

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS

**LOK SABHA**  
**UNSTARRED QUESTION NO. 3418**  
TO BE ANSWERED ON 16.12.2024/ Agrahayana 25, 1946 (Saka)

**Virtual Digital Assets (VDA) Regulation**

3418. Shri Appalanaidu Kaliseti:  
Shri Lavu Sri Krishna Devarayalu:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is taking steps to establish a comprehensive regulatory framework for the Virtual Digital Assets (VDA) industry in the country and if so, the details thereof;
- (b) whether the Government is preparing a Discussion Paper to outline its stance on Virtual Digital Asset (VDA) regulation;
- (c) if so, the current status of the said Discussion Paper and the expected timeline for its release;
- (d) the details of the specific measures being considered to balance innovation and investor protection in the VDA industry;
- (e) whether the Government has conducted consultations with stakeholders in the VDA sector to address regulatory challenges, and if so, the number of consultations held classified, year-wise; and
- (f) the details of the timeline anticipated for the introduction of regulatory guidelines for the VDA industry in the country?

ANSWER

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

(a) to (f): Virtual Digital Assets (VDAs) are by definition borderless and require international collaboration to prevent regulatory arbitrage. Therefore, any comprehensive regulatory framework on the subject can be effective only with significant international collaboration on evaluation of the risks and benefits and evaluation of common taxonomy and standards. Notwithstanding that, government vide notification dated 7<sup>th</sup> March, 2023 has brought VDAs under the purview of the Prevention of Money Laundering Act, 2002 (PMLA) to bring the transactions involving VDAs within the ambit of PMLA. Further, Income from these assets is taxed under the Income-tax Act, 1961 and different aspects of the VDA sector are regulated under the Information Technology Act, 2000, and the Companies Act, 2013. Further, during India's Presidency of the G20 last year, the International Monetary Fund (IMF) and Financial Stability Board (FSB) Synthesis Paper, along with the 'G20 Roadmap on

Crypto Assets,' was adopted. This Synthesis Paper provides a coordinated and comprehensive policy and regulatory framework for crypto assets, addressing the full range of risks, including those specific to emerging markets and developing economies (EMDEs). All jurisdictions, including India, are expected to evaluate their country-specific characteristics and risks, and engage with standard-setting bodies and the G20 to appropriately consider any necessary measures for crypto assets. A part of such a process may involve the publication of a Discussion Paper to obtain feedback on the stance or various stances under consideration by jurisdictions. However, there is no specific timeline for any step in the process, including the publication of the Discussion Paper, as it may only be published after such stance or stances are determined based on the evaluated risks. Further, the need to balance investor protection and innovation must be assessed in light of the broader objective of protecting the Indian economy from the risks posed by the VDA sector while maintaining the financial and monetary stability of the economy. Moreover, due to the cross-border and digital nature of this sector, investor protection measures can only mitigate certain risks to a limited extent and cannot entirely eliminate them. Further, government has undertaken formal and informal consultation with stakeholders including industry and with relevant international organizations from time to time on policy formulation of crypto assets. There is, however, no timeline anticipated for introduction of comprehensive regulatory guidelines for VDA industry in India.

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