



Is India Banning Bitcoin?

Description

Bitcoin, along with nearly every other cryptocurrency, took a plunge on Indian crypto exchanges today. Investors sold off digital assets in record amounts, as local news media reported that the Indian government would consider banning “private” cryptocurrencies.

What does this mean for Bitcoin’s outlook and investors across the world? Here’s a closer look.

Could India ban Bitcoin?

Indian authorities have always been cautious and hesitant about the emerging cryptocurrency sector. Unlike developed countries, India still has tight controls on capital flows outside its borders. This is because waves of capital flight have significantly weakened the Indian rupee and caused inflation in the past.

Bitcoin’s anonymity and decentralization also raises other concerns. Some worry that it could be used to dodge local taxes or launder money from illicit activities. These concerns may have prompted regulators to take a closer look.

There could be another reason for the clampdown. The Reserve Bank of India, the country’s central bank, is actively developing its own state-backed cryptocurrency. By limiting Bitcoin and cryptocurrency trading, the Indian government could be eliminating competition for its own token.

What’s next?

Prime Minister Narendra Modi’s government has introduced a bill that would ban all private cryptocurrencies from operating in India. The bill doesn’t clearly define what a “private” cryptocurrency is. However, it is worth noting that India’s banking sector uses the term “private” to refer to any entity that is not controlled by the government.

However, it’s too early to say whether the bill will ultimately pass or whether it will be amended. For

now, the bill will proceed to the Parliament's winter session, which commences on November 29th.

The impact

A blanket ban on cryptocurrencies in India could be devastating. Not only is India the fifth-largest economy in the world, it's also the second-most populated. In fact, estimates suggest that over 100 million Indians invest in or trade with cryptocurrencies. Blocking this segment of users will certainly drag Bitcoin and Ethereum lower.

A potential ban could also amplify the impact of China's ban on cryptocurrencies from earlier this year. If Bitcoin is effectively blocked in both China and India, the market could lose 36% of the global population. That puts a serious cap on this industry's growth potential.

Exemptions for investments?

Local news reports also suggest that the Indian government could consider exemptions for certain cryptocurrency investments. In other words, the government could allow investors to bet on cryptocurrencies but ban the use of these digital assets as currency or for remittances. This would make Bitcoin and other cryptocurrencies a "financial asset" such as stocks or bonds.

At the moment, all these are policy proposals. Investors and traders will have to wait to see what the government ultimately decides.

Bottom line

India could be considering a Bitcoin and cryptocurrency ban. The bill will be debated (and perhaps amended) when it makes its way to Parliament next week. Meanwhile, some Indian investors have already panic-sold their holdings. Digital asset prices were down double digits in India this morning.

If the government places a blanket ban on cryptocurrencies, investors in Canada should expect the industry's growth to be limited. However, if the government makes exemptions that could be good news. It would effectively make cryptocurrencies a regulated financial asset in India, which boosts the investment case.

For now, Canadian investors need to wait and watch **CI Galaxy Bitcoin ETF**.

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Date

2025/07/08

Date Created

2021/11/24

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