

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
LOK SABHA UNSTARRED QUESTION NO.474  
TO BE ANSWERED ON 06.02.2023

**Regulation of Virtual Digital Assets**

474. DR. SUJAY RADHAKRISHNA VIKHE PATIL:  
DR. SHRIKANT EKNATH SHINDE:  
DR. HEENA GAVIT:  
SHRI UNMESH BHAIYYASAHEB PATIL:  
DR. KRISHNA PAL SINGH YADAV:  
PROF. RITA BAHUGUNA JOSHI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has any plans for regulating virtual digital assets in the country and if so, the details thereof;
- (b) whether the Government plans to provide investor protection to those trading virtual digital assets and if so, details thereof;
- (c) whether the Government plans to address the risks related to money laundering and terror financing using crypto-currencies and if so, the details thereof; and
- (d) whether there have been cases of money laundering and terror financing using crypto currencies and if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI PANKAJ CHAUDHARY)

(a) to (d): Crypto Assets are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore, any legislation for regulation or for banning can be effective only with significant international collaboration on evaluation of the risks and benefits and evolution of common taxonomy and standards.

RBI has been cautioning users, holders and traders of Virtual Currencies (VCs) vide public notices on December 24, 2013, February 01, 2017 and December 05, 2017 that dealing in VCs is associated with potential economic, financial, operational, legal, customer protection and security related risks. RBI, vide its circular dated May 31, 2021 has 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.

The Directorate of Enforcement is investigating several cases related to crypto currency frauds wherein a few crypto exchanges have also been found involved in money laundering. Necessary action as per provisions of Prevention of Money Laundering Act, 2002 (PMLA) has been taken by The Directorate of Enforcement. As on 31.01.2023, proceeds of crime amounting to Rs. 936 crore have been attached/seized/freeze, 05 persons have been arrested and 06 prosecution complaints (PCs) including 01 supplementary PC have been filed before the Special Court, PMLA in these cases.

Further, under Foreign Exchange Management Act, 1999 (FEMA) assets amounting to Rs. 289.28 crores have been seized under section 37A of FEMA and 01 Show Cause Notice to cryptocurrency exchange Zama Labs Pvt Ltd, known as WazirX and its directors under FEMA for transactions involving cryptocurrencies worth Rs. 2790 crore has also been issued.

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