COIN GABBAR

Monthly Bulletin

01 August 2023

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Editorial

Sudeep Saxena

Co-founder at CoinGabbar

July brought in a ray of hope as Bitcoin surged past the barriers that it was stuck with earlier. The XRP ruling and change in the interest rate were key contributors to the rally.

Meanwhile the Iris scanner feature led by Worldcoin raised a lot of concerns as to the privacy. The same still having a tough time adopting owing to the concerns. Also, the XRP ruling brought in a mixed bag of feelings by ended up having a net positive impact on the market sentiment.

The SEC didn't just stop at Ripple. It seems SEC is keeping itself busy with a new favorite target, CRYPTO. They further went ahead with Coinbase and proved that common sentiment that they will stop at nothing less than the complete removal of Crypto and allied businesses.

However, the Structured Financial Institutions have always been opposed to any disruptions that challenged the long standing system. Although, the large fund houses and Financial Institutions are gearing up for making Blockchain and Crypto based businesses a part of their portfolio. This may pave way for a wider acceptance of Crypto Assets as a genuine investment option.

Monthly Market Watch

"Analysis of Bitcoin Based on Daily Chart"

Bitcoin Hits New Highs in 2023 as Institutional Interest Soars

Entering the second half of 2023, **Bitcoin (BTC)** and other major cryptocurrencies saw a shift in momentum after a robust performance in the first half. Despite a favorable court ruling in July concerning the legal dispute between **XRP** creator Ripple and the U.S. Securities and Exchange Commission (SEC), the performance of these digital assets remained lackluster.

Notably, the CEO of OpenAI, the company behind ChatGPT, introduced Worldcoin, a controversial cryptocurrency that employs iris scans for user identity verification. Concurrently, the House Financial Services Committee took steps to advance new cryptocurrency bills aimed at providing much-needed clarity on the regulatory landscape for digital currencies within the United States.

In a move impacting the broader financial scene, the Federal Reserve opted to raise interest rates once again in July. However, cryptocurrency investors are optimistic about the recent favorable inflation figures, as it might suggest that the Fed is approaching the conclusion of its cycle of tightening monetary policy. Bitcoin experienced a brief surge to attain new 52-week highs, peaking around $32,000 in July, fueled by reports of easing inflation. Nevertheless, the world's premier cryptocurrency lost momentum in the latter part of the month.

In this year marked by the characteristic unpredictability and substantial volatility of Bitcoin, its future performance hinges on critical determinants. These include the direction of monetary policy, the evolution of regulatory frameworks for cryptocurrencies, and the decision by the Securities and Exchange Commission regarding the potential approval of the inaugural bitcoin spot Exchange-Traded Fund (ETF) on a major U.S. exchange.

On July 13th, a notable achievement unfolded for Bitcoin as it reached a fresh peak, coming close to the $31,804 threshold, marking its highest valuation since 2022. This remarkable surge can be primarily attributed to the growing attention from institutional investors who are increasingly acknowledging the significant potential of this prominent cryptocurrency. Particularly remarkable is Bitcoin's capacity to yield substantial profits, evident in its impressive year-to-date growth of approximately 87%.

Currently, Bitcoin navigates a landscape of prolonged market pressures, where bullish and bearish forces are finely balanced. This equilibrium has resulted in relatively subdued price movements, not only in the short term but possibly extending into the forthcoming weeks of August. A point of interest is the emergence of a Long Wick Doji Pattern at the conclusion of the June trading period, indicating a prevailing sense of uncertainty that could shape the days ahead.

Based on chart analysis, BTC is currently encountering selling pressure, diminishing the likelihood of a bullish rebound and raising the potential for a bearish trend to emerge. Consequently, it is anticipated that the trading landscape in August will maintain a downward trajectory. This could potentially lead to a scenario where BTC reaches the interim support level situated at approximately $25,000, with the possibility of a breach below this level, potentially dropping below $20,000 over the course of August 2023.

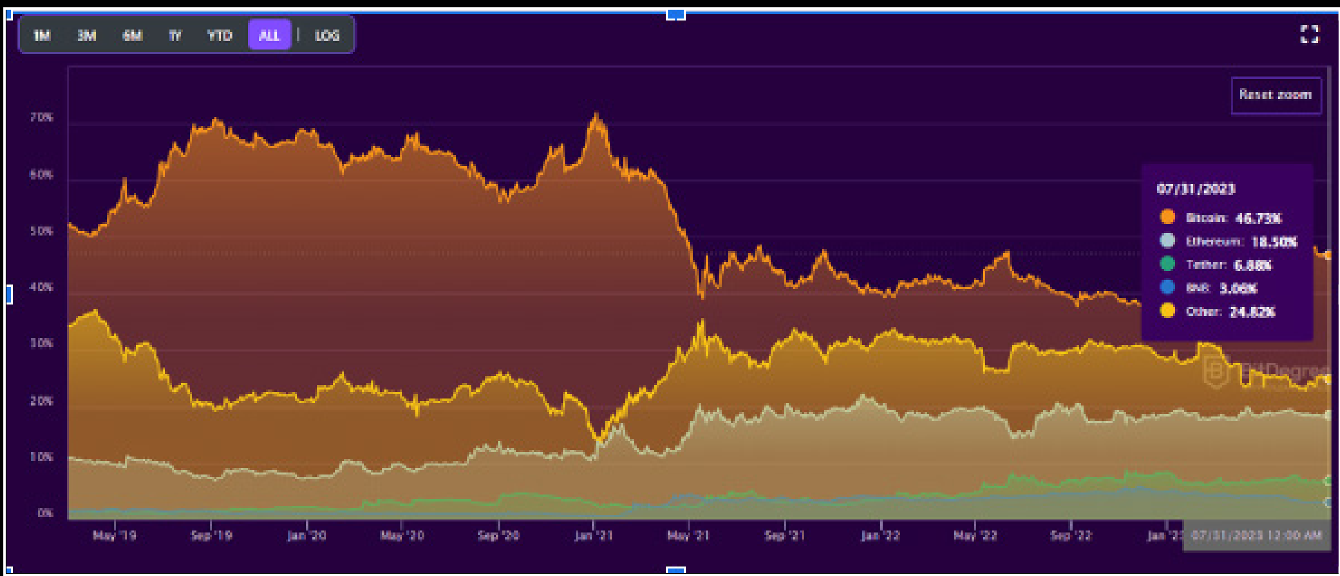
Total Crypto Market Capitalization

As of July 31st, the global cryptocurrency market cap stands at $1.13 trillion, showcasing its remarkable scale. In the last 30 days, the market has experienced a 1.74% decline. Bitcoin (BTC) continues to lead with a market cap of $563 billion, showing a 3.90% decrease in its share over the past month.

The cryptocurrency market's total capitalization has witnessed a decline, indicating a correction. However, the market is anticipated to encounter ongoing consolidation in the upcoming week due to significant data releases from the US market on the horizon.

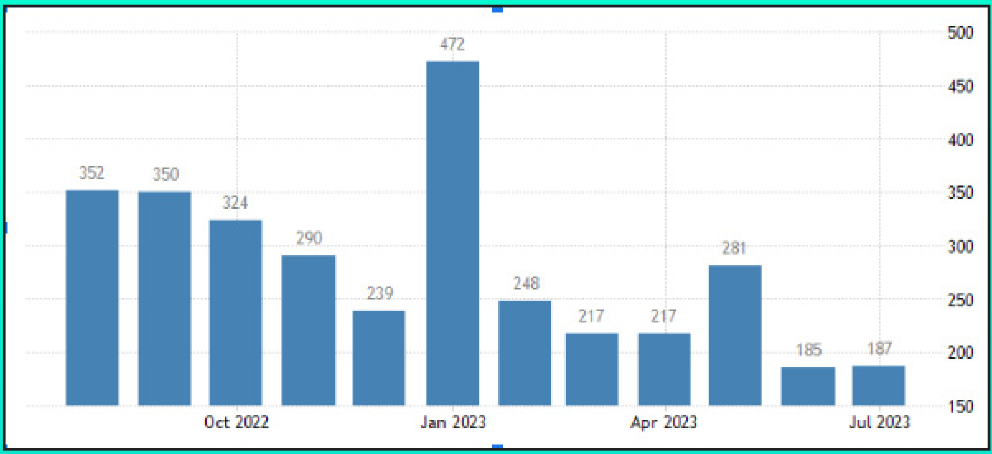
Total Crypto Market Capitalization

Bitcoin, the world's largest cryptocurrency, holds a market cap of roughly $562 billion. Its dominance has dipped to 46.73%, down 19.43% over the month. Trading volume for BTC stands at about $31.84 billion, marking a significant 73.16% drop from the previous month. Currently, a vigorous tussle unfolds between buyers and sellers in the Bitcoin arena, with sellers currently enjoying a slight advantage.



U.S Non Farm Payroll Data

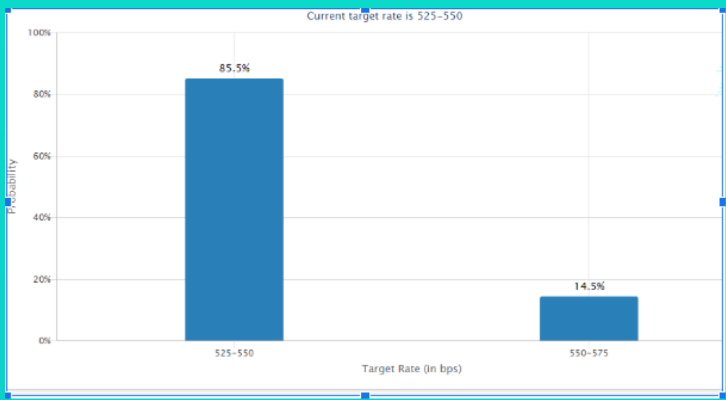
US employment expansion decelerated beyond projections in June following a robust surge in the preceding month. Despite this moderation, the job market persists in its state of constricted conditions, with the unemployment rate retreating to 3.6 percent from a seven-month peak. The Labor Department's employment report on July 7 revealed that nonfarm payrolls in the US rose by 209,000 positions in the past month. The data for May underwent downward revision, reflecting payroll growth of 306,000 instead of the initially reported 339,000



September's Fed Meeting: Key Dates and Details

In its most recent FOMC meeting held in July, there was a 25 basis point increase in interest rates, bringing them to a range of 5.25-5.50%. This marked the 11th incremental raise in this ongoing cycle of rate hikes, with a brief hiatus occurring in June. The primary objective of these moves is to curb elevated inflation rates.

Approaching September 19-20, 2023, the upcoming Federal Open Market Committee (FOMC) meeting takes center stage. As the pivotal force shaping monetary policy within the Federal Reserve System, the FOMC holds eight scheduled yearly gatherings and may convene extra sessions as needed. Looking ahead to September, market expectations diverge.



Some analysts anticipate the Federal Reserve's return to raising benchmark borrowing rates, citing the earlier "hawkish pause" in June. Despite moderating inflation, these analysts underline persistent inflation concerns.

ECB's Latest Move Leaves September Open

The European Central Bank extended its rate hike streak with a ninth consecutive increase on July 27. However, there's now talk of a potential September pause due to easing inflation pressure and concerns of a looming recession.

The ECB raises key interest rates by 25 basis points (bps) to curb inflation. This adjustment, effective from August 2, sets rates at 4.25 percent for main refinancing operations, 4.50 percent for marginal lending, and 3.75 percent for deposit facilities.

According to the ECB, this move reflects the Governing Council's assessment of inflation dynamics and monetary policy strength. Despite reduced eurozone inflation, the ECB maintains its view of persistent high inflation.

The ECB commits to sufficiently restrictive rates to guide inflation towards the 2 percent target. Projections show eurozone inflation at 5.4 percent in 2023, 3 percent in 2024, and 2.2 percent in 2025.

Ripple vs SEC

A Battle Won or Lost? Crypto Future Hangs in the Balance!

The Ripple vs. SEC saga has unfolded like an epic tale, brimming with uncertainty, high stakes, and moments of triumph and setback. The drama started in December 2020, with SEC's accusation that Ripple conducted an unregistered securities offering through the sale of XRP. The regulatory body, responsible for safeguarding investors, claimed Ripple had created an "information vacuum," thereby destabilizing the security of investor's capital. On the other hand, Ripple and its top executives ardently defended their stance, arguing that XRP shouldn't be classified as a security. The ongoing courtroom back-and-forths created ripples across the entire cryptoverse, putting the future of many other crypto-currencies under a cloud of regulatory uncertainty.

The Sudden Attack on the Cryptogiant

On December 22, 2020, the SEC blindsided Ripple by filing a lawsuit, accusing the company of conducting an illegal securities offering worth $1.4 billion. This allegation not only threw Ripple into a tailspin but also plunged the entire cryptoverse into uncertainty. The lawsuit claimed that Ripple had kept the public in the dark by disclosing only the information it deemed beneficial, thus creating an "information vacuum".

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Reinforcements Enter the Fray

The legal battle further intensified as the lawsuit allowed external entities to get involved. On November 14, 2022, Judge Analisa Torres granted motions by Coinbase and others to file amicus curiae briefs, permitting third parties to contribute their insights and expertise to the case. These reinforcements provided a new angle to the case, offering different perspectives and expertise that helped unravel the complex layers of the debate.

The Pivotal Battle of the Hinman Documents

The turning point in this case came on September 29, 2022, when the U.S. District Court ordered the SEC to produce the elusive Hinman documents. These documents, related to a speech made by former SEC official William Hinman in 2018, could potentially provide valuable insights into the SEC's views on Bitcoin and Ethereum, impacting the classification of XRP.

The Ruling: A Mixed Bag

The court's ruling on July 13, 2023, resulted in a mixed bag of emotions for both parties involved. The court declared XRP as an unregistered security when sold to institutional investors, validating SEC's argument to a certain extent. However, it went on to rule that XRP wasn't a security when sold to the public, which was a partial victory for Ripple. While this verdict underlines the complicated nature of cryptocurrency regulation, it also emphasizes the need for an all-encompassing, yet nuanced approach to these regulations.

The Howey Test and its Implications

At the heart of the Ripple vs. SEC debate lies the Howey Test, a legal framework initially created to determine what qualifies as an "investment contract." As per the Howey Test, a transaction is deemed an investment contract (and thus a security) if money is invested in a common enterprise with the expectation of profit derived predominantly from the efforts of others.

Applying the Howey Test to cryptocurrencies, such as Ripple's XRP, has proven contentious, as these digital assets function differently from traditional securities. The court's interpretation of the Howey Test in the Ripple case could set an important precedent for how cryptocurrencies are treated under U.S. securities laws.

Ripple's Future: What's Next?

The ruling could be seen as a partial victory for Ripple, as it confirms that not all XRP sales are classified as securities transactions. However, this decision also signals a possible tightening of regulations in the crypto industry, with the SEC exerting its authority over institutional sales.

This case's outcome could also affect Ripple's IPO plans. CEO Brad Garlinghouse had revealed plans for an IPO once the lawsuit was resolved. This ruling might accelerate those plans, potentially marking a significant milestone for Ripple and the crypto industry at large.

Implications for the SEC and the Cryptoverse

For the SEC, the ruling reaffirms its authority and may provide a roadmap for future enforcement actions against other cryptocurrencies. Other digital currencies, like Binance's BNB and ApeCoin, might come under the SEC's scrutiny, heralding stricter regulatory oversight for the crypto industry.

The ruling's impact on the cryptoverse is substantial. It might influence the future of cryptocurrency regulation, potentially sparking debates about digital currencies' nature and how they should be regulated. This could shape the cryptocurrency landscape, determining whether these digital assets are seen as investment contracts or something entirely unique.

The Author's Take

In my opinion, this case serves as a stark reminder of the complexities and ambiguities surrounding cryptocurrency regulation. The ruling is a landmark one, both for Ripple and the wider crypto industry. While it upholds the innovativeness of cryptocurrencies, it also underscores the need for clearer and more specific regulations tailored to this burgeoning industry.

The future of the cryptoverse seems to be at a crossroads. On the one hand, there's the push for innovation and technological advancements, and on the other, there's the urgent need for comprehensive regulations that protect investors without stifling creativity.

The verdict of this legal battle has set the stage for an exciting era in the crypto industry. As the cryptoverse matures and regulators worldwide grapple with the complexities, we can anticipate more such courtroom dramas in the future. The lines between traditional financial instruments and crypto-assets are blurring, and the ripple effects of this case will be felt for years to come.

- The United States empowers IMF and other US-leaning international financial organizations in which it holds key control. The USA has played a key role in shaping IMF policies and still dominates the forum with its soft power

- The United States is also working towards developing the digital dollars to cope with the other CBDC projects of countries such as China and India

The Way Forward

The era of the US dollar's uncontested reign as the world's reserve currency may be coming to an end as de-dollarization, the rise of cryptocurrencies, and the development of regional power centers challenge its hegemony. However, this decline is not as close as it might seem.

The dollar is still the strongest currency with trillions worth of it being stored in the foreign reserve of countries across the globe. The pace of this change would not only be strictly regulated but also resisted firmly by the strongest economic forces of the West. For now, only time will tell how these trends will shape the global economy and balance of power between nations in the coming years.

SEC vs Coinbase

When the digital revolution met financial markets, the outcome was the intricate and expansive realm of cryptocurrencies. At the heart of this universe stands Coinbase, a behemoth platform enabling millions to navigate the choppy waters of crypto trading. But as we've seen, with great power comes profound scrutiny. The US Securities and Exchange Commission (SEC) has fired a legal salvo at Coinbase, alleging it sidestepped vital regulatory processes. Here's the in-depth timeline of events, their potential repercussions, and the multiple paths this monumental clash could tread.

The SEC's Allegations against Coinbase

- Unregistered Exchange, Broker, and Clearing Agency: Since 2019, Coinbase allegedly functioned as an unregistered exchange, broker, and clearing agency. By merging these roles without due registration, the SEC claims Coinbase deprived its investors of crucial protections like inspections, record-keeping, and defense against potential conflicts of interest.

- Unregistered Staking-as-a-Service Program: From the same year, Coinbase's staking-as-a-service program allegedly ran unregistered securities offers. This program, leveraging proof-of-stake mechanisms, allowed users to earn through the validation of blockchain transactions.

- Liabilities of Coinbase Global Inc. (CGI): Coinbase's holding company, CGI, is also in the crosshairs. The SEC argues that CGI, being a controlling entity of Coinbase, shares liability for the alleged violations.

Timeline of Events:

- **Early 2019:** Coinbase begins its crypto asset trading services without registering as an exchange, broker, or clearing agency with the SEC.

- **Mid 2019:** The SEC alleges Coinbase starts an unregistered securities offering through its staking-as-a-service program.

- **July 2022:** In an attempt to seek regulatory clarity, Coinbase submits a petition to the SEC. A lack of cooperation from the SEC leads Coinbase to sue them for a formal response.

- **July 20, 2023:** A joint proposal is submitted to the court by both Coinbase and the SEC, setting a detailed schedule for the legal proceedings in the case.

- **Aug. 4, 2023:** As per the approved schedule, Coinbase is set to present its initial arguments and defenses against the SEC's claims.

- **Aug. 11, 2023:** Amicus briefs supporting Coinbase are due for submission.

- **Oct. 3, 2023:** A key date, the SEC is expected to counter with its opposition brief to Coinbase's initial arguments.

- **Oct. 24, 2023:** Coinbase's reply to the SEC's opposition is expected, further igniting the courtroom battle.

Potential Impacts:

Regulatory Scrutiny: This lawsuit, irrespective of its outcome, will likely set a precedent for how crypto exchanges operate within the purview of the law. With Coinbase being a major player, its operations' legality will influence other exchanges to reevaluate their standing with the SEC.

Investor Confidence: If Coinbase is found in violation, investor confidence in the platform may waver. This could prompt investors to seek out SEC-compliant platforms ensuring they are protected against potential legal pitfalls.

Industry Growth and Innovation: Increased scrutiny may slow down the rapid innovation we've been witnessing in the crypto sector. Firms might adopt a more cautious approach, prioritizing compliance over rapid expansion.

Possible Outcomes:

Injunctive Relief: The court could order Coinbase to stop its unregistered activities, significantly impacting its business operations and potentially affecting its valuation.

Disgorgement of Profits: Coinbase may have to surrender the profits they obtained through these alleged violations, which could amount to billions.

Monetary Fines: Beyond the disgorgement of profits, Coinbase may also be levied with substantial penalties, which could further strain their financial health.

Setting Precedence: This case could set a benchmark for other crypto exchanges operating in a regulatory gray area, influencing them to prioritize compliance over innovation or risk similar legal challenges.

Regulatory Clarity: On the brighter side, the outcome of this lawsuit might provide the clarity the crypto industry has long been seeking, setting a clear distinction between regular cryptocurrencies and crypto securities.

How the Ripple vs. SEC Ruling Might Impact the Coinbase Case

The Ripple vs. SEC case, with its landmark interpretation of the Howey Test for cryptocurrencies, could have significant implications for the ongoing Coinbase lawsuit. Ripple's ruling saw XRP differently categorized for institutional investors versus the general public, hinting that the Coinbase lawsuit might witness a similarly detailed examination, especially concerning its staking-as-a-service program.

This precedent may also signal a tightening grip on crypto regulations, particularly around institutional sales, suggesting Coinbase might face increased scrutiny akin to Ripple. If the SEC's stance against Ripple is any indication, Coinbase could be pushed for greater operational transparency. As the landscape of U.S. cryptocurrency regulations evolves, heavily influenced by cases like Ripple, the outcome of the Coinbase lawsuit could further define this delicate interplay between innovation and

The Author's Take

The SEC vs. Coinbase case has divided experts, industry stakeholders, and enthusiasts alike. Many argue that this lawsuit reflects the SEC's attempt to regulate an industry that's known for its decentralized nature and resistance to traditional financial systems. Others believe that Coinbase, as a pioneering entity, should have been more proactive in seeking regulatory clarity and ensuring its operations were compliant.

Gary Gensler's statement indicates a strong stance by the SEC, emphasizing that crypto platforms should not be allowed to operate in ways that might harm or deceive investors. In contrast, some in the crypto community believe that the SEC's actions might stifle innovation in the space, preventing the U.S. from becoming a leader in the burgeoning crypto industry.
As the legal battle continues, it's clear that its outcome will shape the future of cryptocurrency and blockchain technology in the U.S. and possibly influence global standards.

Rendezvous with Founder

on WhatsApp

DILIP CHINOY

Q. As the Chairman of Bharat Web3 Association, could you please elaborate on the role of blockchain and crypto asset in accelerating India's digital transformation? major challenges?

I believe Blockchain and Virtual Digital Assets can further accelerate India's already growing digital transformation. In fact, these technologies are already disrupting fields from logistics to supply chains, hospitality and tourism, real estate, healthcare and finance and insurance. Web3 technologies are being integrated to address challenges and enhance efficiency.

Private enterprises today are leveraging blockchain and Web3 concepts to reshape their operations and implement tailor-made solutions for their businesses, especially for storing, and securing data. Last year, Flipkart launched Flipverse, a dedicated virtual shopping experience to enhance customer experience. Apollo Hospitals also announced a partnership to enable engagement in the metaverse, which enables patient counselling in virtual reality and helps increase patient outcomes.

State governments have also begun to utilize blockchain for their use cases. The government of Telangana recently implemented a women child welfare ledger on Polygon ensuring real time visibility and traceability, while the government of Maharashtra was able to issue verifiable caste certificates to almost 65,000 citizens.

These are just some of the several examples which show that the use of blockchain and VDAs are far ranging and are already helping to increase the digital transformation in the country.

Q. You've recently voiced your opinion on implementing a twin approach for law enforcement on tokenization of land assets and NFTs for cultural aspects. Could you please explain how you envision this twin approach functioning?

The twin approach mentioned involves using tokenization for both land assets and cultural aspects. For land assets, it means representing ownership or rights to a piece of land using blockchain-based tokens, which can help streamline property transactions and ensure transparent ownership records. Kolkata Development Authority has undertaken an initiative to design and develop Land Mutation. This unique use case allows individuals to undertake Record of Title (Mutation) online under the E-District platform where the citizen applies for the said service to get the digitally signed Certificate.

For cultural aspects, it involves tokenizing aspects of culture, such as artworks, artifacts, or traditional knowledge, into digital tokens known as NFTs (Non-Fungible Tokens). These NFTs can be used to establish ownership, provenance, and authenticity, while also allowing creators and communities to benefit from their cultural contributions. In September 2021, Mongolian engineers introduced the Mongolian Non-Fungible Token (NFT) platform to the public to bring Mongolian artists to the world through which they have released more than 6,000 NFTs.

Both approaches leverage blockchain technology to provide secure and verifiable records, reducing fraud and disputes in property ownership and ensuring proper recognition and preservation of cultural heritage. The twin approach aims to integrate these tokenization strategies to enhance both the efficiency of land transactions and the preservation of cultural value.

Q. You have noted that people's major concerns in the Web3 space involve crypto asset, money laundering, terror funding, and the dark web. How does Bharat Web3 Association plan to address these concerns while still encouraging innovation and growth?

In the recent past, the Web3 sector has been explicitly brought within the ambit of certain provisions to counter money laundering and terror financing activities and ensure consumer protection. These include income tax framework for VDAs, the Indian Computer Emergency Response Team (CERT-IN) guidelines to ensure compliance of VDA service providers, the ASCI guidelines for responsible advertising, inclusion of VDAs in the National Cyber Crime Reporting Portal-1930 reporting framework to protect consumers from cyber fraud cases and the latest inclusion of VDA service providers in the Prevention of Money Laundering Act (PMLA) recognizing them as reporting entities.

Aside from the Indian laws and regulations, self-compliance in the VDA space has also evolved considerably. BWA members also strive to adhere to applicable guidelines put out by international organisations like the Financial Action Task Force, and other global best practices. The BWA Compliance Committee was set up with the objective of facilitating adherence by our members to existing guidelines. Apart from this, the BWA Compliance Committee will also work on creating Guidelines for Member Firms in relation to self-compliance.

Q.You've spoken about the regulatory uncertainty in the Web3 space pushing people overseas who want to create a market in this space. What are some specific steps the Indian government and industry bodies like Bharat Web3 Association could take to create a more favourable regulatory environment?

Yes, it is true that the regulatory uncertainty in the Web3 space is pushing people overseas. The high income tax rate and the 1% TDS present a discouraging outlook for the sector, which is driving businesses out of the country as people are flocking to more accommodating and nurturing regions. This is also causing a flight of users to platforms in foreign jurisdictions and the peer-to-peer markets.

Firstly, for the growth of any sector, regulatory clarity is a must, and currently, the Web3 space is operating in a regulatory grey area. Many Indian start-ups have shifted to other locations due to the lack of regulatory clarity. Honourable MoS MEitY, Shri Rajeev Chandrasekhar has also expressed his desire for such firms to come back to India and it is essential that the government comes out with comprehensive regulations for the Web3 sector to help bring firms back and discourage those thinking of establishing themselves abroad.

Second, regulatory sandboxes, such as the one established by the Government of Telangana help provide a supportive and enabling environment for innovation especially for emerging technologies such as Web3. The establishment of more such sandboxes will allow Web3 startups to test and develop their innovations within a controlled environment, encouraging more start-ups in the space.

Thirdly, awareness campaigns and educational programs to inform the public, and policymakers about the benefits and risks of Web3 technologies will provide much needed clarity to the consumer, as currently there is a lot of misinformation about the Web3 ecosystem floating around.

Finally, upskilling is another major area that Industry bodies can take up. The development of a Web3 curriculum, certification courses to upskill the youth can help tremendously. I am happy that the Bharat Web3 Association is working with Institutions such as the Maharashtra State Skills University (MSSU) for the development of comprehensive Web3 curriculum for its students.
By taking these steps, India can position itself as a hub for Web3 innovation while ensuring that risks are adequately managed while promoting innovation.

Q. You've mentioned that Web3 applications can potentially reduce the budgetary need for many central ministries by up to 10 percent. Could you give some examples of how this might be achieved?

Web3 applications, driven by decentralized technologies like blockchain, offer a paradigm shift in how public funds are managed and allocated. One of the key mechanisms that holds immense promise is the utilization of smart contracts.
These intelligent self-executing contracts enable the escrowing of funds until predetermined conditions are met. This not only enhances transparency and accountability but also reduces the potential for fiscal leakages at various stages of fund flow.

According to the Tony Blair Institute for Global Change, fraudulent activities lead to the loss of 2-5% of the world's GDP, a staggering $1.5-$2.6 trillion. By implementing Web3 solutions, governments can significantly curb this drain on resources. The inherent transparency and tamper-resistant nature of blockchain can create an auditable trail that minimizes the misuse of funds for procurement, public projects, embezzlement, and tax evasion.

Drawing from the success stories we have witnessed, such as the Brazilian Blockchain Network (RBB) and the blockchain solution architect role in the US state of Colorado, it is evident that governments are embracing the potential of blockchain applications to rebuild trust and improve service delivery. These instances highlight the power of cryptographic protocols in domains like land registries, vehicle titling, digital currencies, credential validation, vaccine verification, loan and grant tracking, tax tracking, and even blockchain-based voting.

The Indian context, marked by administrative inefficiencies, finds a fitting solution in Web3 applications.

Digital Identity for Inclusive Growth: In a country with a substantial population, the implementation of a blockchain-based digital identity system can streamline the distribution of government services. This strategy reduces duplication, optimizes resource targeting, and contributes to significant budgetary savings.

Agricultural Supply Chain Optimization: Given the significance of the agriculture sector, blockchain-enabled supply chains hold the potential to enable fair pricing for farmers and minimize intermediaries' costs. This, in turn, enhances farmer income and reduces pressure on government subsidy budgets.
Public Health and Welfare: The efficient distribution of vaccines, medicines, and welfare benefits is of paramount importance. Web3 solutions offer transparency and traceability, minimizing resource wastage and ensuring equitable benefits distribution.

Land Reforms and Dispute Resolution: A blockchain-based land registry system simplifies complex land records, reducing administrative burdens and legal expenses, thereby creating substantial cost savings for the government.

Transparent Infrastructure Spending: With ambitious infrastructure projects, the transparent fund allocation provided by smart contracts prevents delays, and cost overruns. Taxpayer money is thus utilized more effectively.

E-Governance and Digital Payments: Web3 applications drive e-governance initiatives, reducing bureaucracy through streamlined processes. Blockchain-based digital payments minimize financial transaction leakages, boosting government revenue collection.

Efficient Tax Collection: The introduction of blockchain-based systems can revolutionize tax collection by providing an incorruptible transaction record. Automation through smart contracts ensures that tax payments are made punctually and accurately.

Q. With India being among the top four countries adopting virtual assets, what strategies are being implemented to ensure customer protection, decentralisation, and risk management within this rapidly evolving sector?

Ensuring consumer protection is of utmost importance as it empowers users, addresses security concerns and promotes transparency. Given this, BWA is working with several agencies to establish guidelines around consumer protection. BWA also participated at the DOCA workshop on Web3, Blockchain and Consumer, wherein discussions revolved around ensuring end-to-end protection for users and various stakeholders. Further, BWA will also set up an office of the Ombudsman to redress complaints which are further escalated by the users of Member firms.

Further, self regulating organizations are better positioned to appreciate the nuances of and emerging sector such as the Web3 and regulate or direct them based on the level of risk they pose to the financial system or consumers. Such an approach can be applied to the Web3 sector. Financial Industry Regulatory Authority (FINRA), is a prime example of an SRO that works in accordance with the United States Securities and Exchange Commission (SEC) to enforce the regulatory bodies' broader objective. Similarly, the Japan Virtual Crypto-Assets Association (JVCEA), is yet another legally recognized self-regulatory body.

Q. The prediction of the Web3 ecosystem in India reaching around $1.1 trillion by 2032 is a bold one. What fundamental changes or growth trends do you see driving this massive increase?

The growth of Web3 in India is being driven by several fundamental trends that reflect the changing landscape of technology adoption, user behaviour, and market dynamics. Web3 has the potential to create jobs on a large scale and usher in a new era of technology-led economic growth.

Firstly, the availability of the large talent pool for Web3 acts as a major growth factor the sector in India. As per a NASSCOM report, around 11% of the global Web3 talent is in India, with blockchain and crypto related jobs showing a rise of 138% since 2018. India's youthful demographic is also quick to adopt new technologies and has a significant influence on driving trends, including Web3 adoption.

Venture capital firms and angel investors have also recognized the potential of Web3 technologies with the 450+ Indian Web3 startups raising USD 1.3 billion in funding till April 2022. With a large number of Indian Web3 start-ups focusing on building diverse Web3 solutions across all major application areas, funding and investment in the sector is likely to increase and fuel growth over the coming years.

Secondly, we are now closer than ever on a global framework for regulations for the VDA sector under India's G20 presidency. Globally, we now have several regulations such as MiCA that have been welcomed by the Web3 community. The Indian government has also brought in several regulations for the sector over the past few years such as bringing VDAs under the purview of the Income Tax Act, 1961 effective April 2022, CERT-IN issues guidelines under IT Act 2001 and thus, I believe the sector is close to getting much needed regulatory clarity.

Thirdly, India's large digital-savvy, middle-income user base is expected to grow with India expected to have more than 900 Mn+ Active internet subscribers by 2025. As more Indians access the internet and embrace digital technologies, the demand for decentralized applications and services offered by the Web3 sector is likely to increase.

Further, a NASSCOM survey of global enterprises revealed that 90%+ of the most mature digital enterprises expect to increase investments across blockchain, AI/ML, IoT, AR/VR, and Edge. This is also expected to a major factor driving the growth of the sector.

As the above trends are likely to shape India's technological landscape, the country's Web3 ecosystem will significantly contribute to the growth of the broader Indian economy as well

Q. With the Supreme Court expressing concerns over the lack of clear crypto asset regulations, what do you think should be the government's immediate course of action to address this situation?

: Countries around the world are looking for ways to embrace Web3 and many have already made significant progress in that area. The European Union introduced Market in Crypto Assets regulation this year. Dubai has a designated state-sanctioned authority in the form of VARA overseeing the sector. Many countries now have some form of regulation which prescribes the treatment of VDAs in the region.

After carefully analysing frameworks around the country, we must review what works in our country and what doesn't and apply the learnings into a comprehensive framework for the country. India has already taken steps to further VDAs and their regulation. The G20 Presidency has resulted in collaboration of the Financial Stability Board and International Monetary Fund to develop a synthesis paper for global regulation. The Indian regulation can be taken forward from there.

While drafting a regulatory framework for any sector, one may lay emphasis either on the potential of the sector or on the risks associated. In order for India to become a leader in Web3, a more appropriate approach would be the former, however not ignoring the risks and mitigating factors.

Q. The proposal of setting up a federal agency for investigating crypto-related crimes has been made. As an industry leader, do you see this as a viable solution? What potential challenges could arise from this setup?

Web3 and its underlying technology is dependent on comprehensive and thorough cybersecurity protocols due to their unique digital nature. Countries around the world have thus been rushing to devise regulations which ensure consumer safety and smooth conduct in the sector. India has also undertaken some measures which deal with cybersecurity. In April 2022, CERT-IN issued guidelines under IT Act, 2001 which govern and introduce compliance protocols for Virtual Asset Service Providers (VASPs). These guidelines came into effect from 25th September 2022, and they prescribe that VASPs are required to inter alia adhere to KYC standards, KYC data retention period, transaction records in a way which facilitates reconstruction of individual transactions, reporting of cybersecurity incident, and appointment of a Point of Contact. Additionally, the National Cyber Crime Reporting Portal-1930 decided to include VDAs in the reporting framework to protect consumers from cyber fraud cases in February 2023. These measures are encouraging for the ecosystem.

However, the measures implemented must also ensure that growth and innovation in the sector remains unimpeded. This is because the market is still developing in the country. Thus, if extremely rigid and strict structures were introduced for its supervision, it might cost the sector the momentum of growth and cause stagnation. There needs to be a balance between no-regulation and absolute regulation in which the technology can thrive and provide consumers with the products and services which match their expectations.

Q. The taxation laws for crypto assets were implemented rather quickly in India in April 2022. How did this sudden development impact the crypto industry, especially in the absence of other regulatory guidelines

The Finance Act, 2022 introduced Section 194S, which imposed TDS at the rate of 1% on purchase of Virtual Digital Assets (VDAs) from India from 1st April 2022. Further, a high rate of income tax of 30% was also introduced in 2022 under Section 115BBH of the Income Tax Act, 1961. There are also further restrictions on available deductions and treatment of setoffs. Section 115BBH (2) dictates that there is no deduction available for participants of the Web3 ecosystem for any expenditure other than cost of acquisition and that setting off or carrying forward any losses from transfer of the virtual digital asset is prohibited.

Tax framework in India continues to be a hurdle most companies in the space must deal with when setting up or running an organization. The high rate of 1% is creating a liquidity crunch at Indian VDA exchanges and end users suffer poor execution prices on these exchanges, while foreign exchanges continue to offer them competitive prices. Further, a high rate of income tax of 30% delegitimizes the VDA ecosystem as a genuine technology and business, and instead places it at par with activities such as gambling.

A high income tax rate and a discouraging TDS outlook are driving businesses out of the country as people are flocking to more accommodating and nurturing regions. This is also causing a flight of users to platforms in foreign jurisdictions and the peer-to-peer markets.

Indians' migration to foreign exchanges like FTX based in low-regulation jurisdictions has rendered the space untraceable for law enforcement authorities. Estimates suggest that there was a shift of around INR 32,000 crore worth of cumulative trade volume from domestic centralized VDA exchanges to foreign ones, during Feb-Oct 2022, following the announcement of a new tax regime in India. The total trade volume contributed by Indians on foreign centralized VDA exchanges enabling peer-to-peer transactions was to the tune of INR 80,000 Cr between July and Oct 2022. This is particularly important as one of the primary objectives behind the introduction of the TDS levy was to monitor transactions in this space. This objective is not satisfied due to the migration of users to foreign platforms.

Q. The Supreme Court has shown renewed interest in establishing clear crypto asset rules in India. How does the Bharat Web3 Association plan to engage with the government and other stakeholders to shape these regulations?

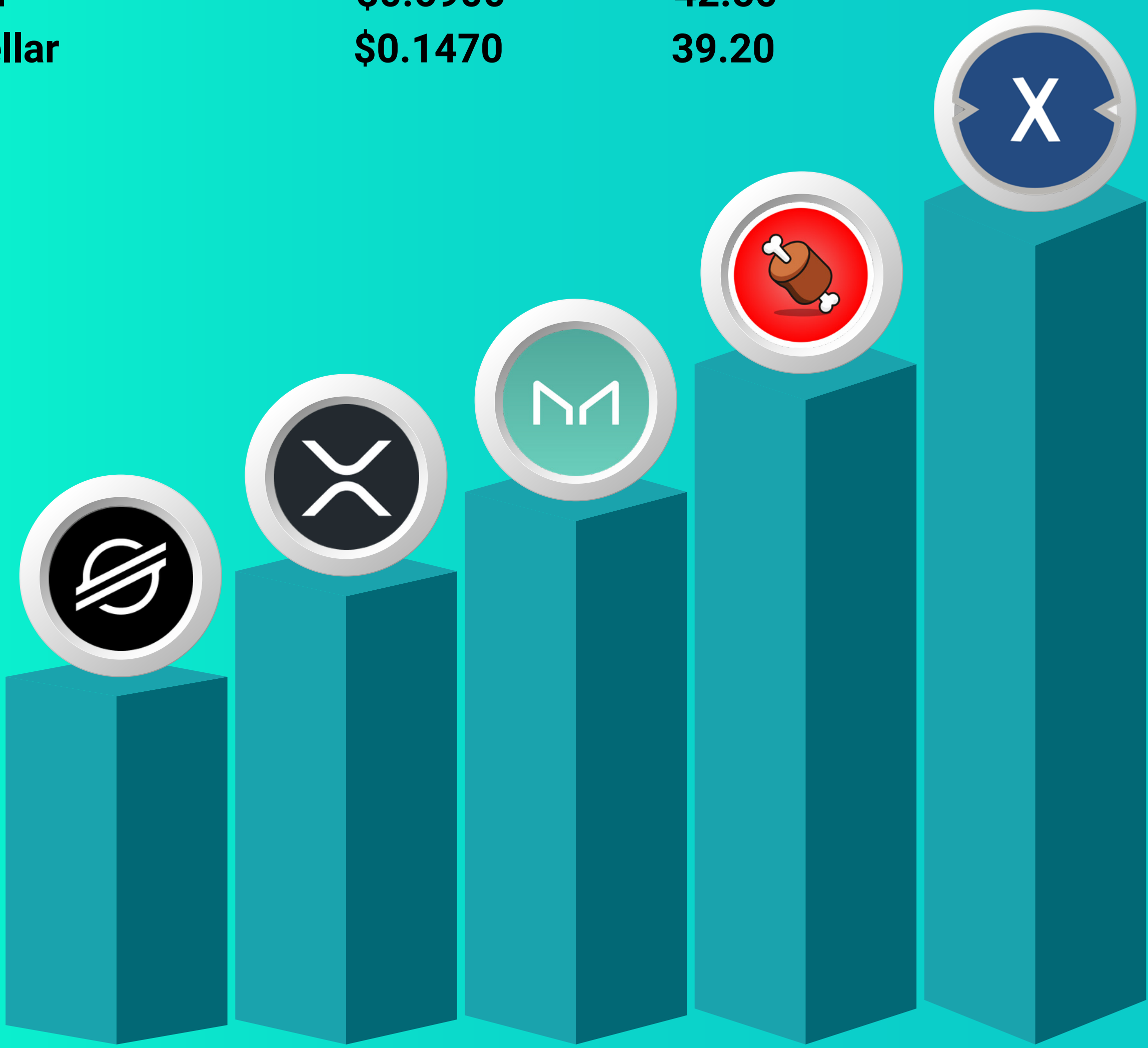
The Bharat Web3 Association has already been engaging with multiple stakeholders in both the public and private sectors along with international bodies with a common goal. We recently met with Hon'ble Minister of State for Consumer Affairs, Shri. Ashwini Kumar Choubey, to discuss the potential of the sector. We have also met with senior ranking representatives from the Ministries of Commerce, Finance, Consumer Affairs, MeitY, Principal Scientific Advisor among others. We have conducted 2 awareness workshops, one in collaboration with MeitY and the other with Department of Consumer Affairs.

Among the priority policy issues for the Web3 sector and for BWA include creating a more conducive taxation structure in India, allowing access to banking and UPI rails, and a comprehensive regulatory framework to create a conducive environment for players in India.

MONTHLY

TOP 5 Gainers

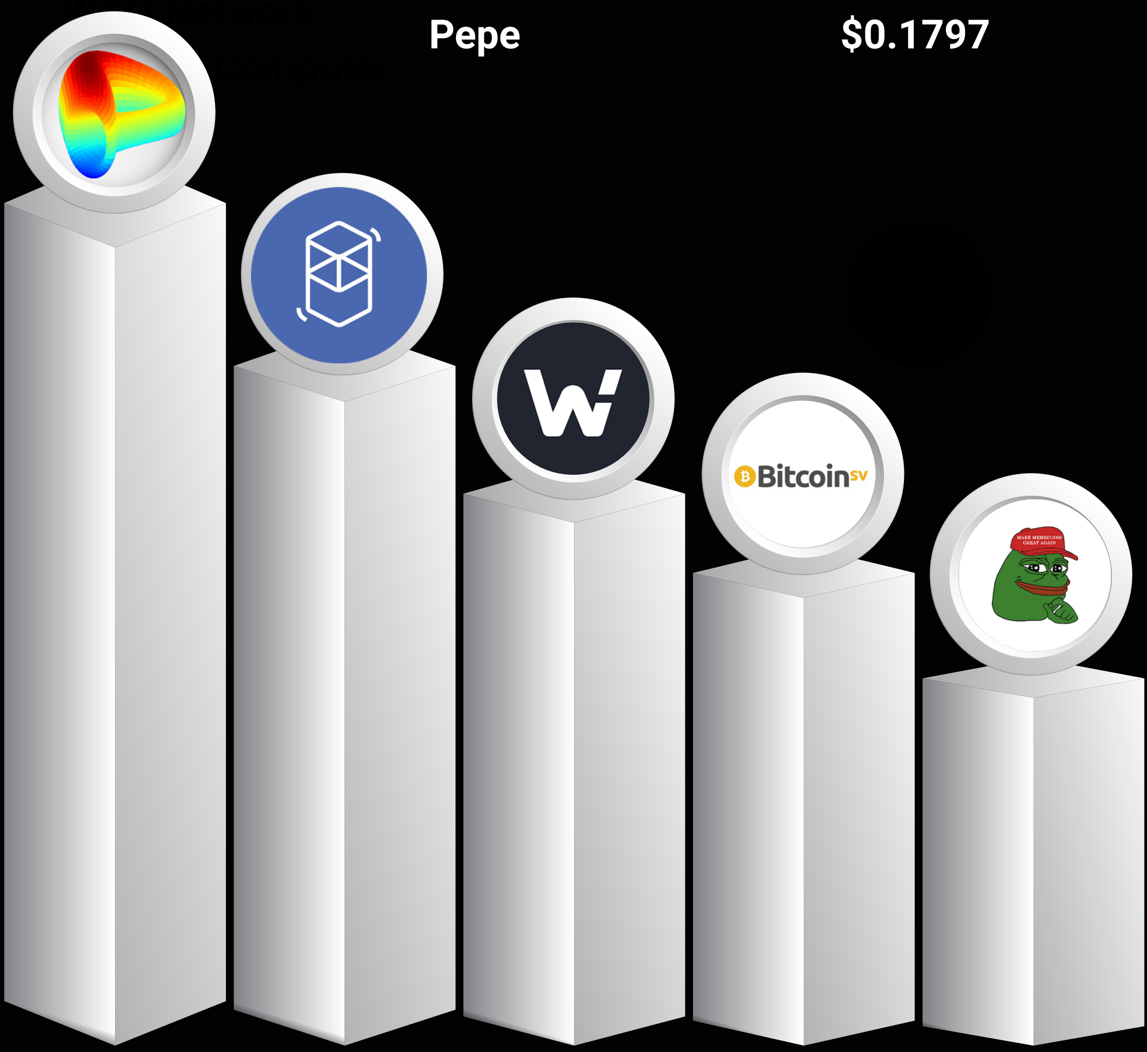
COIN	PRICE	30D%
XDC Network	$0.05889	82.01
BONE ShibaSwap	$1.52	61.85
Maker	$1206	49.65
XRP	$0.6900	42.50
Stellar	$0.1470	39.20



MONTHLY

TOP 5 Losers

COIN	PRICE	30D%
Curve DAO Token	$2.62	29.23%
Fantom	$0.3173	26.72%
Woo Network	$0.3078	24.72%
Bitcoin SV	$0.6849	23.88%
Pepe	$0.1797	18.86%



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Gabbar Archives

Hong Kong University Calls for Government-Backed HKD Stablecoin

Hong Kong University has proposed a government-backed Hong Kong Dollar (HKD) stablecoin to improve both local and international financial transactions. The digital currency aims to facilitate quicker, cheaper cross-border payments and benefit those without easy access to traditional banking. Unlike private stablecoins, which often face issues of trust and stability, a government-supported HKD stablecoin could leverage the stability and reputation of the Hong Kong government. However, implementing such a currency would require coordinated efforts from various stakeholders, including governmental bodies and financial regulators, to ensure legality and security.

U.S. federal judge: XRP Tokens is a Security for Firms, Not for Public

In a landmark ruling, a U.S. judge has determined that Ripple Labs' XRP token is a security only when sold to institutional investors, not the general public. This partial win for the SEC could set a precedent for cryptocurrency regulation, suggesting different rules may apply for different types of investors. The decision is a pivotal moment in the ongoing debate on crypto regulation and is likely to impact how digital assets are legally classified and traded in the U.S. Both Ripple Labs and the SEC are considering their next moves following this ruling.

ChatGPT Introducing Bitcoin Plug-in Helps to Write Code for Bitcoin

OpenAI has introduced a Bitcoin plug-in for its ChatGPT platform, aimed at simplifying programming for Bitcoin and the Lightning Network. Compatible with existing programming languages and tools, the plug-in offers features like pre-made code snippets, libraries, and real-time guidance. It's designed to assist both experienced programmers and newcomers in Bitcoin-related coding tasks. The plug-in aims to facilitate Bitcoin transactions, wallet creations, and Lightning Network operations. OpenAI's move is seen as a significant step towards making cryptocurrency programming more accessible, thereby encouraging further innovation in the field.

AI Hacked: Researchers Reveal Shocking Vulnerability

Researchers from the Center for AI Safety and Carnegie Mellon University have discovered a security flaw in leading AI chatbots like ChatGPT and Google Bard. The flaw allows users to bypass safety measures using extensive character suffixes, enabling harmful prompts such as bomb-making instructions. While temporary fixes like blocking specific suffixes exist, they don't eliminate all risks. The findings have raised concerns about the potential misuse of AI chatbots and may prompt legislative action. OpenAI and Google have been alerted to the issue, with OpenAI expressing gratitude for the research and a commitment to enhancing security measures.

BinanceBuild Introduces a New Feature with Zero Trading Fees

BinanceBuild, a platform by leading crypto exchange Binance, has launched a feature that highlights tokens with zero trading and maker fees on its spot market landing page. The update aims to streamline the trading process, saving users time and money by making it easier to find low-cost trading options. The feature is part of BinanceBuild's ongoing effort to simplify trading and encourage participation in the digital asset market. This update reinforces BinanceBuild's position as a customer-focused and innovative trading platform in the rapidly evolving cryptocurrency industry.

Learn with Gabbar

What are NFTs And How Do They Work?

Non-fungible tokens, or NFTs, are digital assets that are stored on a blockchain and represent unique items such as digital artwork, virtual real estate, and collectibles. NFTs work by using smart contracts, which are self-executing contracts with the terms of the agreement written directly into lines of code. Smart contracts allow for the creation and transfer of NFTs in a secure and transparent way.

When an NFT is created, it is minted on the blockchain and given a unique digital signature. This signature represents the ownership of the NFT and can be used to verify its authenticity. The NFT is then stored on the blockchain, which is a decentralized and distributed ledger that records all transactions. This allows for the ownership and provenance of the NFT to be tracked and verified.

When an NFT is sold or traded, the ownership of the NFT is transferred from one person to another through a smart contract. The smart contract automatically executes the terms of the agreement, such as the transfer of ownership and the exchange of funds. This process is done transparently and securely, and the transaction is recorded on the blockchain for anyone to see.

One of the key benefits of NFTs is that they allow for true digital ownership. With traditional digital assets, such as digital artwork, there is no way to prove ownership or authenticity. With NFTs, ownership is recorded on the blockchain, and the authenticity of the NFT can be verified through its digital signature.

NFTs also bring new opportunities for creators, as they can mint their own NFTs and sell them directly to collectors. This allows for a new revenue stream for creators and a new way for collectors to acquire unique and one-of-a-kind items.

What Does Minting an NFT Mean?

Uploading an NFT to the blockchain is known as "minting," and it's a pretty simple step overall. Rarible and OpenSea both have roughly the same process here. Following the instructions on your NFT marketplace's website, you will upload your NFT into your wallet, add details like the description and a number of others—and then that's pretty much it. Most NFT are working on the Ethereum blockchain and other than that there are many NFT work on different blockchain.

The process is very easy, the complexitynft minting website templateis reduced as various platforms are involved in cutting down and making the process simple. After naming and uploading your NFT. Your NFT will then be listed on the marketplace, but you must still advertise it for sale.

5 Leading NFT Marketplaces

OpenSea

OpenSea: OpenSea is the largest marketplace for NFTs and has a wide variety of digital assets for sale, including artwork, collectible items, and virtual real estate. The platform has a user-friendly interface and a search feature that makes it easy to find the specific NFTs you're looking for.

Rarible

Rarible: Rarible is another popular marketplace for NFTs, with a focus on digital art. The platform has a curated selection of digital artwork from talented artists, and also has a feature that allows artists to mint their own NFTs.

SuperRare

SuperRare: SuperRare is a curated marketplace for digital art, with a focus on quality over quantity. The platform only accepts a small number of submissions each week, ensuring that the artwork on the site is of a high standard.

KnownOrigin.

KnownOrigin: KnownOrigin is a marketplace for digital art and collectibles, with a focus on community and transparency. The platform allows artists to prove the authenticity of their artwork and provides detailed information about the history of each NFT.

Nifty Gateway

Nifty Gateway: Nifty Gateway is a marketplace for limited-edition NFTs from popular artists and brands. The platform has a unique drop system that allows users to purchase NFTs at a fixed price or through a bidding system.

Conclusion

In conclusion, NFTs are digital assets that are stored on a blockchain and represent unique items such as digital artwork, virtual real estate, and collectibles. NFTs work by using smart contracts, which allow for the creation and transfer of NFTs in a secure and transparent way. NFTs, bring new opportunities for creators and collectors, as they allow for true digital ownership and provide a new way for creators to monetize their work. The use cases for NFTs are diverse and varied, and as the technology is still new and evolving, more use cases are likely to appear in the future.

See you in September Soon!

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