

Cryptocurrency: Legal and Regulatory Challenges in India

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Abstract: *Global discussions have been triggered by the rise in popularity of cryptocurrencies, with India serving as a prime illustration of the regulatory unpredictability. There is an increasing need for clear restrictions as interest and related hazards rise. India's unclear regulations make its position on cryptocurrency more interesting. India is in a murky position when compared to nations that have either outright outlawed cryptocurrency or completely accepted it with well-defined laws. The fact that cryptocurrencies are neither outright prohibited nor completely legalized reflects a "wait-and-watch" perspective that results in frequent changes to regulation and ongoing discussions. The present paper discusses the legal issues, regulations and the challenges like security and unclear rules, etc. related to cryptocurrency.*

The increasing number of cryptocurrency users worldwide makes it evident that physical marketplaces are being replaced by online ones in the financial industry. Technological advancement has given birth to Cryptocurrency. The word "Virtual currency" can be used in broader sense and cryptocurrency as a little part of it. As defined by Reserve Bank of India Virtual currency operates as a decentralized form of digital money, typically developed and overseen by its creators, and adopted by participants within designated virtual communities. This type of currency operates outside traditional regulatory frameworks, providing users with a unique and often community-driven financial system. On the same grounds, Cryptocurrency is a form of digital currency, leverages cryptography to ensure robust security, significantly mitigating the risks of double spending or counterfeiting. This advanced cryptographic framework renders such fraudulent activities exceedingly difficult, if not virtually impossible, to execute within the cryptocurrency ecosystem. According to Merriam Webster Dictionary "cryptocurrency is a sort of virtual money that only exists digitally, has no physical form, and is not subject to government control or centralized regulatory agencies". Similarly, Cambridge dictionary defines cryptocurrency as created by decentralized public networks in contrast to centralized authorities unlike fiat currencies that are issued by governments. These currencies make use of cryptographic methods to enable safe network payments and transactions. The world of virtual currencies today includes more than 1,500 distinct varieties, all of which are unique in their own right and possess distinctive attributes. The way in which different currencies are categorised depends on the unique characteristics and features that each possesses. Some of the major and most frequently used cryptocurrencies are "Bitcoin, Ethereum, Binance coin, Polka dot, Internet computer, Zepay, CoinDCX, Bitcoin cash", etc...

Keywords: Cryptocurrency, India, Legal Challenges, Regulatory Framework, Digital Currency, Blockchain, Financial Compliance, Monetary Policy, Anti-Money Laundering, Investor Protection

