



# CRYPTO ASSETS IN INDIA: ASSESSING THE CASE FOR REGULATION

Abridged Version

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Gujarat National Law University

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# ACKNOWLEDGEMENTS

On behalf of the research team at Gujarat National Law University, we extend our profound gratitude to the individuals and institutions whose support, guidance, and expertise have been instrumental in the completion of this comprehensive report titled, “Crypto Assets in India: Assessing the Case for Regulation.” This project represents a collective effort to navigate the complex intersection of law, finance, and technology within the Indian digital economy, with a specific focus on Virtual Digital Assets.

We owe a significant debt of gratitude to the members of our Advisory Board, whose multi-dimensional expertise refined our analysis of complex regulatory models. This report is the culmination of a rigorous consultative process that began with the First Advisory Board Consultation in Gandhinagar on October 6, 2025. We wish to specifically thank the distinguished former members of the judiciary, ex-senior bureaucrats, and retired administrative officials who participated in our deliberations. Their seasoned perspectives on institutional design, judicial capacity, and regulatory coordination provided a necessary bridge between theoretical research and practical governance.

The findings of this report were greatly enriched by the insights gathered during our regional stakeholder consultations across India’s major metropolitan hubs:

- Bengaluru (November 22, 2025): We thank our local partner at the Bangalore International Mediation, Arbitration, Conciliation Centre and the Vidhi Centre for Legal Policy for facilitating a critical dialogue at the Four Seasons Hotel Bengaluru.
- Mumbai (December 17, 2025): We are grateful to the Maharashtra National Law University, Mumbai, for hosting our discussions on the economic utility and regulatory ambit of Virtual Digital Assets in India’s financial capital.
- New Delhi (January 19, 2026): We extend our thanks to the Indraprastha Institute of Information Technology Delhi for providing a platform to explore the technological feasibility of our proposed regulatory frameworks.

We also extend our sincere gratitude to Neblio Technologies Private Limited for their financial support, without which the regional consultations undertaken as part of this project would not have been possible at the scale achieved. Their support enabled the research team to convene diverse stakeholders and undertake a rigorous consultative process.

We are equally grateful to our local partners for their invaluable logistical support and institutional collaboration, including extending concessional and discounted arrangements that allowed an academic institution such as ours to remain ambitious in its project design and focus on conducting high-quality consultations across different regions of the country.

We wish to thank the numerous industry participants, legal practitioners, academicians and technology experts who came forward to share nuanced data on market infrastructure, digital asset functionality, and the realities of the Web3 ecosystem. Their willingness to engage in a discourse was essential to drafting a framework that balances innovation with financial integrity. We also extend our sincere gratitude to Dr. Lalit Bhasin, President of Society of Indian Law Firms and Chairman, Confederation of Indian Industry for his valuable support extended to this project.

This report stands as a testament to the collaborative spirit of all those committed to securing India’s leadership in the global digital landscape. We extend our sincere gratitude to Bharat Web3 Association for their invaluable support, guidance, and efforts in bringing together key stakeholders for this initiative. Finally, we are equally grateful to the GNLU Administration, particularly Dr. Nitin Malik, Registrar, and the accounts and administrative staff for their seamless coordination of our extensive consultation schedule.

# PREFACE

This Report from the Project titled, “Crypto Assets in India: Assessing the Case for Regulation of Crypto Assets in India”, has been prepared as an analytical reference for policymakers, regulators, and institutional stakeholders engaged in shaping India’s approach to the regulation of Virtual Digital Assets and the broader crypto asset ecosystem. The report does not seek to recommend immediate regulatory action or endorse any particular policy outcome. Its purpose is to provide a structured, evidence-based assessment to support informed decision-making consistent with India’s legal framework, economic priorities, and international commitments.

The study is situated against the backdrop of the rapid growth, cross-border nature, and increasing systemic relevance of crypto asset markets. Given the absence of global uniformity in regulation, the report undertakes a detailed examination of how major jurisdictions have approached the classification, regulation, and supervision of crypto assets. This includes an analysis of regulatory models adopted across North America, Europe, the Asia-Pacific region, and select Middle Eastern and offshore jurisdictions. Particular attention is paid to how these jurisdictions apply securities law principles, adopt activity-based regulation, and develop taxonomies distinguishing between different categories of crypto assets and service providers. These comparative insights are used not as prescriptions, but as reference points to contextualise India’s regulatory choices. The research has been conducted by the Gujarat National Law University research team through a comprehensive review of international regulatory frameworks, judicial developments, and policy instruments, supplemented by an analysis of asset taxonomies and regulatory treatment across leading jurisdictions.

The study is further informed by the constitution of an advisory body comprising experts from the judiciary, administration, academia, and industry, as well as multiple regional stakeholder consultations. In parallel, the report examines India’s existing regulatory landscape, evaluates the roles of potential oversight institutions, and assesses the scope of legislative and regulatory amendments that may be required to address crypto trading, intermediation, and related activities.

Rather than advancing a single regulatory solution, the report systematically evaluates multiple institutional and regulatory models, including sectoral regulation, central bank oversight, technology-led governance, self-regulatory mechanisms, dedicated regulatory authorities, and coordinated multi-agency frameworks. In doing so, the report aims to serve as a neutral roadmap that situates India’s regulatory deliberations within a broader global context, while remaining attentive to domestic realities. By combining comparative analysis, taxonomy-based classification, and stakeholder perspectives, the publication seeks to contribute to a balanced and forward-looking discourse on crypto asset regulation in India.

# ADVISORY BOARD

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Mr. Kabir Bedi, Actor

# MESSAGE BY ADVISORY BOARD

“It is an honour for me to be a part of the team which is assigned the work of suggesting an effective Regulatory Frame Work for VDAs. It is not only the need of the day but also a pressing demand for the future. The country is looking forward to be a developed Nation under the strong leadership of the visionary Prime Minister with which the country is blessed. The Nation has very bright future and the responsibility to lead the World on all fronts and it will be achieved with joint efforts of all fellow citizens of the country. With lots of prayers and good wishes.”

— Justice Ravi Tripathi

The Report “CRYPTO ASSETS IN INDIA: ASSESSING THE CASE FOR REGULATION” dives deep into various aspects of Virtual Digital Assets, exploring both opportunities and challenges of this asset class. Distributed Ledger Technology forms the core of this asset class; however, because the technology and its multi-faceted applications are evolving so rapidly, global regulatory developments have largely remained reactive. At present, India lacks policy clarity, employing strategies of deliberate deterrence towards crypto trading while promoting CBDC as the official digital currency. This comprehensive report details the taxonomy, uses, risks, and benefits of VDAs, offering potential pathways for regulation. It would definitely serve as a vital resource for policymakers whenever the Government of India decides to undertake framing of VDA regulations.”

— Mr. Rajkumar

“In an era where digital assets increasingly influence capital flows, consumer behaviour, and transnational crime, this Report serves as a timely and responsible contribution to informed policy discourse. I am confident that its recommendations, if engaged with constructively, will assist India in developing a balanced, secure, and future-ready regulatory framework for crypto assets.”

— Dr. Keshav Kumar

# MESSAGE BY ADVISORY BOARD

“Crypto Assets’ have eluded regulation for a substantial period, possibly given the ambiguity surrounding their very existence. That Law’s protective reach out was essential to protect users and investors alike cannot be gainsaid and sooner India takes on the reins of regulating crypto assets the better. GNLU’s initiative is timely and will lend value to deliberations towards this end. The consultations and efforts under the initiative are but the tip of the proverbial iceberg. India needs to look beyond the regulatory framework emerging globally and expeditiously address the need of the hour i.e., laws on preventive, protective, permissive and punitive measures qua Crypto-assets.”

— Sr. Adv. N. S. Nappinai

“This is the right time to bring in regulation when the crypto assets landscape is ripe. Dispute prevention and resolution need to be regulated by ODR designed specifically and innovatively for Crypto Assets. Let us lead the way for the rest of the world to follow.”

— Ms. Chittu Nagarajan

“It has been my privilege to be one of Expert member of GNLU Team On Draft Crypto Regulation under the able and dynamic leadership of Prof S. Shanthakumar. I have attended all the meetings of the Advisory Committees and contributed with my views and suggestions. The team has engaged in massive deliberations before finalizing the Draft Report. An effective, transparent, Transparent and comprehensive Regulatory framework on Cypto and all form of Didital currencies is the need of the hour. India must realign with best global practices and come out with the Regulatory framework. Sooner then later. I am sure this Draft Report will prove to be a benchmark for the Policy makers. I Would also like to associate with GNLU on future projects of similar nature. My best wishes.”

— Mr. Prof. M. K. Bhandari

# MESSAGE BY ADVISORY BOARD

“The comprehensive study undertaken by Gujarat National Law University on crypto assets stands out as an exceptionally detailed and rigorously researched document. It reflects not only doctrinal depth but also a nuanced understanding of technological, financial, and regulatory dimensions of the ecosystem. The stakeholder consultations conducted across Delhi, Mumbai and Bengaluru have enriched the study with practical insights from industry participants, policymakers and subject-matter experts. At a time when jurisdictions across the world are actively shaping crypto regulatory frameworks, this study arrives as both timely and forward-looking. It offers a balanced, well-reasoned foundation for policy deliberation. For government bodies, industry stakeholders or any institution seeking to meaningfully engage with the question of crypto asset regulation in India, this document serves as an authoritative and thoughtful reference point.”

— Ms. Mitali Gupta

“India has consistently demonstrated a nuanced approach to Crypto Assets, aligning domestic safeguards with the global G20-IMF-FSB roadmap. The conclusion of this comprehensive research project comes at a pivotal juncture in India’s digital journey. As we move into 2026, the regulatory landscape for Crypto Assets has transitioned from foundational policy-making to a robust phase of implementation and oversight. The recent emphasis on reporting transparency and compliance frameworks underscores our national commitment to financial integrity while navigating the complexities of decentralized technologies.

This report serves as a vital bridge between theoretical legal principles and the practicalities of a rapidly evolving market. I commend the GNLU research team for their meticulous multi-stakeholder approach, which ensures that these findings are both inclusive and actionable. It is my hope that this report will act as a guiding document for policymakers, industry leaders, and legal practitioners alike as we strive to build a secure and transparent digital asset ecosystem for the nation.”

— Mr. Kalyanjit Hatibaruah

# MESSAGE BY ADVISORY BOARD

“I am honoured to be a part of GNLU’s project on Crypto Assets in India. Until now, government policy has not been crypto friendly. While crypto exchanges are legal in India, cryptos have not been treated on par with other asset classes: high taxation on profits, and not allowing any write offs on losses. All this needs to be addressed by creating the right regulatory framework for the management of crypto assets in India.

I commend the GNLU research team, advisors and participants for this comprehensive report, which gives the government the options for creating such a framework. India should be among the countries that recognize crypto assets with the respect they deserve.”

— Mr. Kabir Bedi



# FOREWORD

India stands at a crossroads in the evolution of its financial and technological ecosystem. Virtual digital assets promise not only industry innovation and global competitiveness but also the responsibility to protect investors, preserve financial stability, and maintain public trust. While the regulatory posture remains nebulous at the moment, the Indian approach needs to establish a careful balance between new forms of entrepreneurship and regulatory prudence through responsive regulation.

This report, as presented by Gujarat National Law University, captures the careful deliberation needed to navigate this frontier. The proposed framework combines statutory oversight, a dedicated virtual digital assets regulator, and an industry-led self-regulatory organization, ensuring that regulation is both informed by technical expertise and aligned with the public interest. In the instance of a multi-regulator approach, responsibilities will be distributed among RBI, SEBI, MeitY, and other stakeholders. The approach would align with international best practices, ensuring India remains globally competitive while mitigating systemic and consumer risks.

I also commend the report for highlighting the potential of SROs and industry participation. By fostering accountability, ethical standards, and rapid adaptation to technological developments, India can encourage responsible growth in blockchain and Web3 ecosystems.

At the same time, a dedicated regulator would provide prudential safeguards, licensing, and enforcement mechanisms, building credibility. This architecture would help India position itself as a forward-looking participant against the G20 initiatives and Viksit Bharat, 2047 vision in the crypto-ecosystem.

I appreciate the contributors for a thorough and insightful exposition, offering policymakers, industry stakeholders, and regulators a comprehensive blueprint for the responsible development of India's VDA ecosystem. It endures for an Indian commitment to becoming a leader in digital finance, not by merely chasing trends, but by crafting measured, globally aligned, and innovation-fostering regulation. I hope this report informs all stakeholders, inspiring confidence, collaboration, and a shared vision for the future of India's digital economy.

**Justice MR Shah**

Former Judge, Supreme Court of India



# EXECUTIVE SUMMARY OF THE REPORT

India stands at a crossroads in its approach to crypto asset regulation, facing a pivotal opportunity to establish a clear framework that balances innovation and risk. Over the past decade, the country's stance on crypto assets has evolved dramatically from early warnings and banking bans to a cautious wait-and-see strategy. Now, with the global crypto market reaching a significant scale and major economies implementing their own rules, the urgency for India to act has never been greater. As part of the 'Delhi Declaration' during India's G20 Presidency in 2023, officials emphasized that no country can regulate crypto in isolation and championed a coordinated global response. A robust regulatory regime is crucial not only to safeguard consumers and financial stability, but also to ensure India isn't left behind as blockchain innovation and investment accelerate worldwide. This moment is an opportunity for India to align with global norms and proactively shape its digital asset future, rather than play catch-up.

Despite the enormous growth of the crypto sector, where India regularly ranks amongst the top adopters of the technology globally according to most industry estimates, India's domestic regulatory approach so far has been cautious and piecemeal. The government has opted for incremental measures in lieu of a comprehensive law. For instance, in 2022, it imposed a 30% tax on income from VDAs, along with a 1% TDS on crypto trades, to bring transactions into the tax net, and in 2023 it brought crypto exchanges and intermediaries under anti-money laundering rules to mandate KYC and reporting obligations.

These steps signalled India's intent to control risks without outright banning crypto, effectively imposing some oversight while awaiting international consensus. This prudent approach bought time to study the evolving global landscape. Indian officials have consistently advocated for unified global action on crypto policy. However, the absence of a dedicated regulatory framework has also left a void. Investors and businesses still face uncertainty, with no single authority or law providing clarity on permissible activities, consumer protections or industry standards. The uncertainty in combination with high taxation has also led to a significant quantum of both capital flight to unregulated offshore crypto platforms and brain drain to friendlier jurisdictions. Meanwhile, nearly every other G20 nation has forged ahead with clear regulations. Global regulatory momentum is strong, and with consensus now largely in place, the final obstacle to India introducing effective crypto legislation has been removed.

In this context, continued delay poses risks, from illicit finance and consumer harm to an erosion of India's competitive edge in the Web3 economy. In fact, the consensus amongst most governments and Standard Setting Bodies is that regulation better addresses risks, whether it be to monetary sovereignty, consumer protection, or national security, are better served through regulation as opposed to prohibition. The need for a tailored, forward-looking crypto regulation in India is both urgent and undeniable. This report is a response to that need, a roadmap to help navigate the regulatory choices facing India.

Its primary objective is to outline the various avenues through which a comprehensive crypto asset regulation can be achieved in line with India's G20 commitment and domestic priorities. In examining potential regulatory frameworks, the report analyzes several distinct models for governing the crypto industry in India. Each model is assessed for its legal feasibility, scope of oversight, alignment with international best practices, and impact on investor protection, market integrity, and innovation. The main regulatory approaches evaluated in Section 2 include:

1) **SEBI as Primary Regulator:** Considering SEBI as the chief regulator for crypto assets, capitalizing on SEBI's expertise in securities and investment markets. This subsection explores how crypto tokens might be treated similarly to securities and it also examines global precedents of securities regulators overseeing crypto and evaluates SEBI's capacity to cover crypto-specific risks.

2) **RBI as Primary Regulator:** Evaluating RBI's role in regulating VDAs, given the central bank's mandate over currency, payments, and systemic stability. This part discusses how crypto could be regulated under existing RBI frameworks like payment systems law or foreign exchange rules, what additional licensing might be required, and how RBI's oversight could address issues like stablecoins and cross-border transactions.

3) **MeitY-Led Oversight:** Examining an approach where MeitY governs crypto platforms under digital and IT laws. This model looks at treating crypto businesses akin to other digital services, with regulation through the IT Act, 2000 or new rules, and analyzes MeitY's capacity to enforce standards on technology aspects such as data security and consumer protection for online services.

4) **Self-Regulatory Organization Model:** Considering an industry-led self-regulatory body that sets and enforces rules for crypto asset service providers. The report discusses how an SRO could operate drawing on similar self-regulation examples in India and abroad. It weighs the benefits of industry expertise and agility in rule-making against the challenges of ensuring compliance and avoiding conflicts of interest without direct government enforcement.

5) **New Dedicated Regulator:** Exploring the possibility of establishing a completely new regulatory authority for crypto assets. This section outlines what powers and functions a specialized crypto regulator might have, how it could be structured, and the potential advantages of a focused agency. It also considers the practical implications, such as the time and legislation required to create a new regulator and the risk of overlapping jurisdictions with existing agencies.

6) **Multi-Agency (Hybrid) Model:** Assessing a coordinated oversight approach where multiple existing regulators share responsibilities for the crypto sector. In this model, oversight is distributed based on each regulator's domain expertise, for example, SEBI overseeing aspects related to investments and trading,

RBI handling payment and currency aspects and other agencies like the Financial Intelligence Unit or tax authorities covering AML and taxation issues. The analysis in this subsection looks at international instances of collaborative regulation and maps out how India's regulatory bodies could coordinate to cover all facets of VDA activity. It discusses mechanisms for inter-agency cooperation and information-sharing to prevent gaps or overlaps in oversight.

Throughout these evaluations, the report remains neutral and objective, carefully examining the pros and cons of each approach. Rather than advocating for any single solution, it analyzes how each model addresses the risks identified in the introduction and what trade-offs are involved. By comparing these models, the report provides a comprehensive view of the regulatory choices India faces, supported by evidence from global practices and Indian market considerations. The comparative analysis of the various models yields several key findings. First, no single regulatory body or model alone fully addresses all the challenges posed by crypto assets. Approaches relying on one regulator whether SEBI, RBI, or any other single entity tend to cover their area of expertise well but leaves gaps in other areas. For instance, a securities-focused approach might strengthen investor protection on exchanges, but struggle with payment-related aspects of crypto, whereas a banking-centric approach could manage monetary risks but not aspects of market integrity on crypto trading platforms. Similarly, a purely self-regulatory scheme could harness industry knowledge and flexibility, but may lack the legal authority needed for robust enforcement.

Establishing a new regulator could provide dedicated focus, yet creating a new bureaucracy from scratch would be time-consuming and could duplicate existing competencies. These findings underscore the complexity of crypto assets regulation and the importance of addressing technology, finance, and consumer issues in tandem.

Under the recommended model by this report, each regulator would oversee crypto activities relating to its domain, for example, SEBI would enforce securities laws and protect investors in crypto markets, RBI would oversee payment, currency, and prudential aspects, and other agencies like MeitY could address

technology and platform integrity, while the SRO would develop operational norms and best practices for the industry in alignment with regulators' guidelines. A formal coordination mechanism such as an inter-agency council or committee under the Ministry of Finance would ensure these multiple authorities work together seamlessly, preventing regulatory overlaps or blind spots. This hybrid approach aims to balance government oversight with industry expertise: it ensures no critical regulatory concern is left unaddressed, enhances clarity by delineating each agency's role, and still allows the crypto industry a degree of participative governance through the SRO. The report's analysis indicates that such a blended model can provide comprehensive coverage of risks from financial stability and consumer protection to cybersecurity and fraud prevention without stifling innovation.

In conclusion, this report serves as a roadmap for understanding and addressing VDA regulation in India. It guides the reader through the context and options, ultimately recommending a nuanced solution rather than a one-size-fits-all approach. By clearly outlining the document's structure and systematically examining each regulatory model, this executive summary provides a concise guide to the full report. Readers can expect this report to elaborate on each of these points, supported by data, case studies, and legal analysis, thereby equipping policymakers, industry stakeholders, and the public with thorough basis for informed decision-making on crypto asset regulation in India.

**Prof. (Dr.) S. Shanthakumar**  
Director, Gujarat National Law University

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# SUMMARY OF STAKEHOLDER CONSULTATIONS

## I. ADVISORY BOARD MEETING



The First Advisory Board Consultation Meeting, convened on 6 October 2025 at Gujarat National Law University, Gandhinagar (GNLU) represented the foundational stage of deliberations for the project on regulating crypto assets in India. Bringing together former judges, senior administrators, law enforcement officials, academics, and industry representatives, the meeting identified the absence of a comprehensive legislative framework as the core regulatory gap, noting that executive notifications and ad hoc measures are insufficient to address the sector's complexities. Judicial members emphasized that courts cannot substitute legislative action and suggested that executive circulars lack the necessary backing to provide long-term stability.

Central to the deliberations was the hybrid nature of Virtual Digital Assets (VDAs), which resist simple categorization by displaying both currency-like and asset-like characteristics. Furthermore, because VDAs share significant traits with market-based instruments, it was noted that regulatory design should leverage capital markets expertise to mitigate risks, such as market manipulation and misinformation by unregulated influencers, that mirror traditional securities markets.

Distinct concerns were also raised regarding stablecoins, which pose unique monetary and payment system risks compared to other crypto assets due to their specific backing and structure. From an enforcement perspective, officials stressed that regulatory design must be informed by evidence from past scams and operational realities. Regarding institutional design, the meeting highlighted that regulatory overlap and fragmented jurisdiction pose significant implementation challenges. Given that traditional courts may lack technical capacity and the sustainability of specialized tribunals is uncertain, Online Dispute Resolution (ODR) was proposed as a more effective mechanism for managing crypto disputes.



Industry representatives advocated for phased compliance calibrated to systemic significance, rather than uniform obligations, to prevent driving innovation offshore, while acknowledging that pure self-regulation is inadequate without state oversight. The meeting concluded that legislative clarity must precede detailed liability and institutional design. Ultimately, because crypto regulation spans finance, technology, and law enforcement, the Board emphasized the necessity of global coordination and alignment with G20-level discussions to establish a structured and comprehensive regulatory foundation.

## II. BANGALORE CONSULTATION

The Bengaluru Regional Stakeholder Consultation, convened on 22 November 2025 in collaboration with BIMACC and the Vidhi Centre for Legal Policy, identified persistent regulatory and policy ambiguity as the central constraint inhibiting responsible market development, noting that such uncertainty poses a greater risk than regulation itself. Participants characterized crypto assets as software-based, peer-to-peer systems that lack legal tender status and function, necessitating a regulatory approach that follows technological function. To prevent the overreach caused by treating crypto as a homogenous category, the participants advocated for a four-part taxonomy,

distinguishing between decentralized crypto commodities, tokenized securities, stablecoins, and utility tokens, while noting that blockchain serves as vital decentralized computing infrastructure beyond mere financial use cases. While tokenized assets with identifiable issuers warrant securities-style oversight to address information asymmetry and investor protection, stablecoins were highlighted for their potential to significantly reduce remittance costs, provided their risks to monetary stability are mitigated.

Participants further pointed out that while current high taxation and regulatory caution reflect a deliberate deterrence strategy consistent with historical skepticism, this rigid regime has had the unwanted consequence of users migrating to unregulated offshore platforms, resulting in diminished state revenue and a “talent flight” that undermines India’s strategic digital autonomy. Consequently, stakeholders argued for a regulation informed by market behaviour, which acknowledges that crypto service providers perform functions similar to traditional financial intermediaries, while appreciating the fact that existing categories, such as Authorized Dealers, are not fully equipped to entertain their unique requirements. To address risks including volatility, environmental externalities, and anonymity-enabled fraud, the consensus favoured traceability and ODR over blanket bans or traditional arbitration. Drawing comparative lessons from the Markets in Crypto-Assets (MiCA) by the European Union (EU), Dubai’s Virtual Assets Regulatory Authority



(VARA), and Japan’s Self-regulatory Organization (SRO) model, the meeting concluded that clear policy objectives and a comprehensive legislative framework must precede institutional design, ensuring that India’s cross-disciplinary approach to finance, taxation, and national security aligns with global best practices.

### III. MUMBAI CONSULTATION



The Mumbai Regional Stakeholder Consultation, held on 17 December 2025 at MNLU Mumbai, sought to bring together individuals from diverse backgrounds, including from financial intermediaries, legal experts, and regulators to facilitate a well-rounded discussion on VDAs and their regulation in India. The deliberations prioritized the construction of a regulatory framework that balances innovation with financial stability, highlighting the “irreversible trend” of VDAs despite their systemic vulnerabilities. A critical focus was placed on addressing market failures through mandatory transparency, stringent custody standards, and the segregation of market intermediary functions to ensure institutional-grade security. To safeguard retail

participants, stakeholders advocated for standardized dispute-resolution mechanisms comparable to SEBI and RBI frameworks, alongside intensive public awareness initiatives to mitigate risks associated with market volatility and speculation.

The consultation identified significant jurisdictional fragmentation, noting that diverse activities such as spot trading, derivatives, and mining span financial, energy, and national security policies. To resolve this, participants debated institutional designs ranging from utilizing existing regulators to establishing a dedicated, technically specialized VDA authority. The participants also discussed the viability of a “co-regulatory model” featuring SROs operating under rigorous statutory oversight, frequently citing the Japanese model as a benchmark for protecting domestic users. Several participants also voiced their support for a model premised on leveraging the existing expertise of India’s sectoral regulators, which would allow them to utilise their experience to better regulate VDAs. Furthermore, it was agreed that any future policy must align with international standards set by the IMF, FSB, and FATF while explicitly addressing the interaction between VDAs, India’s Digital Public Infrastructure, and the proposed Central Bank Digital Currency (CBDC). Ultimately, while judicial recognition of crypto as property is emerging, the meeting concluded that a formal statutory foundation is essential to provide commercial certainty and address the fundamental tensions between financial innovation and macroeconomic risks such as capital flight and currency substitution.

## IV. DELHI CONSULTATION



The stakeholder consultation reflected broad agreement that India’s current “wait and watch” approach to crypto and virtual digital assets risks becoming prolonged inaction, particularly as global jurisdictions move ahead with structured regulatory frameworks. Participants repeatedly stressed that regulation should not be viewed as a prohibition or endorsement, but as a rule-of-the-road that enables safe participation, restores trust, and reclaims liquidity, without stifling innovation. A central concern was the disconnect between taxation and regulation: VDAs are heavily taxed, yet lack legal clarity, consumer protection, or legitimacy, resulting in low compliance, limited disclosures, and a growing shift of

users and liquidity to foreign exchanges and peer-to-peer channels. While TDS has become the primary tool for traceability, it was widely seen as distorting market behaviour and pushing activity offshore rather than improving compliance. Stakeholders highlighted persistent enforcement and consumer protection gaps, including the prevalence of fake tokens, scam platforms, and low public awareness, coupled with the absence of clear recourse mechanisms or publicly accessible registries of compliant entities.

Although exchanges broadly comply with AML, KYC, and PMLA obligations, decentralised platforms and P2P transactions remain high-risk and difficult to regulate, highlighting that centralisation alone cannot address criminal misuse. There was consensus that rigid, token-based classification is ineffective and that regulation should instead focus on activities such as exchanges, custody, brokerage, and issuance. Most participants favoured a multi-regulator framework supported by self-regulatory organisations, with strong coordination across agencies, noting that SROs must complement, not replace, statutory oversight. Beyond trading, stakeholders emphasised the importance of enabling innovation and



real-world use cases such as tokenisation, climate-risk mitigation, and supply-chain applications, arguing that crypto should be viewed as infrastructure rather than merely an asset class.

**Disclaimer:** The views and opinions expressed in this Report do not represent, reflect, or purport to express the views of any individual Advisory Board Member, stakeholder participant, institution, or organisation associated with the consultations conducted as part of this project.

# EVENT HIGHLIGHTS



# EVENT HIGHLIGHTS



# EVENT HIGHLIGHTS



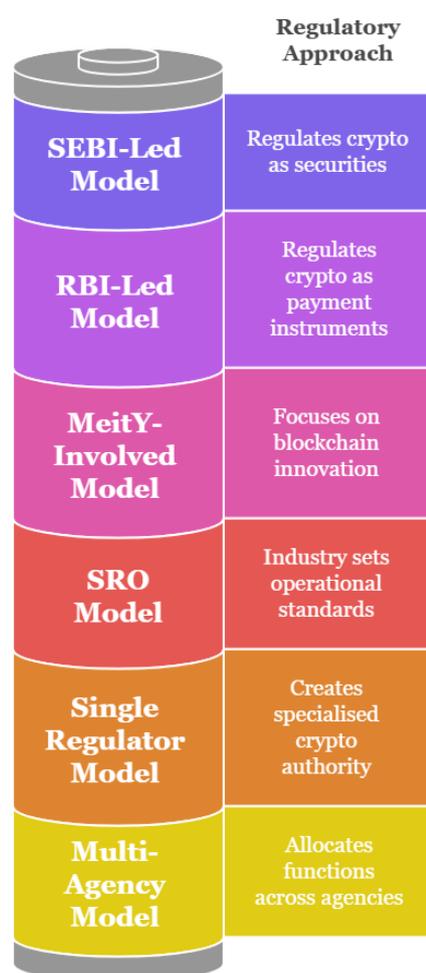
## 1. Introduction

India's approach to crypto-asset regulation has evolved cautiously over the past decade, shaped by regulatory skepticism, judicial intervention, and incremental policy responses rather than comprehensive legislation. The Reserve Bank of India first issued public advisories in 2013 warning users about the absence of legal tender status, high volatility, and financial risks associated with virtual currencies. These concerns were reiterated in 2017 by the RBI and the Ministry of Finance, which highlighted investor protection issues, systemic risk, and the speculative character of crypto-assets. In April 2018, the RBI prohibited regulated entities from providing services to crypto businesses, effectively cutting exchanges off from the formal banking system. This measure was later struck down by the Supreme Court of India in *Internet and Mobile Association of India v. RBI (2020)*, which held the restriction to be disproportionate in the absence of demonstrated harm.

Following the Court's ruling, the government moved away from prohibition toward calibrated fiscal regulation. Although a 2019 Inter-Ministerial Committee had recommended a blanket ban, the Union Budget 2022 introduced Sections 115BBH and 194S to the Income Tax Act, imposing a flat 30 percent tax on income from Virtual Digital Assets, a 1 percent Tax Deducted at Source on transactions, and disallowing the set-off of losses. These provisions brought crypto-assets within the tax and anti-money laundering framework while carefully avoiding recognition as legal tender. Additional compliance measures followed, including 2022 advertising guidelines issued by ASCI and the 2023 inclusion of Virtual Asset Service Providers under the Prevention of Money Laundering Act, mandating reporting to FIU-India.

At the international level, India used its 2023 G20 Presidency to emphasize global regulatory coordination and subsequently aligned domestic tax definitions with the OECD Crypto-Asset Reporting Framework. The proposed Income Tax Bill, 2025 further strengthened enforcement by classifying VDAs as capital assets and expanding investigative powers. Despite these incremental steps, India still lacks a dedicated crypto statute. In contrast, jurisdictions such as the European Union, Hong Kong, and the UAE have adopted comprehensive licensing regimes. The absence of a structured legislative framework in India creates regulatory gaps, particularly with respect to offshore platforms and consumer protection, underscoring the need for a coherent and globally aligned regulatory model.

## 2. Potential Regulatory Models for India

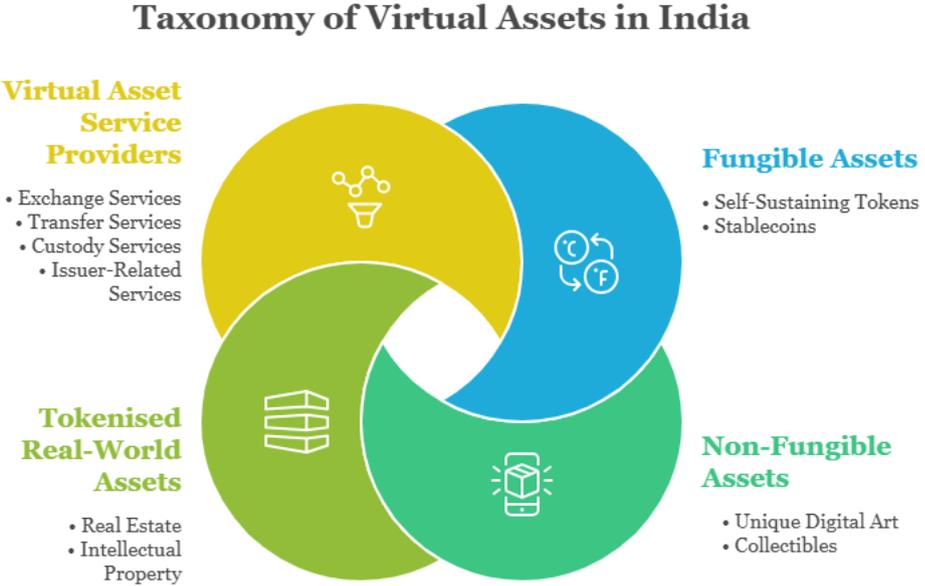


### 2.1 Taxonomy

The current statutory definition of crypto-assets in India is derived from the Income Tax Act, 1961, which introduced the term “Virtual Digital Asset” in 2022. Section 2(47A) defines a VDA broadly to include cryptographically generated digital representations of value, including NFTs, while excluding sovereign currencies. The Central Government retains the power to notify exclusions. Subsequent clarifications and amendments, including alignment with the OECD’s Crypto-Asset Reporting Framework in the 2025 Finance Bill, have refined this definition. Earlier governmental and regulatory reports, including RBI working group reports and the 2019 Inter-Ministerial Committee report, provided functional definitions of digital currencies and crypto-assets, emphasising their private issuance, lack of legal tender status, and reliance on cryptography. However, these definitions remain monolithic and insufficiently granular for regulatory purposes.

Accordingly, the report proposes an expanded taxonomy. A Virtual Digital Asset is defined as any cryptographically generated digital representation of value, transferable and tradeable electronically,

excluding central bank digital currency. The following figure provides a schematic representation to illustrate the taxonomy of virtual digital assets and the scope of virtual asset service providers:



## 2.2 Template for VASP License and Obligations



## 2.3 SEBI as a Regulator

### 2.3.1 Why SEBI could be the regulator for VDA sector?

#### SEBI's Suitability as VDA Regulator



### 2.3.3 Why can VDAs be considered akin to Securities

Virtual Digital Assets share several structural features with traditional securities. Many are transferable, divisible, and traded on organised platforms with market-based price discovery. Certain tokens confer profit expectations, ownership interests, or participation rights, aligning them with the concept of “marketable securities” under the Securities Contracts (Regulation) Act, 1956. Centralised crypto exchanges also perform functions comparable to stock exchanges and clearing corporations, including order matching, settlement, custody, and record maintenance.

Section 2(h) of the SCRA defines securities broadly to include shares, bonds, and other marketable instruments of a like nature. Courts have interpreted this definition expansively. Several categories of VDAs exhibit security-like traits: security tokens (ownership or profit participation), stablecoins (asset-backed structures), widely traded NFTs, speculative tokens and meme coins, and certain utility tokens when marketed for investment. Their tradability and investment-oriented promotion strengthen this analogy.

Regulatory classification can be guided by functional tests:

- (1) **Transferability test:** Whether the asset is freely tradable;
- (2) **Fundraising and investment test:** Whether issued to raise capital with profit expectation; and

(3) **Howey-style test:** Investment of money in a common enterprise with expectation of profits from the efforts of others. Where these elements are satisfied, securities-style regulation may be justified to ensure investor protection and market integrity.

**2.3.4 Proposed Guidelines for Virtual Asset Service Providers under SEBI**

The proposed framework sets licensing, governance, capital, operational, AML, investor protection, and cybersecurity standards for VASPs, including exchanges, brokers, custodians, market makers, and advisors. It mandates Indian incorporation, local presence, fit-and-proper management, capital thresholds, board independence, segregation of functions, listing due diligence, local custody, insurance, real-time monitoring, data localisation, grievance redressal, audit requirements, and phased transition. This framework aligns closely with SEBI’s regulation of traditional market infrastructure institutions, mirroring principles of governance, capital adequacy, surveillance, and investor protection, while tailoring them to digital asset markets. Collectively, these measures aim to balance innovation with integrity, positioning India as a credible global jurisdiction for virtual assets.

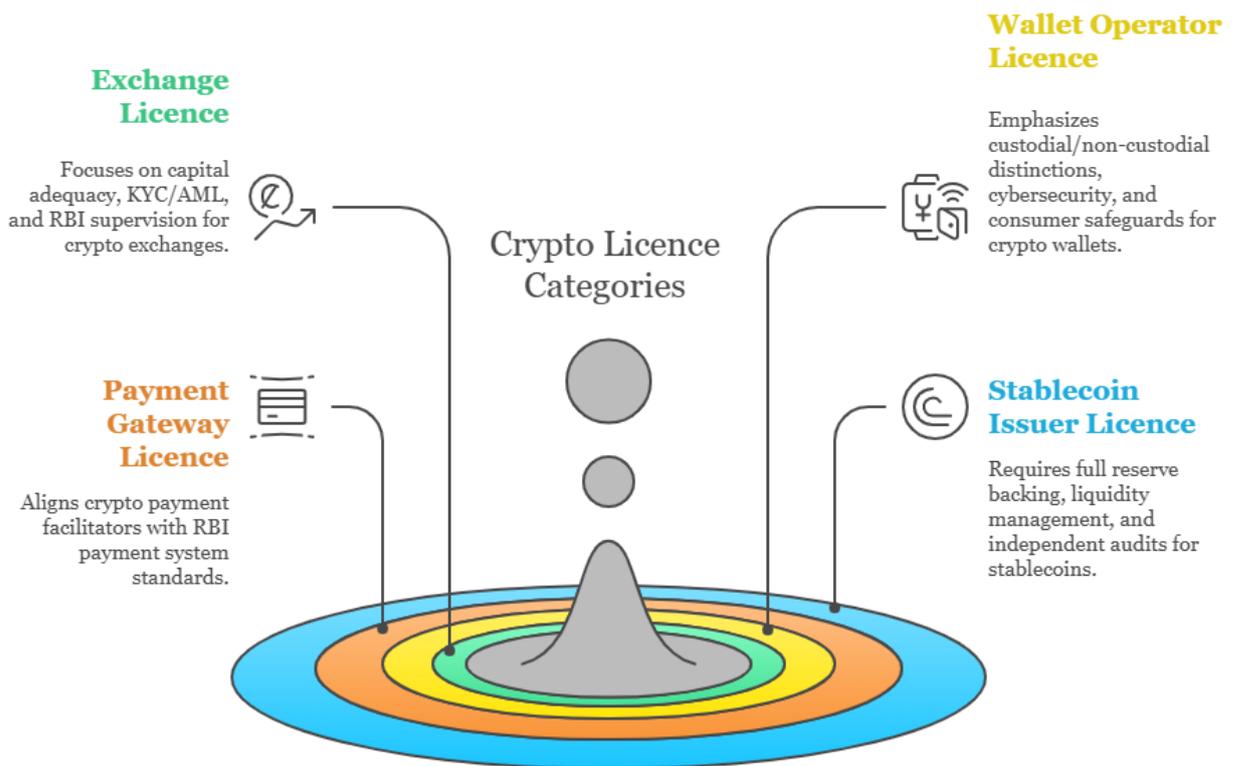
**2.4 RBI as a Regulator**

**2.4.1 Why RBI Could Be the Regulator for the VDA Sector?**

**RBI's Suitability as the VDA Regulator**



## 2.4.2 Licensing framework for Virtual Asset Service Providers



Virtual Digital Assets do not comfortably fit within the existing Authorised Dealer (AD) licensing categories under FEMA, as they are neither recognised as legal tender nor classified as foreign exchange. Although certain crypto transactions resemble remittances or trade settlements, AD Category I is unsuitable because it is designed for sovereign currencies. AD Category II offers only limited flexibility and excludes common crypto uses such as gifting, while AD Category III permits intermediated settlements but entails significant compliance burdens. These structural mismatches demonstrate that the current AD framework, built around centralised and purpose-coded fiat transactions, is ill-equipped to regulate decentralised and multi-functional digital assets, thereby necessitating a bespoke licensing regime.

In response, a new “Authorised Digital Asset Dealer” category has been proposed to address the distinct characteristics of VDAs. Eligibility would be restricted to regulated financial institutions, NBFCs, fintech entities, and SEBI-supervised intermediaries meeting stringent capital and compliance thresholds. The framework would permit INR-crypto conversions, approved cross-border settlements, and custody services, while imposing strict AML/KYC obligations, FIU-IND reporting, FATF Travel Rule compliance, reserve requirements, audit mandates, and RBI supervision. Additional safeguards such as governance standards, FDI limits, data localisation, grievance redressal

mechanisms, and solvency norms would strengthen consumer protection and systemic oversight. Stablecoins, given their currency-like features, would require enhanced regulation through full collateralisation, liquidity management, and capital control compliance, ensuring alignment with RBI's monetary stability mandate.

## **2.5 MeitY as a Regulator**

### ***2.5.1 Why MeitY Could Be the Regulator for the VDA Sector?***

MeitY is best positioned due to its expertise in regulating digital platforms and intermediaries. VASPs function similarly to social media, e-commerce, and cloud platforms already governed by MeitY. Including VASPs under the IT Rules would ensure regulatory consistency. A technology-focused regulator is less likely to impose excessive financial restrictions that could push activity underground or offshore. MeitY's oversight of CERT-In enables strong cybersecurity enforcement against hacking, ransomware, phishing, and fraud. Coordination with RBI, SEBI, and FIU-IND would ensure comprehensive oversight without fragmented authority. A balanced approach would involve amending the IT Act, introducing due diligence under the IT Rules, leveraging MeitY's cybersecurity expertise, and maintaining cross-regulatory collaboration.

### ***2.5.2 Definition and Classification of VASPs under MeitY***

Under the Prevention of Money Laundering Act, Virtual Asset Service Providers are defined as entities engaged in activities involving virtual assets, including the exchange between virtual assets and fiat currency, exchange between different virtual assets, transfer of virtual assets between users, financial services related to the issuance or trading of virtual assets, and custodial services involving the safekeeping or administration of such assets. This definition aligns with global standards articulated by the Financial Action Task Force and reflects the functional scope of VASPs as intermediaries facilitating digital asset transactions.

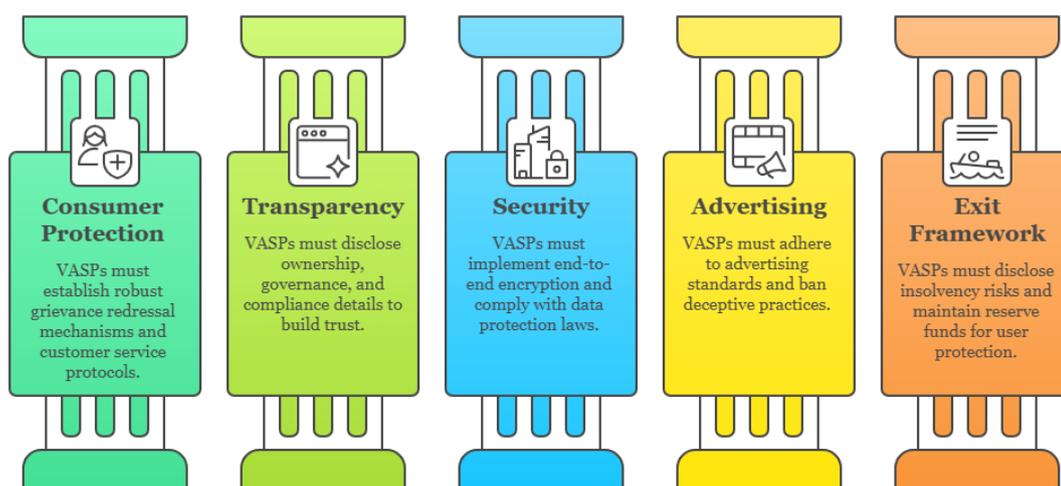
To enable proportionate and structured regulation, VASPs should be categorised under the proposed Digital India Act, intended to replace the Information Technology Act, 2000. Classification would be based on operational scale, user base, and systemic impact. Service-centric intermediaries would include platforms facilitating virtual asset transactions and related services. Significant VASPs would be defined as platforms exceeding five million users or processing high transaction volumes, thereby attracting enhanced compliance and oversight obligations. Non-significant VASPs would encompass

smaller platforms subject to baseline regulatory requirements, ensuring inclusivity without imposing disproportionate compliance burdens.

### 2.5.3 Regulatory Framework for VASPs under MeitY

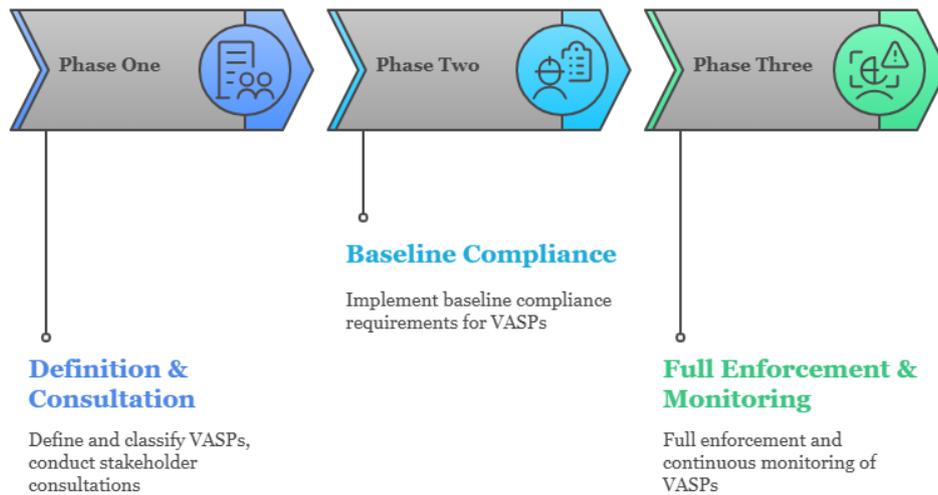
VASPs operate analogously to other digital intermediaries regulated under India’s information technology framework. Crypto exchanges, wallets, and token platforms function as online service providers that store, transmit, and process digital records on behalf of users. Bringing them within MeitY’s regulatory ambit would align VASP oversight with existing intermediary governance structures, particularly under the IT Act and the IT (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021. MeitY’s regulatory framework would emphasise technology-first regulation, cybersecurity resilience, and consumer protection, while coordinating with financial regulators such as the RBI, SEBI, and FIU-IND for financial stability, securities classification, and AML oversight respectively. This approach ensures that technological risks are addressed by a competent digital regulator, while financial risks are managed through inter-agency collaboration.

#### VASP Regulatory Framework under MeitY as a regulator



MeitY would conduct regular audits and inspections, investigate fraudulent practices, coordinate with financial regulators, establish a dedicated VASP Grievance Redressal Unit, and promote innovation through regulatory sandboxes enabling controlled experimentation with blockchain-based services. India’s regulatory strategy must balance innovation and compliance. Proportionate regulation, inter-regulatory coordination, and graded compliance obligations based on risk and scale are essential to avoid stifling innovation while ensuring accountability.

## Phased Rollout of VASP Regulation



### 2.5.4 Amendments to Include VASPs Under IT Act & MeitY's Rationale

To bring VASPs under MeitY's jurisdiction, Section 2(1)(w) of the IT Act must be amended to explicitly include VASPs as intermediaries facilitating the exchange, storage, or transmission of virtual assets. A new definition of VASPs should be inserted in Section 2, aligned with FATF standards. Section 79 safe harbour provisions would require modification to limit immunity where VASPs fail to prevent financial crimes such as money laundering, terrorist financing, fraud, or unauthorised transfers. Amendments to the IT Rules, 2021 would mandate data localisation, grievance redressal, and legal compliance obligations specific to virtual assets.

### 2.6 SRO as a Regulator

Self-Regulatory Organisations play a critical role in modern regulatory ecosystems by combining industry expertise with public oversight. Internationally, bodies such as FINRA and the NFA in the United States, and sector-specific SROs in Japan and other East Asian jurisdictions, demonstrate how delegated self-regulation can enhance market discipline, transparency, and investor protection. India has similarly relied on SROs across financial and digital sectors, including mutual funds, foreign exchange, advertising, and fintech. Given the decentralised, borderless, and technologically complex nature of Virtual Digital Assets, an SRO model offers agility in standard-setting, faster responsiveness to emerging risks, and structured consultation between regulators and industry participants. This is particularly important in the VDA space, where cyber risks, custody failures, and rapid innovation demand real-time regulatory adaptation.

A Joint SRO framework for VDA Service Providers could therefore complement sovereign regulation by strengthening market conduct standards, bridging technical knowledge gaps, and institutionalising grievance redressal and dispute resolution mechanisms. By embedding self-regulation within formal state recognition and oversight, risks of regulatory capture can be mitigated while preserving accountability. Such a model would also serve as a regulatory testing ground, enabling India to pilot standards and compliance mechanisms before enacting comprehensive legislation. While SROs cannot substitute statutory enforcement, when properly structured and supervised, they can function as an effective intermediary layer that promotes responsible innovation, consumer protection, and orderly market development in the VDA ecosystem.

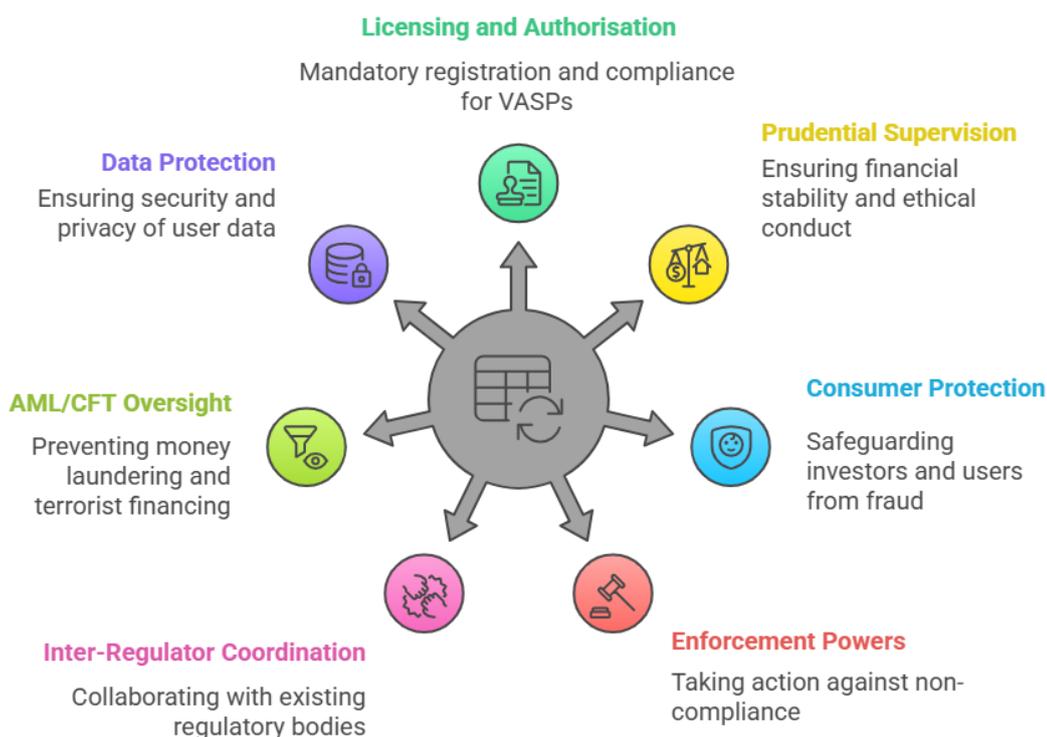
## 2.7 New Regulator

### *2.7.1 Why a New Regulator should regulate the VDA Sector?*

The 2023 IMF-FSB Synthesis Paper identifies two principal regulatory pathways for Virtual Digital Assets, either enacting a bespoke statutory framework with a dedicated regulator, as adopted by the European Union and Dubai, or modifying existing financial laws, as seen in Japan and Singapore. This paper supports the former approach, proposing a parliamentary enactment establishing a specialised, multi-stakeholder Indian authority with expertise in finance, technology, and law. Drawing from the EU's MiCAR and Dubai's VARA, the framework would provide statutory clarity on VDA classifications, mandate licensing of service providers, ensure transparency, and adopt a “same risk, same regulation” principle.

To operationalise this model, a dedicated VDA regulator would be established through a special Act of Parliament, granting statutory authority, legal personality, and financial autonomy. A domestic parallel can be found in the International Financial Services Centres Authority, which operates through a multi-regulator board structure. Similarly, the proposed authority would include nominees from the RBI and SEBI, along with independent experts. The statute would precisely define “virtual digital assets,” align with international taxonomies, and incorporate coordination clauses and targeted amendments to existing financial laws to prevent jurisdictional overlap, consistent with the principle of “same activity, same risk, same regulation.” Delegated legislation would specify detailed eligibility and compliance requirements, including application disclosures, governance structures, risk management arrangements, prudential safeguards, consumer protection measures, advertising standards, outsourcing controls, and cybersecurity obligations. A 1:1 reserve requirement for client assets would be mandated, with graded penalties and adjudication mechanisms.

## 2.7.2 Key Functions of New Regulator



## 2.8 Multi-Agency Model

Given India's established regulatory architecture, a multi-regulator approach offers a pragmatic alternative to creating a new VDA authority. Under this model, crypto-assets are classified based on their functional characteristics and brought within the remit of existing regulators. SEBI would regulate securities-like tokens, tokenised assets, crypto exchanges performing trading functions, custody, staking, lending, and advisory services by adapting its framework under the SEBI Act, SCRA, and anti-fraud regulations to ensure disclosure, surveillance, and market integrity. RBI would oversee payment-related crypto activities, stablecoins, cross-border flows, and systemic risk implications, leveraging its mandate over monetary stability, payment systems, and capital controls. This functional allocation reflects India's preference for embedding new financial products within established statutory mandates rather than creating parallel institutions.

The MeitY would regulate the technological layer of crypto-assets through cybersecurity standards, data protection compliance, intermediary liability, and incident reporting under the IT Act and digital data protection framework, working closely with CERT-In. Simultaneously, Financial Intelligence Unit-India would supervise AML/CFT compliance, including Travel Rule implementation and suspicious transaction monitoring. An industry-led SRO, functioning under regulatory supervision, could prescribe operational standards, security benchmarks, and consumer protection norms to

supplement statutory oversight. Coordination across agencies would occur through the Financial Stability and Development Council to prevent regulatory arbitrage and ensure policy coherence.

International experience demonstrates both the strengths and risks of multi-agency regulation. In the United States, overlapping jurisdiction between the Securities and Exchange Commission and the Commodity Futures Trading Commission has created enforcement-driven fragmentation, whereas the European Union's harmonised framework under Markets in Crypto-Assets Regulation reduces inconsistency while retaining multi-level oversight. For India, a coordinated multi-regulator framework clearly allocating RBI to systemic stability and stablecoins, SEBI to market integrity and tokenised securities, MeitY to cybersecurity and data governance, and FIU-IND to AML enforcement can balance innovation with financial stability. When supported by strong inter-agency coordination and SRO participation, this model can mitigate fraud, prevent regulatory gaps, and integrate VDAs into India's financial system without institutional duplication.

**DRAFT FRAMEWORK FOR RECOGNITION OF AN SRO FOR VDA SERVICE PROVIDERS**

**CHAPTER I**

**Preliminary**

**Short title and commencement**

1. (1) These .... may be called the .....

(2) These ..... shall come into force on such date as may be specified by the Board:

Provided that different dates may be specified for different provisions of these ..... and any reference in any such provision to the commencement of these ..... shall be construed as a reference to the commencement of that provision.

**Definitions**

2. (1) In these ....., unless the context otherwise requires, -

(a) “Act” means the ..... Act;

(b) “designated authority” means .....

(c) “virtual digital assets” shall have the same meaning as in section 1 sub-section 47A of the Income Tax Act, 1961

(d) “virtual digital assets service providers’ self regulatory organisation” or VASP SRO means a non-governmental organisation designated as such under ..... of ..... that sets and enforces rules and standards relating to the conduct of its members, with the aim of protecting the virtual digital asset users, encouraging responsible innovation, and promoting ethical and professional standards.

(e) “virtual digital asset service providers” or VDA SP mean businesses conducting the following activities, or facilitating the conduct of following activities, on behalf of Indian residents:

a) exchange between VDAs and fiat currency;

b) exchange between one or more forms of VDAs; or

c) transfer of VDAs;

d) participation in and provision of financial services related to an issuer’s offer and sale of a VDA”

(2) Words and expressions used and not defined in the regulations, but defined in the Act, shall have the meanings respectively assigned to them in the Act.

## **CHAPTER II**

### **Recognition of Self Regulatory Organisation**

#### **Application for Recognition as a VASP SRO**

3. (1) A body established by virtual digital asset service providers shall apply to the Designated Authority seeking recognition as a virtual digital asset service providers' self regulatory organisation.

(2) The group of virtual digital asset service providers filing an application under sub-regulation (1) shall:

- a) set-up as a not-for-profit company under the Companies Act, 2013;
- b) have a minimum net worth of one crore rupees or such other sum as may be ... from time to time, by the Designated Authority
- c) ensure adequate infrastructure, to enable it to discharge its functions as a virtual digital asset self regulatory organization in accordance with the provisions of the Act and these .....
- d) have the professional competence, financial soundness and general reputation of fairness and integrity to the satisfaction of the Designated Authority; and
- e) have, in its employment, persons having adequate professional and other relevant experience to the satisfaction of the Designated Authority

(3) Every application made under sub-regulation (1) shall contain:

- a) bye-laws governing the virtual digital asset service providers' self regulatory organisation, listing specifically the criteria for admission of members, and the process for suspension and expulsion of members;
- b) memorandum of association, listing specifically admission of members and discharging the functions of a virtual digital asset service providers' self regulatory organisation as one of its main objects;
- c) articles of association;
- d) proposed list of Board of Directors and their powers; and
- e) such other information or documentation as may be ... from time to time, by the Designated Authority

(4) Every application under sub-... (1) shall be made in such form and manner as may be ....., by the Designated Authority and shall be accompanied by a non-refundable application fee of such sum as may be ... from time to time, by the Designated Authority

### **Grant and withdrawal of recognition as a VDA SRO**

4. (1) The Designated Authority, on finding an application by a group of virtual digital asset service providers under ... 3 sub.. (1) suitable, issue a “Letter of Recognition” in such form and manner as may be ....

(2) Such “Letter of Recognition” shall be valid for a period of 2 years and may be renewed in such manner as may be .... for subsequent periods of 2 years, should the Designated Authority, find it suitable

(3) The Designated Authority, if in its considered opinion, concludes that the Virtual Digital Asset Service Providers’ Self Regulatory Authority is functioning in a manner detrimental to the public interest, it may withdraw its recognition in such manner as may be .... after giving due opportunity to the entity to further its views/comments.

### **Rejection of recognition as a VDA SRO**

5. Any application for recognition under ... 3 sub... (1), which is not complete in all respects or does not conform to the requirements of these ... shall be rejected by the Designated Authority

Provided that, before rejecting any such application, the Designated Authority shall give an opportunity to the applicant to remove such objections as may be indicated, within 30 days or such other period as may be ..., of the date of receipt of relevant communication, from the Designated Authority

## **CHAPTER III**

### **Composition and functions of Virtual Digital Assets Self Regulatory Organizations**

#### **Responsibilities of Virtual Digital Asset Self Regulatory Organisation**

6. (1) The recognised virtual digital asset service providers’ self regulatory organisation shall admit as members and grant membership and recognition to virtual digital asset service providers that satisfy the conditions as mentioned in its bylaws and approved by Ministry of Finance. its members:

- a) maintain a minimum capita of INR one crore or such other amount as may be ... from time to time by the Designated Authority;
- b) have a registered office in India OR be registered locally with FIU;
- c) have a GST registration in India in accordance with Section .. of the ...;
- d) transparently disclose ownership of their business;

- e) have a registered domain name and a fully developed website which shall be duly maintained, updated and functional with the latest information at all times;
- f) have links to the website/ application where further/ detailed information about the products are available which can be accessed by the users/customers;
- g) comply with the requirement to deduct TDS under section 194S of the Income Tax Act, 1961; and
- h) comply with such other laws that may apply to virtual digital asset service providers including but not limited to the Prevention of Money Laundering Act, 2002; and
- i) Satisfy such other conditions as may be ... from time to time by the Designated Authority and listed in the virtual digital asset self regulatory organisation's bye-laws

Explanation: For the purpose of this .... A license .....

(2) The recognised virtual digital asset service providers' self regulatory organisation establish a Code of Conduct which will contain minimum benchmarks, technical, ethical, and behavioural standards and help instill professional and healthy market behaviour among its members.

(3) The recognised organisation shall promptly inform the Designated Authority about any violation of any applicable law by its members, that comes to its notice

(4) The recognised organisation shall establish an uniform grievance redressal and dispute resolution framework across its members, including addressing consumer concerns.

(5) The recognised organisation shall impart training to the staff of its members and consumers; conduct awareness programmes for spreading awareness about safe virtual digital asset practices; and alert consumers of popular scams in the virtual digital assets industry;

(6) The recognised organisation shall establish standards and promote responsible innovation in virtual digital assets and other related technologies;

(7) The recognised organisation shall provide any information, including data, sought by the Designated Authority periodically or as requested in such manner and form as may be ....., subject to the extant data sharing law, guidelines, rules.

(8) The recognised organisation shall be invited for periodical interactions with the Designated Authority, to assess its functioning

(9) The recognised organisation shall continue to adhere to the criteria under which it has been given such recognition, at all times.

### **Composition of Virtual Digital Assets Self-Regulatory Organizations**

7. (1) The general superintendence, direction and management of the affairs of the virtual digital asset self-regulatory organisation shall vest in its Board of Directors

- (2) The Board of Directors shall comprise of a maximum of 5 Directors including a Chairperson
- (3) The Chairman shall be responsible for day-to-day administration of SRO and implementing the decisions of Board of Directors
- (4) The Board of Directors may establish committees including disciplinary committee, screening committee, arbitration committee, or enforcement committee in order to carry out the purposes of these....
- (5) The appointment of the Board of Directors must be subject to the prior approval of the Ministry of Finance
- (6) The Board of Directors must satisfy the following criteria on an ongoing basis:
  - a) be of high integrity, with blemishless character and have relevant expertise in relevant fields;
  - b) must not have at any time in the past been convicted of any offence involving moral turpitude or any economic offence; and
  - c) Must not be involved in any legal proceeding connected with economic offences, which may have an adverse impact on the interests of the virtual digital asset self-regulatory organisation
- (7) Three Directors in the Board of Directors including the Chairperson shall be independent and not associated with member institutions. These can be representatives of state IT departments, MSME associations, Consumer advocacy groups, Industry experts and Law Enforcement agencies.
- (8) One of the Directors in the Board of Directors must be nominated by Ministry of Finance
- (9) Two Directors in the Board of Directors must represent the VDA industry

## 4. References

### 1. Statutes

Sr. No.	Name of the Statute
1	Constitution of India, Seventh Schedule, List I, Entry 97
2	Companies Act 2013
3	Deposit Insurance and Credit Guarantee Corporation Act 1961
4	Foreign Exchange Management Act 1999
5	Information Technology Act 2000
6	Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules 2021
7	Prevention of Money-Laundering Act 2002
8	Securities Contracts (Regulation) Act 1956
9	Securities and Exchange Board of India Act 1992
10	Depositories Act 1996
11	Financial Services and Markets Act 2000 (UK)
12	Regulation (EU) 2023/1114 on Markets in Crypto-Assets [2023] OJ L150/40
13	Virtual Asset Service Providers Act 2022 (Cayman Islands)
14	Law No 4 of 2022 Regulating Virtual Assets in the Emirate of Dubai
15	Cabinet Resolution No 111 of 2022 Concerning the Regulation of Virtual Assets and Their Service Providers (UAE)
16	Cabinet Decision No 112 of 2022 Delegating Certain Competencies Related to the Regulation of Virtual Assets (UAE)

### 2. Policy Documents

Sr. No.	Name of the Policy Documents
1	Reserve Bank of India, RBI Cautions Users of Virtual Currencies against Risks (Press Release, 24 December 2013)
2	Ministry of Finance, Government Cautions People against Risks in Virtual Currencies (Press Information Bureau, 29 December 2017)
3	Reserve Bank of India, Statement on Developmental and Regulatory Policies (5 April 2018)
4	Reserve Bank of India, Prohibition of Dealing in Virtual Currencies (Notification, 6 April 2018)
5	Ministry of Finance, Report of the Inter-Ministerial Committee on Virtual Currencies (22 July 2019)
6	Ministry of Finance, Finance Bill 2022
7	Central Board of Direct Taxes, Circular No 14 of 2022 (28 June 2022)
8	Press Information Bureau, Money Laundering and Terrorist Financing Risk in Virtual Digital Assets (3 February 2023)
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14	Financial Stability Board, Assessment of Risks to Financial Stability from Crypto-Assets (16 February 2022)

15	Financial Stability Board, Finalisation of Global Regulatory Framework for Crypto-Asset Activities (7 September 2023)
16	IMF and Financial Stability Board, IMF–FSB Synthesis Paper: Policies for Crypto-Assets (September 2023)
17	International Monetary Fund, Regulating the Crypto Ecosystem: The Case of Unbacked Crypto Assets (2022)
18	Bank for International Settlements, Designing a Prudential Treatment for Crypto-Assets (BCBS Discussion Paper No 490, 2019)
19	OECD, Crypto-Asset Reporting Framework and Amendments to the Common Reporting Standard (2022)
20	European Securities and Markets Authority, Markets in Crypto-Assets Regulation (MiCA)
21	Virtual Assets Regulatory Authority (Dubai), Virtual Assets and Related Activities Regulations 2023
22	Advertising Standards Council of India, Guidelines for Virtual Digital Assets Advertising
23	CERT-In, Directions under s 70B of the Information Technology Act 2000 (28 April 2022)
24	Monetary Authority of Singapore, Guidelines on Provision of Digital Payment Token Services to the Public (PS-G02)

### 3. Case Laws

Sr. No.	Name of the Case Laws
1	Internet and Mobile Association of India v Reserve Bank of India (2020) Supreme Court of India.
2	Securities and Exchange Commission v Ripple Labs Inc (Order, 13 July 2023) US District Court, SDNY.

### 4. Academic Literature & Think-Tank Reports

Sr. No.	Name of the Academic Literature and Think-Tank Reports
1	David Krause, 'A Theory of FinTech Regulation: Evidence from the Global Regulatory Landscape' (2024) SSRN
2	Yesha Yadav, 'Toward Crypto-Exchange Oversight' (2022) Vanderbilt Law Research Paper No 22-26
3	Houman B Shadab, 'Can a Cryptocurrency Self-Regulatory Organization Work? Assessing Its Promise and Likely Challenges' (2018) Duke FinReg Blog
4	Maria Demertzis and Guntram B Wolff, The Economic Potential and Risks of Crypto-Assets (Bruegel Policy Contribution No 14/2018)
5	Bank for International Settlements, Financial Stability Risks from Crypto-Assets in Emerging Market Economies (BIS Papers No 138, 2023)
6	European Central Bank, Crypto-Assets: Risks to Financial Stability, Monetary Policy and Payments (Occasional Paper No 223, 2019)
7	Chainalysis, Crypto Market Manipulation: Wash Trading, Pump-and-Dump, and Front-Running (2025)
8	Chainalysis, 2025 Crypto Crime Report (2025)
9	World Economic Forum, The Macroeconomic Impact of Cryptocurrency and Stablecoins (2022)
10	Commonwealth Secretariat, Commonwealth Model Law on Virtual Assets (July 2024)