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Should you exit your crypto holdings now?

If you want to redeem your existing cryptocurrency assets in rupees directly in your bank account, use the three-month window the RBI has opened for you

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If you have holdings in cryptocurrencies, in spite of Reserve Bank of India's (RBI) warning in December and the government's word of caution earlier this year, the latest RBI announcement may have worried you. Last week, the RBI clamped down on

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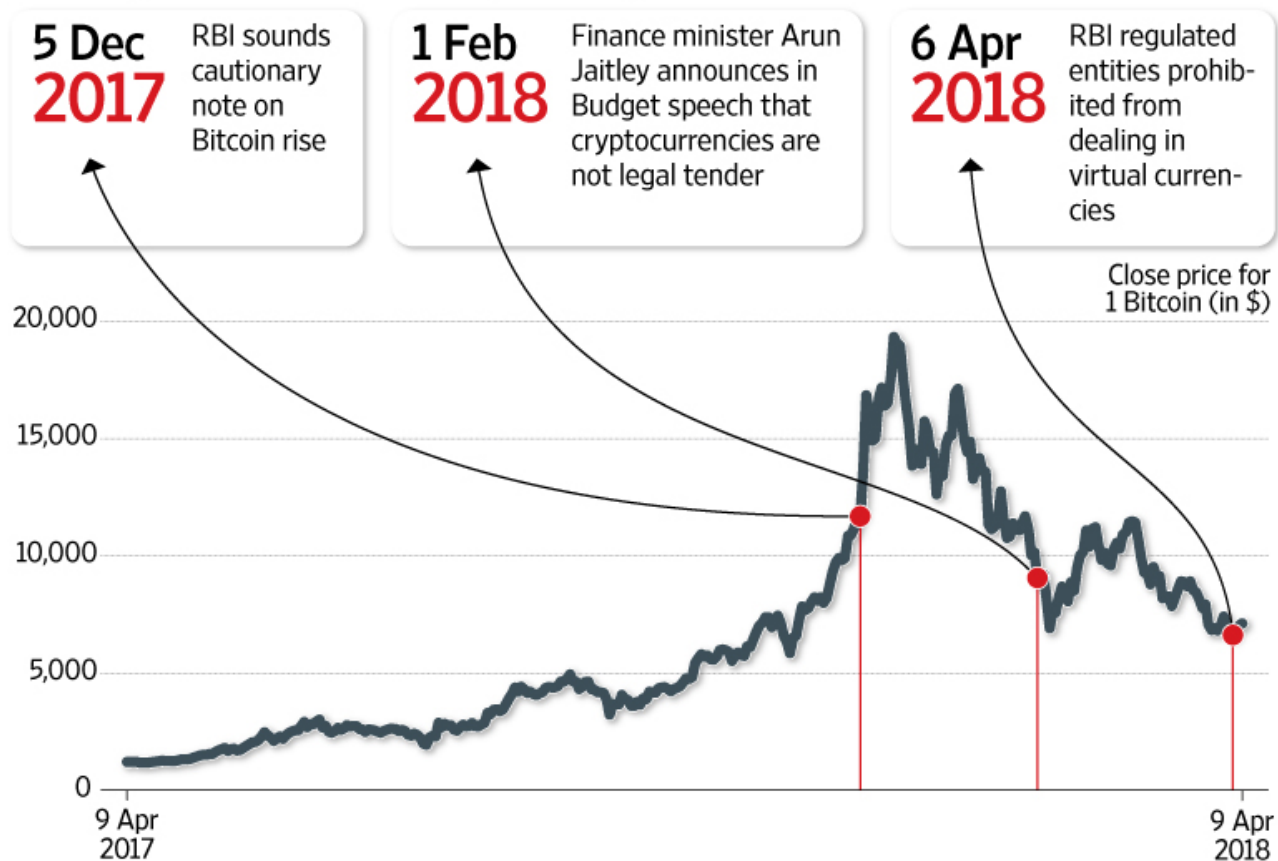
cryptocurrency-rupee trading in the country.

The RBI has given a three-month window to regulated entities such as banks and non-banking finance companies (NBFCs) to wind up existing relationships with firms or individuals dealing in cryptocurrencies. Speaking at a press conference on Thursday, RBI deputy governor B.P. Kanungo said virtual currencies can “adversely impact market integrity and capital control. And if they grow beyond a size, they can endanger financial stability as well.”

Mint Money spoke with crypto and legal experts to understand the impact of the latest RBI announcement.

THE HIGHER IT GOES, THE HARDER IT FALLS

Bitcoin \$ price movement in the past one year



Source: <http://www.coindesk.com/price/>; RBI, indiabudget.nic.in; Mint research

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Are cryptocurrencies legal?

There is nothing that indicates a ban on crypto assets by the government or the RBI, according to N.S. Nappinai, an advocate specializing in cyber law. “But there is a clear negative attitude towards cryptocurrencies and a positive attitude towards blockchain. This is the only indication that we have got. Whether it will translate to further action, we will have to wait and watch. Multiple committees are looking at it,” she said.

Finance minister Arun Jaitley, in his budget speech had said, “The government does not consider cryptocurrencies legal tender... and will take all measures to eliminate use of these crypto-assets in financing illegitimate activities or as part of the payment system.”

In the past few months, major banks have barred transactions related to cryptocurrencies. Some banks have also closed current accounts of crypto exchanges operational in India. Though cryptocurrencies can still be bought through NEFT, RTGS, IMPS and UPI services by some banks and financial institutions, these too will close in three months.

What about existing holdings?

If you are an investor, the only change for you is that you will not be able to get the proceeds in your bank account if you sell after three months “You will continue to have your holdings even after three months. You can even sell it after that but you may not be able to withdraw the money in your bank account and will need to convert it into some other crypto asset,” said Sathvik Vishwanath, co-founder and chief executive officer of Unocoin, a crypto currency exchange.

Should you exit now ?

If you want to redeem your crypto assets in rupees into your bank account, then this is the chance. After three months, you will have to trade in crypto assets or sell through other channels.

Jincy Samuel, co-founder and chief operating officer at CoinSecure, said, “The (crypto) markets are really bad at the moment. If someone is going to cash out, chances are they are going to make a loss. I do not know how many people will be comfortable with that... A lot of people had invested for the long term. For them, a three-month window may not be enough,” she said.

An exit may be a good idea, Nappinai said. But the difficulty is there may not be enough buyers. “One would assume the RBI would or should give proper exit opportunity to existing customers considering that it did not take any action to stop exchanges from functioning for nearly 5 years or to regulate them. In case RBI does not do it, my advise to the investors would be to approach courts,” she said.

What happens next?

People who are already invested will not stay away, said Praveen Kumar, chairman and chief executive officer of Malaysia-based Belfrics Global SDH, a company that runs bitcoin exchanges in several countries. “As long as there is volatility in the market, people are going to use this asset. Since it is not banned, people are actually free to invest in crypto-assets,” he said.

Closure of banking channels might boost the unaccountable cash market, said Kumar. With the absence of these exchanges, the little bit of data that RBI and tax authorities could gather will not be available in the future, he added.

Nappinai, however, said investors need to be cautious now. “The fact that the RBI is closing the banking channels is an indication of where this is going,” she said.

Mint Money take

Every other day there is a new offering in the world of cryptocurrencies, and at least the dominant few are here to stay along with their volatility. “If there is an ability to exit, I certainly think they should because we can’t see it ending very well for a lot of investors,” said Vishal Dhawan, founder and CEO, Plan Ahead Wealth Advisors.

If you are unable to exit or choose not to exit in the three-month window, look at your options in the future and consider the risks, which seem to be very high. New investors should stay away.

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