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**A COMPARATIVE ANALYSIS OF CRYPTOCURRENCY AND
BLOCKCHAIN REGULATIONS IN INDIA AND OTHER COUNTRIES**

- Manas Ahuja, Shivansh Srivastava & Shivang Thakur¹

ABSTRACT

This article examines the legal concerns and difficulties that users, regulators, and policymakers have as a result of the influence that blockchain and cryptocurrency technologies are having on a variety of economic sectors. With an emphasis on India, one of the biggest and fastest-growing economies in the world, it contrasts and analyses the policies and practices of other nations. In addition to examining the issues of financial stability, tax evasion, money laundering, cybercrime, and consumer protection, it also looks at the advantages and disadvantages of using these technologies in terms of innovation, inclusiveness, efficiency, and social effect. Based on the experiences and lessons gained from other nations, it also makes some recommendations and best practices for the regulation of cryptocurrencies and blockchain technology in India.

INTRODUCTION

Two of the 21st century's most inventive and disruptive technologies are blockchain and cryptocurrency. They have the power to drastically alter a number of economic areas, including trade, finance, government, and social effect. They do, however, also provide serious hazards and difficulties for users, legislators, and regulators. varied nations have taken varied stances on how

¹ Students at Symbiosis Law School

to accept and control new technologies; these stances range from rigid to flexible, and from legalisation to ban. One of the world's biggest and fastest-growing economies, India, is faced with a difficult decision about its position on blockchain technology and cryptocurrencies². On the one hand, India may gain from the adoption of these technologies in terms of creativity, inclusivity, and efficiency, and it also has a sizable market and talent pool for them. However, India also has challenges related to financial stability, tax evasion, money laundering, cybercrime, and consumer protection that may result from the improper use of these technology.

BLOCKCHAIN AND CRYPTOCURRENCY

A distributed record of transactions that is safe and verifiable through cryptography may be created and maintained thanks to blockchain technology. A kind of digital asset known as cryptocurrency is a unit of account, store of value, and medium of exchange that makes use of blockchain technology³. A network of nodes adhering to a consensus mechanism maintains the blockchain ledger⁴, which records cryptocurrency transactions⁵. Similar to traditional cash, cryptocurrencies may be used to purchase items. Transactions involving cryptocurrencies are protected and verified by cryptography. They are usually not issued by any central authority and do not exist in the actual world. As opposed to digital money issued by central banks, they employ decentralised control. The most well-known cryptocurrencies are Solana, Litecoin, Ether, Bitcoin, and Stablecoins.

LEGAL ISSUES WITH BLOCKCHAIN AND CRYPTOCURRENCY

A couple of the most ground-breaking and inventive technologies of the twenty-first century are blockchain and cryptocurrencies. But they also provide a number of legal problems and

²Davis, J. (2011). The crypto-currency. *The New Yorker*, 87.

³Ferdous, M. S., Chowdhury, M. J. M., & Hoque, M. A. (2021). A survey of consensus algorithms in public blockchain systems for crypto-currencies. *Journal of Network and Computer Applications*, 182, 103035.

⁴Zheng, Z., Xie, S., Dai, H. N., Chen, X., & Wang, H. (2018). Blockchain challenges and opportunities: A survey. *International journal of web and grid services*, 14(4), 352-375.

⁵Ahamad, S., Nair, M., & Varghese, B. (2013, December). A survey on crypto currencies. In *4th International Conference on Advances in Computer Science, AETACS* (pp. 42-48). Citeseer.

difficulties for companies, customers, and authorities. Among the many legal concerns pertaining to blockchain technology and cryptocurrencies are⁶:

- The meaning and legal standing of cryptocurrencies and blockchain technology, as well as whether or not certain governments recognise them as property, securities, commodities, legal money, or something else entirely.
- The legal structure and conformity standards pertaining to cryptocurrency and blockchain operations, including buying, selling, mining, issuing, storing, moving, and paying taxes, as well as how they differ between nations and areas.
- The legal rights and duties of users, developers, mediators, service providers, regulators, and other parties participating in cryptocurrency and blockchain transactions, as well as the methods by which such rights and obligations are upheld and safeguarded.
- The legal dangers and difficulties associated with cryptocurrencies and blockchain technology, including ways to avoid and lessen the effects of fraud, theft, hacking, loss, privacy, security, liability, and enforcement.
- the potential legal advantages and benefits of cryptocurrencies and blockchain technology, including how to best use and promote its innovative, efficient, transparent, inclusive, and socially impactful qualities⁷.

POSITION OF DIFFERENT COUNTRIES ON CRYPTOCURRENCY

India's Position

Crypto currencies are not illegal in India thus if you want to buy a bitcoin you can start trading in it but The RBI has not recognized crypto as currency, and no -specific legislation or regulations have been enacted in India to far. 2013 was the year when transactions in crypto was started in India. India, like other countries, is also concerned about the illicit impacts of cryptocurrency. It further believes that because it is not backed by any authorized institution, it affects the country's

⁶Fulmer, N. (2018). Exploring the legal issues of blockchain applications. *Akron L. Rev.*, 52, 161.

⁷Sapovadia, V. (2015). Legal issues in cryptocurrency. In *Handbook of digital currency* (pp. 253-266). Academic Press.

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economic stability and gives rise to crimes such as money laundering, fraud, and terror financing. The Indian government claims that investors are now using cryptocurrency to circulate illegal money⁸.

First time, in 2018 RBI issued a circular banning all financial institutions from dealing in cryptocurrencies. Soon after the ban bill was introduced named as “Banning of Cryptocurrency & Regulation of Official Digital Currency Bill, 2019”. According to this bill, all private cryptocurrencies are prohibited due to their hazards, and anyone who engages in any activity related to them is fined or sentenced to imprisonment up to ten years. However, this bill was never enacted and even the circular which was released in 2018 was set aside by the supreme court in case of *internet and mobile association of India v. reserve bank of India* saying that government cannot put blanket ban on crypto. So, there is introduction of cryptocurrency and regulation of official digital currency bill, 2021 which creates a beneficial framework for the formation of digital currency to be issued by national bank of India. (RBI). Also, the bill prohibits all private cryptocurrencies by just providing the exceptions for purpose of experiment and teaching. As per 2023 budget any profit earned by the crypto is taxable up to 30%⁹.

Russia's position

Russia's position on digital currencies has been ambiguous. On one hand, there have been initiatives to govern and legalize cryptocurrencies, recognizing their potential economic and innovation benefits. On the other hand, there have been times when multiple government officials have made contradictory comments. The period of 2017-18 was booming time for crypto in Russia. In 2017, Russia announced plans to develop a legal framework for cryptocurrencies and initial coin offerings (ICOs)¹⁰. But it was postponed as there had been opposing views on it. The bank of Russia wanted it to be banned and create its own digital

⁸Jani, S. (2018). The growth of cryptocurrency in India: Its challenges & potential impacts on legislation. *Research gate publication*.

⁹Singh, A. K., & Singh, K. V. (2018). Cryptocurrency in India-its effect and future on economy with special reference to bitcoin. *International Journal of Research in Economics and Social Sciences (ILJRESS)*, 8(3).

¹⁰Zharova, A., & Lloyd, I. (2018). An examination of the experience of cryptocurrency use in Russia. In search of better practice. *Computer Law & Security Review*, 34(6), 1300-1313.

authorized currency whereas the ministry of finance believes that instead of totally banning cryptocurrency it should be regulated. Eventually, in 2020 it obtained legal status but their use as means of payment was banned. After the release of consultation paper by the bank of Russia called ‘cryptocurrencies: trends, risks and regulation’ it was figured out that Russian citizens conduct \$5 billion in cryptocurrency transactions each year. The bank of Russia argued that the crypto could be used illegally as means of money laundering or to promote finance terrorism. They believe that crypto can cause loss to financial stability of country and may make it difficult to finance the real economy and there is high volatility that investors might suffer distress. Thereby, recently Vladimir Putin signed law banning digital asset payments in Russia. Law was approved by Duma and “bans the use of digital securities and utility tokens as means of payments for goods, services and product in Russia”¹¹.

China’s Position

China was one of the initial countries to adopt cryptocurrencies. It is one of the largest crypto currency markets. And thereby any regulation by China have affect on global value of cryptocurrency. It was 2011 when first crypto exchange took place in China, and in 2013 its famous research engine **baidu** had accepted bitcoin as means of payment. Slowly after that mining of crypto began to headway. People began investing in cryptocurrency throughout the 2016-2017 timeframe, which enhanced its value. However, the Chinese government has begun to address concerns about cryptocurrency, including the likelihood that it would devalue and eventually replace fiat currency. They argue that the increase in crypto would give rise to financial crime and would lead to economic instability. China banned all ICOs in September 2017, seeing them as an illegal fundraising practice and a possible threat to the economy. Also ordered the closure of all crypto operating within the borders. As previously indicated, the Chinese government's move had a significant impact, reducing crypto mining to 55% from 67%

¹¹Dorokhova, E., Dorokhova, E., Belykh, T., &Koren’kova, G. (2021, July). Economic and legal aspects of cryptocurrency usage in Russia. In *3rd International Conference Spatial Development of Territories (SDT 2020)* (pp. 327-332). Atlantis Press.

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of worldwide mining¹². Another aspect contributing to cryptocurrency deprivation was that China offers low electricity costs and inexpensive computer hardware, making it one of the largest mining countries. In 2019 the trading of crypto currency was officially banned but had continued through foreign exchanges. But in September 2021, the people's bank of China by issuing a regulatory document titled "Circular on Further Preventing and Disposing of Speculative Risks in Virtual Currency Trading" banned all cryptocurrency transactions and Chinese institution warned buyers that the government would not continue protecting for trading in bitcoin. The circular states that crypto do not owe any legal status with fiat currency as it is not issued by authorized country's bank therefore will not accept as legal tender and declares all cryptocurrencies illegal. Now, China is actively trying to develop its own digital currency called the digital renminbi or digital yuan. This digital currency will be issued and regulated by people's bank of China. China's say on introducing its own digital currency is that it would enhance the financial state of the country as it is centralized and also its capability for use without internet would make it more accessible¹³.

South America's Position

In terms of country-wide legalized adoption of bitcoin, cryptos, and blockchain technology, South America is undoubtedly ahead of the rest of the globe. eventually it seems like every South American country will legalize some sort of cryptocurrency. The only country that has legalized crypto is El Salvador which recognizes bitcoin as legal tender ie. now bitcoin will be accepted as a method of payment. The country like Colombia is also advancing towards a future in which banks and cryptocurrency exchanges work in collaboration. According to approach used by them citizens of the nation will be able to buy crypto via their traditional banking accounts. so far, Colombia's financial administration has allowed nine agreements between exchanges and national banks to conduct bitcoin activities more easily available to citizens. Other countries like

¹²Riley, J. (2021). The current status of cryptocurrency regulation in China and its effect around the world. *China and WTO Review*, 7(1), 135-152.

¹³Shen, W. (2021). New developments on regulation of cryptocurrency in China. *Journal of Investment Compliance*, 22(2), 133-136.

Bolivia and Ecuador believes that crypto harms economic stability of the economy thus they prohibit the use of crypto and makes the use of them illegal. In Chile, the supreme court has ruled that crypto do not have “physical manifestation and no intrinsic value”. Thus, they had similar strategy like India and China to create out its own digital currency. Brazil also seen as one of the most active countries towards crypto. Recently in 2022 Brazil made a law which provides framework for the regulation of cryptocurrencies within the country. according to their law digital assets are considered securities and they will be supervised by CVM, Brazilian securities and exchange commission. Although law nowhere defines or gives crypto the status of legal tender but merely provide it a recognition of digital assets¹⁴.

Europe’s Position

Trading in cryptocurrencies is absolutely permitted and legal in United Kingdom. The only condition is that all the businesses dealing in crypto assets must be register with financial conduct authority. UK has adopted some specific safeguards to protect its citizens from potential harm of crypto. Although HMRC (her majesty’s revenue and custom) department of tax collection does not consider cryptocurrency as a legal tender but as they are covered under digital assets, they are too liable to collect income tax or capital gains arising from crypto¹⁵. Similarly, France has similar stance on crypto. They do not have any specific rules or regulation regarding crypto. However, the bank of France (banque de France) just gives title of digital asset to virtual currency & do not consider it equivalent to fiat currency of the country. According to them VC do not owe any intrinsic value and using them as means of payment is strictly prohibited. Despite of this France is crypto friendly therefore had many times called upon Europe to make regulatory framework on virtual currencies. Germany and Ireland both are open to crypto-assets but do not have any regulation concerning it and do not grant legal status to it. Country like Spain has also issued timely warnings about the risks associated with

¹⁴Barreto, P. I. B., Maggia, P. J. A. U., & Acevedo, P. S. I. (2019). Cryptocurrencies and blockchain in tourism as a strategy to reduce poverty. *Retos*, 9, 18.

¹⁵Pravdiuk, M. (2021). International experience of cryptocurrency regulation. *Norwegian Journal of Development of the International Science*, (53-2), 31-37.

cryptocurrencies. As per Spain as VC are not issued, regulated and authorized by verified regulatory they can't be granted legal tender as fiat currency¹⁶.

CONCLUSION

One of the most ground-breaking and inventive technologies of the twenty-first century is cryptocurrency, along with blockchain. They might revolutionise a number of economic areas, including commerce, finance, government, and social effect. For consumers, legislators, and regulators alike, they also provide serious dangers and obstacles. Different nations have chosen different strategies for embracing and regulating new technologies, varying from rigorous regulation to legalisation and from prohibition to legalisation. One of the world's biggest and fastest-growing economies, India, is faced with a difficult decision about its position on blockchain technology and cryptocurrencies. On the one hand, India may gain from the adoption of these technologies in terms of creativity, inclusivity, and efficiency, and it also has a sizable market and talent pool for them. However, India also has challenges related to financial stability, tax evasion, money laundering, cybercrime, and consumer protection that may result from the improper use of these technology. goals of every nation, and evaluated their advantages and disadvantages. We have also spoken about the proposals and ramifications for India, as well as a future course for the country's blockchain and cryptocurrency regulations. We have come to the conclusion that India should take a sensible, well-rounded strategy that acknowledges the advantages and disadvantages of new technology, creates an atmosphere that is supportive of innovation and growth, and protects consumers and the country's finances. India should join with other nations to develop a unified and uniform international regulatory framework for cryptocurrencies and blockchain technology, taking note of their best practices and lessons gained. By doing this, India may take use of these technologies to realise its social and economic objectives and emerge as a leader in the digital age.

¹⁶Barsan, I. M. (2019). Regulating the Crypto World-New Developments from France.