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## Supreme Court refuses to stay RBI ban on banks from dealing with cryptocurrency traders

The SC is scheduled to hear the petition against the RBI circular on July 20, but had agreed for an early hearing on July 3 on a separate petition filed by Internet and Mobile Association of India, which considers the cryptocurrency exchanges as its members.

[BusinessToday.In](#) [New Delhi](#) [Last Updated: July 3, 2018 | 18:57 IST](#)



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In a big blow to the digital exchanges operating in the country, the Supreme Court on Tuesday refused to stay the RBI circular asking banks and other financial institutions to stop doing business or providing financial services to those dealing in cryptocurrencies such as Bitcoin, Ethereum, etc.

Besides this petition, four other petitions have also been filed in the Delhi High Court as well as the Supreme Court against the blanket ban on providing the financial services to the cryptocurrency exchanges. The Supreme Court is scheduled to hear the petition against the RBI circular on July 20 but had agreed for an early hearing on a separate petition filed by Internet and Mobile Association of India (IAMAI), which considers the cryptocurrency exchanges as its members.

In its earlier hearing on May 17, the SC had told the online marketplaces to submit a detailed report explaining their functioning and compliance with financial rules, which they submitted in early June. The central bank, which has not responded to those representations so far, was also asked by the SC on Tuesday to revert in the next seven days.

In a statement on April 5, the **RBI** had said virtual currencies (VCs), also referred to as cryptocurrencies and crypto assets, raise concerns of consumer protection, market integrity and money laundering, among others. "In view of the associated risks, it has been decided that, with immediate effect, entities regulated by RBI shall not deal with or provide services to any individual or business entities dealing with or settling VCs," said the apex bank in a statement, giving these banks deadline till July 5 to stop business activities with the digital exchanges.

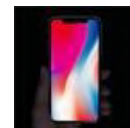
The move came after it was observed that the several companies had started dealing in over thousands of digital currencies which, the government and the RBI claim, had no intrinsic value - therefore leaving the investors at risk. The RBI's move was an attempt to ring-fence regulated entities from the risks associated with cryptocurrencies. Since December 2013, the RBI had issued four warnings against bitcoin and other crypto-currencies.

So far, the cryptocurrency investors were buying and selling the digital currencies through exchanges in Rupee. Once the July-5 deadline ends, all banks and other regulated entities will stop their services to the cryptocurrency exchanges, leaving its users with limited choices to trade digital currencies.

After the April-5 circular, though some cryptocurrency



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exchanges like WazirX and Koinex Loop have started working on a peer-to-peer model to facilitate virtual currency trade without using banking channels, many prominent digital marketplaces, after showing displeasure over the RBI circular, have asked customers to withdraw money from their online cryptocurrency wallets.

One of the biggest digital currency exchanges in India, **Zebpay**, last week asked its users to withdraw their money before the deadline ends on July 5. "While our industry is challenging this legally, the outcome is beyond our control. Hence, if you are holding any rupees, or depositing any rupees in Zebpay, there could soon come a time when we may not be able to honour withdrawal requests. Please continue only if you understand this risk," said the company.

Besides, the Central government is already in process of formulating a law to regulate digital currency business in India. In an interview to ET Now last month, Economic Affairs Secretary Subhash Chandra Garg had said that the draft policy on the virtual currencies had been prepared, which could be discussed and cleared in the month of July itself. The next hearing in the case is scheduled for July 20.

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