

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA STARRED QUESTION NO.146
TO BE ANSWERED ON 13.02.2023

Regulation of VDAs, Cryptos and Web3 Sectors

*146. DR. T. SUMATHY (a)
THAMIZHACHI THANGAPANDIAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has prepared any future roadmap to regulate Virtual Digital Assets (VDAs)/Cryptos/Web3 sectors in the country and if so, the details thereof;
- (b) whether the Government has undertaken any consultation process with the relevant stakeholders, on the regulation of VDAs/Cryptos/Web3 and related policy formulations and if so, the details thereof and if not, the reasons therefor;
- (c) whether the Government is engaging with any academic or non-academic institutions to better navigate the Web3 ecosystem and if so, the details thereof; and
- (d) whether the Government is undertaking any initiatives to ensure the protection of customer interests in the VDA sector and if so, the details thereof along with the details of discussions, if any, held with the industry in this regard?

ANSWER

FINANCE MINISTER

(SMT. NIRMALA SITHARAMAN)

- (a) to (d): A Statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 146 RAISED BY DR. T. SUMATHY (a) THAMIZHACHI THANGAPANDIAN, HON'BLE MEMBERs OF PARLIAMENT TO BE ANSWERED ON 13.02.2023 REGARDING REGULATION OF VDAS, CRYPTOS AND WEB3 SECTORS

(a) Crypto Assets sector and Web3 sector are relatively new and still evolving. Currently there are no specific regulations for these sectors. By definition, these sectors are borderless and require significant international collaboration for any specific legislation on these sectors to be fully effective. Ministry of Electronics & Information Technology (MeitY) has released the National Strategy on Blockchain. This document provides strategies and recommendations for the Indian Blockchain ecosystem to harness the benefits of this emerging technology by focusing on technological and administrative aspects. The strategy document is available at <https://www.meity.gov.in/content/national-strategy-on-blockchain>.

(b): Government has undertaken necessary consultations with stakeholders from time to time, including with relevant international organisations.

(c): The Government is cognizant of the emergence of the technologies related to Web3 and Blockchain and has been taking steps to create awareness and the ecosystem building around Web3. During Digital India Week in July 2022, MeitY had organized a panel discussion on "Metaverse and Web3". Further, Government of India is supporting industry in organizing conferences on Web3 and related technologies for understanding the ecosystem and their challenges.

(d): RBI has been cautioning users, holders and traders of Virtual Currencies (VCs) that dealing in VCs is associated with potential economic, financial, operational, legal, customer protection and security related risks.

Further, RBI also advised its regulated entities to continue to carry out customer due diligence processes for transactions in VCs, in line with regulations governing standards for Know Your Customer (KYC), Anti-Money Laundering (AML), Combating of Financing of Terrorism (CFT), obligations under Prevention of Money Laundering Act (PMLA), 2002, etc. in addition to ensuring compliance with relevant provisions under Foreign Exchange Management Act (FEMA) for overseas remittances.
