

## Annexure I

Excerpts from the comments received from Ripple

### **“b. Implement a risk-sensitive regulatory framework for digital assets**

As highlighted in chapter 8.2.1 of the Report, applying existing Indian regulatory frameworks to cryptoassets is not practical given their unique nature and characteristics. Therefore, a separate regulatory framework for cryptoassets is needed for India.<sup>1</sup>

Taking into account the regulatory frameworks of the UK and Singapore discussed above and in the Report,<sup>2</sup> we request that regulators and policymakers in India also consider adopting a digital asset regulatory framework consistent with these global practices, in order to provide legal certainty and encourage innovation in the blockchain and cryptoassets sector in India. We recommend that such a regulatory framework should align with the following principles outlined below:

- The regulatory framework should be technology-agnostic, and should not explicitly or otherwise endorse any particular technology. In practical terms, this means that financial services using digital assets as a solution should not be treated differently from financial services embedding legacy architectures, and there should be parity in the treatment of all technology;
- Given the dynamic nature of digital assets, prescriptive regulation risks obsolescence. Prescriptive regulation could also have the unintended consequence of hindering innovation. Therefore, we recommend considering a principles-based regulatory framework, which will guide market participants to regulatory and policy goals, without imposing an overly prescriptive and onerous process in doing so; and
- The regulatory framework should use a risk-based approach to identify cryptoasset services that pose sufficient risk to warrant regulation, and where such risks are crucial to address. This is in order to build a simple, secure, and accessible cryptoassets ecosystem that will encourage innovation while mitigating any potential risks.

The recommended regulatory framework, as proposed above, should be forwardlooking and flexible while providing regulatory certainty and consumer safeguards, and at the same time meet the policy goals of encouraging innovation in India with the principle of ‘same risk, same activity, same treatment’.

### **c. Innovation sandboxes should be fostered and encouraged**

An innovation sandbox is a formal regulatory program for market participants to test new and innovative products, services and business models with end-users in a controlled environment, while being subject to regulatory oversight.

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<sup>1</sup> See Report, page 126.

<sup>2</sup> See Report, page 93.

However, the Reserve Bank of India (“RBI”) currently does not offer any opportunity for cryptoassets in a sandbox environment, as the RBI’s Enabling Framework for Regulatory Sandbox (“RBI Regulatory Sandbox Framework”) includes cryptoassets in the negative list.<sup>3</sup> In order to incentivize innovation and inform the development of a clear and consistent regulatory framework for digital assets, we believe innovation sandboxes should be encouraged, at the very least for specific use cases such as cross-border payments, as highlighted in this paper.

Therefore, we respectfully recommend amending paragraph 6.3 of the RBI Regulatory Sandbox Framework to remove “cryptocurrency / crypto asset services” from the negative list,<sup>4</sup> thereby offering service providers an opportunity to test the value proposition of this new technology in the Indian context.

#### **d. Public-private collaboration is essential**

Finally, any policy framework intended to regulate cryptoassets should promote an active dialogue between regulators and market participants. Such public-private collaboration will lead to more appropriate and effective policy outcomes for the industry and consumers alike. A collaborative forum that brings regulators and industry stakeholders together to build a rational and holistic framework for blockchain and cryptoassets would represent a substantial step forward toward achieving regulatory clarity in India, and we would support the formation of, and participation in, such a forum.”

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<sup>3</sup> See <https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/ENABLING79D8EBD31FED47A0BE21158C337123BF.PDF>, Enabling Framework for Regulatory Sandbox.

<sup>4</sup> See RBI Regulatory Sandbox Framework, page 6.