...The fact that regulation is not clear is another risk. Bitcoin purchases and sales in India are undertaken under the premise that they are allowed because they aren't explicitly disallowed. Do provisions of RBI's Foreign Exchange Management Act (FEMA) apply to Bitcoin bought overseas and later sold onshore?*

*Perhaps not, some lawyers argue, because FEMA doesn't talk about virtual currencies specifically. In short, it's all grey. If Indian policymakers worry, as China did, about the multiple Ponzi schemes that have spawned alongside the Bitcoin rally, and ban trading of Bitcoin platforms, traders could be in trouble...*

(continued)





## Continued: The Market for Bitcoins in India

**Source:** Rai, Dipu. “DNA Exclusive: Post demonetization, Bitcoins new ‘black’ in property market,” *DNA*, 23 November 2017. <http://www.dnaindia.com/business/report-dna-exclusive-post-demonetization-bitcoins-new-black-in-property-market-2561904>

*...what many do not know is that the “illegal” currency is already gaining ground in the country. Post-demonetization, which made hoarding of vast amounts of cash difficult and tricky proposition, different types of cryptocurrencies have replaced the “black” portion in property deals...Investigation conducted by DNA, which included attending several meetings where cryptocurrency was being hard-sold, especially as an investment option, shows that cryptocurrency is fast replacing the cash — read black — component in real estate deals.*

*“Instead of the cash part, many sellers are now opting for crypto coins for property deals and this is especially true of NRIs, who can, with a few keystrokes, move this money abroad,” said a real estate dealer... Moreover, crypto currency it is also being offered as an investment option — with real estate brokers, who left the real estate market due to the ongoing slump, offering deals to gullible investors looking to make easy money in closed-door meetings. To make Bitcoins more acceptable, [real estate brokers]... push them through a multi-level marketing (MLM) process. The number of realty brokers, who are now part of this racket, is huge.*

*Almost 70 per cent of erstwhile agents have given up the old trade. They have joined the closed group offering cryptocurrencies. They lure investors on the assurance of returns of over 300 per cent in months...Sources involved in the trade told DNA that, in India, cryptocoin exchanges have been adding over 2,500 users a day and have now reached five lakh (hundred thousand) downloads...the Supreme Court on November 13 asked the government and its agencies, including SEBI, Income Tax Department, RBI and Enforcement Directorate (ED), on how they planned to regulate the cryptocurrencies. A Bench of Chief Justice of India Dipak Misra and Justices AM Khanwilkar and DY Chandrachud noted, “... Emerging trend of crypto money, if unchecked and unregulated, is a threat to exchequer’s money and financial sovereignty of the country.”*



Reserve Bank of India, 2011.

Source: By Kolkatan (Own work) via Wikimedia Commons, [https://upload.wikimedia.org/wikipedia/commons/8/87/Reserve\\_Bank\\_of\\_India\\_%28RBI%29\\_building%2C\\_September\\_2011.jpg](https://upload.wikimedia.org/wikipedia/commons/8/87/Reserve_Bank_of_India_%28RBI%29_building%2C_September_2011.jpg), CC BY-SA 3.0.