

# Banning cryptocurrency the most advisable choice open to India, says RBI Deputy Governor

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The RBI uses the repo and reverse repo to adjust systemic liquidity.

Launching a strong attack on Cryptocurrency, Reserve Bank of India (RBI) Deputy Governor T Rabi Sankar on February 14 said banning cryptocurrency is "perhaps the most advisable choice open to India".

Sankar said this while speaking at the the Indian Banks Association 17th Annual Banking Technology Conference and Awards.

"We have examined the arguments proffered by those advocating that cryptocurrencies should be regulated and found that none of them stand up to basic scrutiny," Sankar said.

The comments are significant in the context of an ongoing debate whether to ban crypto currencies or not. The deputy governor narrated different factors to highlight the concerns caused by private cryptocurrencies in the financial system. This is perhaps the first time an RBI top official is openly making a call to ban Cryptocurrencies.

## RBI Governor caution

In the past, the RBI governor Shaktikanta Das has highlighted the concerns associated with the Cryptocurrencies saying these instruments are harmful to the macroeconomic stability.

Also while speaking at the post-monetary policy presser, Das asked investors to be cautious while investing in Cryptocurrencies. "I think it is my duty to tell investors that what they are investing in cryptocurrencies, they should keep in mind that they are investing at their own risk. They should keep in mind that these cryptocurrencies have no underlying (asset). Not even a tulip," Das said during the MPC press meet.

The Union government has announced 30% tax on private digital assets from the next fiscal year, but has so far refused to make cryptocurrencies legal or illegal.

Sankar said Cryptocurrencies threaten the financial sovereignty of a country and make it susceptible to strategic manipulation by private corporates creating these currencies or Governments that control them.

"More substantially, they can (and if allowed most likely will) wreck the currency system, the monetary authority, the banking system, and in general Government's ability to control the economy," said the deputy governor.

On February 14, **Union finance minister Nirmala Sitharaman** said the Union government and the RBI are in "complete harmony" on cryptocurrencies and other issues as well.

Speaking to reporters at the conclusion of the RBI's board meeting, the finance minister said talks were on with the central bank on the matter prior to the budget and are continuing.

"Whatever the government does, we consult and have discussions with the RBI. So if I were to tax 30 percent and then discuss Goods and Services Tax (GST) and everything else, I would be tying RBI's hands if I hadn't even talked to them!" Sitharaman said.

## No intrinsic value in Crypto

Sankar said cryptocurrencies are not amenable to definition as a currency, asset or commodity; they have no underlying cash flows, they have no intrinsic value; that they are akin to Ponzi Schemes, and may even be worse.

"These should be reason enough to keep them away from the formal financial system. Additionally, they undermine financial integrity, especially the KYC regime and AML/CFT regulations and at least potentially facilitate anti-social activities," said Sankar.

Further, Rabisankar said crypto-technology is underpinned by a philosophy to evade Government controls. "Cryptocurrencies have specifically been developed to bypass the regulated financial system. These should be reason enough to treat them with caution," Rabisankar said.