

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA UNSTARRED QUESTION NO.5127
TO BE ANSWERED ON 03.04.2023

Crypto Related Frauds

5127. SHRIMATI CHINTA ANURADHA:

Will the Minister of FINANCE be pleased to state:

- (a) whether the crypto related frauds have increased in last few years and if so, the details thereof including the number of such frauds reported with the Government during each of the last five years;
- (b) the steps taken by the Government to prevent such frauds;
- (c) whether all crypto exchanges operating in the country are in compliance with international financial regulations; and
- (d) if so, the details thereof and if not, the reasons therefor?

ANSWER

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

(a) to (d): Crypto assets are currently unregulated in India. Frauds relating to crypto are dealt with under extant laws against fraud and cyber crime. The Ministry of Home Affairs has a portal at <http://cybercrime.gov.in> where frauds involving crypto assets can be reported to the Cyber & Information Security Division. Further, 'Police' and 'Public Order' are State subject as per the Seventh Schedule of the constitution of India. States/UTs are primarily responsible for the prevention, detection, investigation and prosecution of such crimes including financial frauds through their law Enforcement Agencies. The 'Citizen Financial Cyber Reporting and Management System' has been launched for immediate reporting of financial frauds and to stop siphoning of funds by the fraudsters. A toll-free Helpline number '1930' has been operationalized to get assistance in lodging online cyber complaints.

The Enforcement Directorate is investigating several cases under the provisions of Prevention of Money Laundering Act, 2002 (PMLA) and Foreign Exchange Management Act, 1999 (FEMA), related to crypto assets. As on date, proceeds of crime amounting to Rs. 953.70 crores have been attached/seized/frozen, 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 crypto asset exchange Zama Labs Private Limited known as WazirX and its Directors under FEMA for transactions involving crypto assets worth Rs. 2790.74 crores have also been issued.

Government vide Finance Act, 2022, has brought a comprehensive taxation regime for transfer of virtual digital assets (VDAs) and vide notification dated 7th March, 2023 has also brought VDAs under the preview of the Prevention and Money-laundering Act, 2002.

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.
