



CHAITANYA & ASSOCIATES
A D V O C A T E S

07 JAN 2014

Ref.: ADV-CSG/13-2014-15

**Through RPAD
Representation**

To,

The Governor,

The Reserve Bank of India
21st Floor, Central Office Building,
Shahid Bhagat Singh Marg, Fort,
Mumbai, Maharashtra 400001.

Dear Sir,

Under the instructions and on behalf of our client Sri.Badaravada Venugopal, S/o.B.B.Raju, Plot No.27 Sena Vihar, Kammanahalli, Bangalore we issue this representation as under:

1. That, with reference to the press release dated 24th December 2013 titled "RBI cautions users of Virtual Currencies against Risks" our client states that he is a concerned citizen who has some reservations with regards to the way that the present situation is being handled and hence this representation. In the press release RBI has "Cautioned" the users, holders and traders of Virtual Currencies (VCs), including Bitcoins about the potential financial, operational, legal customer protection and security related risks that they are exposing themselves to.



2. However our client states that the press release ends with a statement that the RBI is presently examining the issues associated with the usage, holding and trading of VCs under the existing legal and regulatory framework of the country, including Foreign Exchange and Payment systems laws and regulations. This statement indicates that RBI may in future come up with some kind of regulation and therefore our client is left to wonder if such a regulation bans the use of Virtual Currencies and declares them illegal either prospectively or retrospectively.

3. That, our client states that at the present situation, there is neither an express denial from your side nor an express consent for regulating the transactions involving the usage of Virtual Currencies. One of the points mentioned in the advisory is a veiled threat that the users may commit unintentional breaches of anti-money laundering and combating the finance of terrorism laws. The uncertainty and fear created by this press release will create more confusion for any person who would like to take a stake in the Virtual currency system and pursue legitimate business of his choice where one of the Virtual currencies is used either for settlement of payment or to set up business for generation of new Virtual currencies or for trading in Virtual currencies.

4. Our client states that, presently many businesses in India have started to accept Virtual Currencies as a means of business transactions and trading of these Virtual Currencies are picking up. Infact our client states



that many people have started to 'MINE' (which expression refers to a computer based activity that adds the list of recent transactions to an electronic ledger with predetermined conditions meant to authenticate the transactions by a peer group) Virtual Currencies using their computers and it is a critical juncture where if the RBI does not provide specific guidelines, rules and regulations or a complete prohibition by the way of atleast an Executive Order, on these Virtual Currencies, it is our client's belief that many people would have to undergo tremendous amount of hardship and common man would have suffer huge financial losses as a result of laxity shown on the part of RBI.

5. Our client states that the RBI has given ambiguous statements in the press stating that the people involved with the usage of Virtual Currencies shall have to endure the ordeals of criminal prosecution, has made the situation more hopelessly worse. RBI has not made any statements whatsoever concerning as to under what provision of law is the usage of Virtual Currencies, an offence. There is also a serious concern as to what aspects of FEMA apply to buying and selling of Virtual Currencies.

6. Our client states that, the attitude shown towards the concept of Virtual Currencies by the RBI, portrays that RBI will be treating VC's as violations of AML or Terrorist Financing Laws without clarifying the legal



position. Our client himself has various queries such as whether VC's will be treated as foreign currencies, domestic currency, private currency, commodity, or a software program, an electronic document. He has his reservations as to whether RBI has the power to regulate the Virtual Currencies and if so under what provision of law. Our client states that extensive mining of these Virtual Currencies are happening across the globe and inside our country and if these "MINING" activities are considered to be an industrial activity or a software development activity, RBI has to take measures to regulate these activities on par with what is applicable for similar activities .

7. Our client states that since there are so many unattended loop holes pertaining to this subject, it is expected of you, to release a detailed analysis of the subject coupled with a set of rules and regulations or guidelines in order to clarify the ambiguity which exists in the minds of the general public. Merely raiding a couple of entities and releasing vague press statements out in the public, without any kind of sanctions whatsoever does not throw any light on the subject. Infact your actions which are being taken in this regard are creating more confusion amongst the public and you have now chosen to remain silent.

Therefore, you are hereby finally called upon to take such steps as may be necessary to disclose a clear policy framework for regulating Crypto



Currencies/Virtual Currencies in India within a reasonable time if necessary by immediately setting up a suitable committee or a congregation of experts from relevant fields such as Information Technology, Finance, Law, Economics, Foreign Trade and Exchange, etc. The action should result in an executive order clarifying and providing a set of rules, regulations and guidelines within 30 days from the receipt of this representation failing which our client shall have to knock the doors of the court along with costs and consequences which please note. Our client sincerely hopes that you would take this issue up on priority basis and act upon the same at the earliest.

BANGALORE

07.01.2014



A handwritten signature in blue ink, appearing to read 'Chaitanya S.G.', written over the printed name.

CHAITANYA.S.G, Advocate

**CHAITANYA & ASSOCIATES
ADVOCATES**

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