

India's Central Bank Banned Cryptocurrency with Zero Research or Consultation

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By Samburaj Das for CCN, **JUNE 14, 2018 10:03** The Reserve Bank of India has responded to a query seeking explanations for its reasons to ban banks from dealing with the cryptocurrency industry, admitting it conducted no research prior to its prohibitive action. In a Right to Information (RTI) request filed by a domestic lawyer Varun Sethi, the Reserve Bank of India was – over a number of questions – plainly asked for the reasons behind its April ban that [explicitly forbade](#) all regulated financial institutions from providing services to cryptocurrency businesses. RBI confirmed it gave little to no thought before reaching the decision in its response, nor did it conduct any research – internally or independently – before enforcing the ban. In what is increasingly appearing to be an arbitrary action, the central bank did not clarify its position and plainly refused to answer other probing questions put forth in the information request. For instance, central bank officials were asked if the authority established an internal committee to determine if there were risks in trading cryptocurrencies. “No” was the answer. Had the RBI conducted its own research, or even communicated with other counterparts – think Japan – to understand and explore a regulatory framework prior? Again, “no”. The RBI also refused to clarify how it had determined public risks in engaging cryptocurrencies, from as [early as 2013](#). Similarly, it refused to disclose its take on acknowledging self-regulated cryptocurrency exchanges that follow KYC norms, if it had sought an external expert opinion before enacting the ban or if it will prohibit Indian citizens from buying cryptocurrencies from exchanges outside the country. The central bank ducked all these questions by pointing to a loophole in the RTI act, exempting them from giving an answer. The RBI’s ban in April came after [years](#) of [repeated](#) public [warnings](#) by the financial regulator, cautioning citizens against trading or investing in cryptocurrencies like bitcoin. [⋮]
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