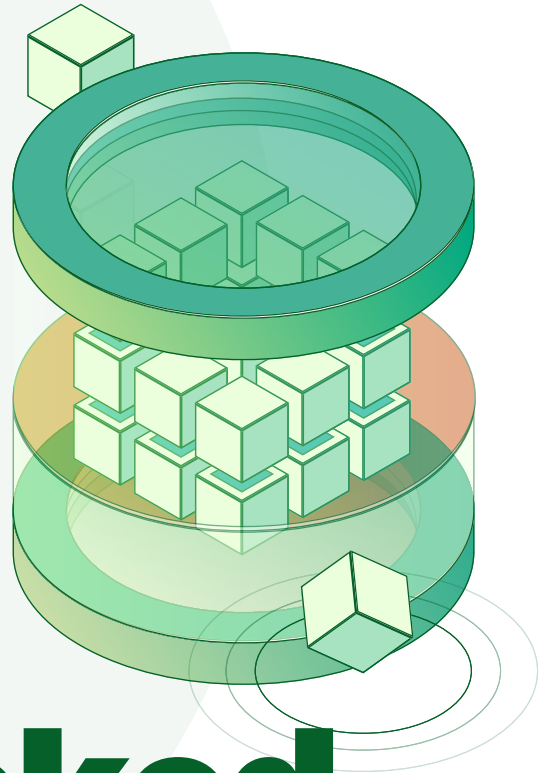




**Educate**  
**Collaborate**  
**Promote**

# Web3 Unpacked

Monthly Newsletter  Jun '23



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## Consumer Protection For VDA Participants (1/5)

### Need for Consumer Protection

Emerging markets hold a plethora of untapped potential and opportunities. As the tide of participating people and institutions swells, businesses within these markets gradually consolidate, crystallizing their purpose and appeal to the ever-growing customer base. However, amidst the excitement and promise, there are crucial questions that continue to loom, demanding answers from both consumers and businesses. This holds true for the nascent market of Web3, where users must ascertain that the visions espoused by emerging enterprises do not compromise their rights as consumers. **Appropriate regulations focused on consumer protection are necessary for the establishment of trust between these two vital groups.**

Thus, as the Web3 industry expands, the convergence of regulation and consumer protection assumes paramount importance. The establishment of a comprehensive and effective framework for consumer protection becomes an imperative safeguard against misconduct and exploitation. By fortifying the legal infrastructure with a robust consumer protection system, trust is nurtured, thereby bolstering customer confidence in market activities.

### The Global Example

Aware of these transformative developments, governments worldwide have turned their attention to this burgeoning landscape. As a result, a multitude of regulatory frameworks have begun to emerge, outlining the governance structure for the market as a whole and emphasizing the practices that businesses and other stakeholders are obliged to adhere to.

The state of global regulations currently varies dramatically from region to region. Since the industry is still young, comprehensive regulatory frameworks are few and far in between. However, meaningfully developed demonstrative examples do exist with regulation models in Dubai and Europe leading the charge.

The **Virtual Assets Regulating Authority (VARA)** is the primary regulation authority of Virtual Digital Assets in **Dubai**. VARA introduced its **Virtual Assets and Related Activities Regulations** in **February 2023**. In addition to the regulations, VARA published separate rulebooks to govern company activities, compliance and risk management, technology, and market conduct. Furthermore, VARA has established rules relating to the regulation of Marketing, Advertising, and Promotions related to Virtual Assets.



## Consumer Protection For VDA Participants (2/5)

### The Global Example

These guidelines imply that VARA is particularly concerned with the protection of customers, and retail clients in particular. Some major companies with a provisional license issued by VARA include **OKX, Huobi, and Komainu.**

The European Union's **Markets in Crypto Assets regulation (MiCA)** has been **enforced as of June** after its publication in the Official Journal of the European Union. It will become effective after a transition period of 12-18 months depending on the nature of the asset in question. The regulation sets standards for issuers and service providers of Virtual Digital Assets (VDAs) with an aim to protect consumer interest and maintain financial stability without disturbing the scope for innovation.



It does so by introducing a uniform legal system for VDAs, requiring that all VDAs and associated activities are traced in the same manner as traditional money is, and introducing enhanced customer protection and safeguarding measures.

While other geographies may not have such extensive regulation in place, most have some form of functional governance for VDAs. In the **Netherlands**, for example, key crypto directives were included in the **Money Laundering and Terrorist Financing Prevention Act, 2008** after its amendment in 2020. The amendment requires that crypto companies operating in the country register with the Dutch National Bank, which is responsible for managing VDAs in the country, and that VASPs and market stakeholders **comply with AML/CTF standards**, including the ones laid down by the Financial Action Task Force (FATF) published in 2019 and amended in 2021 and then in 2023.

**Singapore**, through the **Monetary Authority of Singapore (MAS)**, also introduced possible regulation measures for the market through **2 consultation papers** released in 2022. The MAS is currently in the process of preparing the response to the consultations based on the feedback received during the consultation period, which ended in December 2022.

## Consumer Protection For VDA Participants (3/5)

### The Global Example

One of these papers specifically covers the regulatory measures for digital payment token services and advocates various measures to ensure consumer protection, including risk awareness assessments of customers by VASPs, dedicated customer complaints handling portals, disclosure of governance policies and decision-making processes and more.



**Canada** has adopted a more regional approach, with a designated set of rules prescribed by the **Canadian Securities Administrators (CSA)** for service providers on a territorial level. In February 2023, CSA published additional guidelines to regulate the sector with the objective to 'Enhance Canadian Consumer Protection'. These measures require VASPs to voluntarily disclose basic business descriptions and risks associated with their assets, file pre-registration undertaking, and highlight all measures are undertaken to prevent fraud and theft.

Several other countries which have some form of a nurturing consumer protection system include:

- **The UK**, where the upper house of the parliament recently passed the **Financial Services and Markets Bill 2022 into law in June** to supervise crypto assets and stable-coins.
- **Germany**, where all VASPs are required to be registered with **Federal Financial Supervisory Authority (BaFin)**, which has the task of ensuring a functioning financial system and protecting customers, as per a law passed in **2020**.
- **Japan**, where the amendment to the **Payment Services Act** was enacted in **June 2022** to regulate stablecoins.
- **South Korea**, where regulators passed the first phase review of proposed regulation to supervise financial activity related to Virtual Assets, with particular emphasis on consumer protection and compliance, in **April 2023**.

## Consumer Protection For VDA Participants (4/5)

### The State of India

There is no central regulatory authority which governs the functioning of VDAs and VASPs in India. Over the past 2 years however, there have been **developments** in the Indian market which **point to discourse in the right direction** with consumer protection at the forefront.

- The Budget 2022 saw the introduction of an income tax framework for the VDA ecosystem under the **Income Tax Act 1961**.
- In February 2022, **Advertising Standards Council of India** released its guidelines for advertising VDAs in the country.
- **The National Cyber Crime Reporting Portal-1930**, a reporting platform made operational by the Indian Cyber Crime Coordination Centre (I4C) under the Ministry of Home Affairs, included VDAs in the reporting framework to create a channel for consumers to flag cyber fraud cases starting February 2022.
- In April 2023, The Indian Computer Emergency Response Team (**CERT-IN**) issued guidelines under the Information Technology Act, 2000 which govern and introduce compliance framework for VDA service providers.
- The **Prevention of Money Laundering Act**, as of March 2023, recognises VDA service providers as “reporting entities” under Section 2(1)(sa). VDA service providers are hence also registered with the Financial Intelligence Unit (FIU IND).

Aside from the aforesaid Indian laws, self-compliance in the Web3 space has also evolved considerably. For instance, even before the mandate under the Prevention of Money Laundering Act, most leading players were conducting KYC for on-ramp activities



## Consumer Protection For VDA Participants (5/5)

### Steps taken by our Associates to ensure Consumer Protection

Our Associates have always endeavored to go above and beyond the minimum standards to provide a positive example both to other players in the industry, and the government. Aside from domestic regulations, our Associates have been following global best practices and implementing voluntary self-compliance measures to ensure that processes are of the highest standard.

#### **Some steps taken by CoinDCX in pursuit of consumer protection include:**

- Enabling payment transactions only with verified bank accounts.
- Voluntary due diligence with respect to KYC, AML, CFT, and Transaction Monitoring through proprietary frameworks.
- Appointing a dedicated Nodal Officer to support law enforcement requests.
- Strict due diligence on any new assets listed on our platform.
- Actively monitoring transactions, both internally and through third parties.

**CoinSwitch has taken various initiatives to spread awareness about Crypto and Blockchain and other related regulatory enforcement and investigative activities happening in the said ecosystem.** Some measures undertaken include:

- Creating over 600 educational videos and over 100 blog articles to help users understand latest developments.
- Launching Riskometer, a feature to nudge users to exercise caution and do further research before buying highly volatile crypto assets on the platform.
- Establishing a dedicated Nodal Office with a Nodal Officer to support, coordinate and assist law enforcement agencies across India in their ongoing investigations.
- Designated grievance officer as required under the relevant privacy rules under the Information Technology Act, 2000.
- Playbook to inform CERT-In and also work with affected customers based on CERT-In guidelines and our policies.

Ensuring consumer protection is of utmost importance as it empowers users, addresses security concerns, promotes transparency, and establishes mechanisms for dispute resolution. Given this, BWA is in the process of releasing its Consumer Protection Guidelines to be followed by all its Associate Firms. These guidelines are being prepared keeping in mind the best practices adopted by India's Financial sector regulators and global best practices. The broad pillars under the Guidelines will include equitable and fair treatment of participants, complaints handling & redressal, and responsible advertising. Further, BWA will also set up an office of the Ombudsman to redress complaints which are further escalated by the consumer from Associate Firms.

### Awareness Workshop on Demystifying Web3

8th June 2023



The Ministry of Electronics and Information Technology (MeitY), in collaboration with the Bharat Web3 Association, successfully organized a workshop titled “Demystifying Web3” to create awareness about the transformative potential of Web3, Blockchain, and Virtual Digital Assets (VDAs). The workshop aimed to foster government-industry engagement and explore the opportunities and challenges associated with these emerging technologies.

The workshop witnessed the participation of key officials from various Ministries and Departments, including the Office of PSA, DRDO, NITI Aayog, Department of Economic Affairs, BIS, Ministry of Consumer Affairs, NIC, CDAC, as well as industry organizations like NASSCOM.

Building on its success, MeitY aims to nurture internal champions within the Ministry and other departments for emerging technologies. MeitY, in collaboration with the Bharat Web3 Association, plans to organize hackathons to encourage talent and develop use cases for the government sector. The Ministry will continue its dialogue with Web3 players and experts, exploring partnerships and identifying future opportunities.

[Read More](#)

## Noteworthy Activities of the Association

### MSME India Business Convention

17th June 2023



Mr. Dilip Chenoy represented BWA at the event as the inaugural keynote speaker. His address highlighted the importance of MSMEs with respect to the Indian economy, the various national and state-level schemes available to support their business, and how digitization and decentralisation can enhance their business even further.

### Startup Sphere 2023

27-28th June 2023



Mr. Dilip Chenoy, Mr. Ashish Singhal and Mr. Kiran Vivekananda represented the Bharat Web3 Association as Chairman and Representatives of Founding Members of the Association respectively as panelists on the Tech Fusion track of the marquee ICAI event. In his speech, the Chairman highlighted the significance of global VDA regulation and India's role through its G20 presidency.

### 2 New Associates Join the Association

Giottus and KoinBX formally became a part of the Bharat Web3 Association in June 2023. The Association is delighted to have them on board and is 16-member strong with their arrival with many more to come!



Giottus is a virtual asset service provider which provides users with options such as staking, Fixed revenue and SIP.



KoinBX is the global crypto exchange where users can Buy, Sell, and Trade Bitcoin and other cryptos in an authentic, reliable, and encrypted class of system.



## Key Highlights for the Month (1/2)

### National News

#### **Minister Rajeev Chandrasekhar Urges Crypto Regulation**

**Jun 26, 2023:** In a recent interview, Minister Rajeev Chandrasekhar expressed the increasing importance of crypto assets, web3, and blockchain technology, emphasizing their inevitable role in shaping the future of the Internet. While praising the technology, Minister Chandrasekhar emphasized the need for governance when it comes to exchanging VDAs into traditional currencies such as rupees and dollars. He drew attention to the issues of fungibility, money transfer, and the potential risks associated with speculative trading.

[Read more](#)

#### **Skoda enters NFT Space with Skodaverse India**

**Jun 20, 2023:** Carmaker Skoda revealed its first Web3 foray in the form of non-fungible tokens (NFTs) with Skodaverse India. Users will be able to buy, trade, and engage with NFTs in the Web3 environment in Skodaverse. The carmaker will be pursuing the project along with NEAR protocol, a decentralised application platform and competitor to Ethereum.

Skoda is also consulting with blockchain consulting firm Antier to create unique NFTs that will unlock exclusive experiences for its users.

[Read more](#)

#### **Polygon Labs to introduce an update for adding 'value layer' on the Internet**

**Jun 13, 2023:** On June 12, 2023, Polygon Labs, a blockchain service provider introduced "Polygon 2.0," an update for adding a "Value Layer" of the internet which allows users "to create, exchange and program value." will allow users "to create, exchange and program value."

Polygon 2.0 is a set of upgrades that radically reimagine almost every aspect of Polygon, from protocol architecture to tokenomics to governance. It is a roadmap for how Polygon will become the Value Layer, offering unlimited scalability and unified liquidity via ZK [zero-knowledge] tech [Read more](#)

#### **Metaverse & Web3 to present India with \$200 billion opportunity**

**Jun 3, 2023:** The Metaverse is transforming industries worldwide. According to a new report, it is poised to present a \$13 billion opportunity globally and India's Metaverse and Web3 market is projected to reach \$200 billion by 2035. The retail and financial services sectors are tipped to drive Web3 and Metaverse adoption in India. Strategy and management consulting company Arthur D. Little launched their report "Web3 & Metaverse – The Rise of the New Internet & the India Opportunity" on June 1, which highlights how emerging technologies, have a potential of \$200 billion. [Read more](#)

### International News

#### **Financial Services and Markets Act granted Royal Assent by King Charles, making crypto trading a regulated financial activity in the UK**

**Jun 29, 2023:** The Financial Services and Markets Act 2023 received Royal Assent from King Charles on June 29, marking a new era for the U.K.'s financial services sector. The new law includes crypto trading as a regulated financial activity in the U.K."

[Read more](#)

#### **Ripple Achieves Preliminary Regulatory Approval in Singapore, Bolstering its Presence in APAC**

**Jun 22, 2023:** Ripple has achieved 'In-Principle Approval' from the Monetary Authority of Singapore for its subsidiary Ripple Markets APAC Pte Ltd. This will enable Ripple to present digital payment token services and products under regulation in Singapore, bolstering its capacity to extend the utilization of its On-Demand Liquidity service, which relies on VDAs. [Read more](#)

#### **Hong Kong's taking Extra Steps to become the World's DeFi Hub**

**Jun 16, 2023:** The Hong Kong Monetary Authority (HKMA) has been proactively pushing forward the potential for digital currencies as a primary form of trade. The country's banking regulator has been nudging local financial institutions to find ways to accommodate the needs of crypto exchanges. [Read more](#)

#### **JP Morgan Activates Euro Payment Settlement With Its JPM Coin**

**June 24, 2023:** JP Morgan has gone live with its first blockchain transaction for its corporate clients in Europe using its own token. The JPM Coin transaction was conducted by Siemens AG, the large Germany-based conglomerate, in a Euro-denominated payment on the JP Morgan's permissioned blockchain. This was the first Euro-denominated JPM Coin transaction.

[Read more](#)

#### **Mastercard makes a move towards crypto, to develop blockchain software**

**Jun 20, 2023:** Mastercard has recently filed a trademark application to protect its new tools related to crypto and blockchain technology. This move signifies Mastercard's growing involvement in the digital asset space and demonstrates the support of traditional financial institutions towards these emerging technologies.

[Read more](#)

#### **National Blockchain Standard Upgraded and Published by China**

**Jun 13, 2023:** According to CGTN, a state-run news channel, China's Ministry of Industry and Information Technology (MIIT) has released a national standard for blockchain technology to direct the growth of the sector in the nation. The guidelines are said to standardize the functional architecture and fundamental components of the blockchain system. [Read more](#)



## Web3 in India

### IIT-Kharagpur to develop tamper-proof signalling system for railways

- The Indian Institute of Technology, Kharagpur, is developing a tamper-proof signalling system based on blockchain technology for the Indian Railways.
- Acting on a request made by the Union Minister of Railways Ashwini Vaishnaw, researchers in the Electrical and Electronics Engineering (EEE) stream are working on a robust system that would facilitate a mechanism to ensure safety, communication and control of train operations.
- The system would complement the Data Logger which was limited by its centralised storage facility, lack of tamper-evident data, and limited access control.
- The new blockchain system would address these limitations by storing data in a distributed ledger, using cryptography to ensure data integrity, and making data accessible to all stakeholders.
- This would make the new system more secure, transparent, and efficient than the current system.

[Read more](#)

### Blockchain technology for e-registered property deals

- Maharashtra's property registration department is in the final stage of adopting the blockchain technology to prevent duplication of original online agreement documents.
- The blockchain technology would store e-registration data, which can be shared with relevant stakeholders, including property buyers, government authorities and financial institutions involved in funding the purchase.
- The blockchain pilot project was released last year. The technology would be used for registered documents for first sale units from developers' offices. A unique number would be generated on the registered document for de-duplication.
- The unique number on online registered documents having no stamps and signatures would help identify them.
- If documents are submitted to banks, bankers can feed details for verification. If data doesn't match, it would mean the document had been tampered with.

[Read more](#)

## Our Associates



Incorporated in	<b>2014</b>
Founder(s)	<b>Saurabh Agrawal, Mahin Gupta and Sandeep Goenka</b>
Industry	<b>VDA Exchange</b>

ZebPay, established in 2014, is one of India's pioneering digital asset exchanges with a legacy that spans close to a decade. The company's mission is to help its members achieve financial freedom in the Web3 economy. ZebPay's highly secure and compliant infrastructure serves countries across the globe and allows user to invest in a curated list of digital assets through its mobile application, available through Google Play Store, Apple App Store and its web application designed for professional traders. Unique offerings such as Lend allow investors to earn additional returns on their crypto holdings and a dedicated OTC desk offers a white-glove service to institutional and HNI investors for high volume transactions.



Incorporated in	<b>2018</b>
Founder(s)	<b>Edul Patel and Alankar Saxena</b>
Industry	<b>VDA Exchange</b>

Mudrex is a US-headquartered and Bengaluru-based fintech start-up launched in early 2018. It is a dynamic platform that has revolutionized the face of crypto investing with its product gamut, simplifying the journey of retail investors. Mudrex is a Y-combinator crypto platform. It was co-founded by Edul Patel (CEO) and Alankar Saxena (CTO), who have graduated from IIT Bombay. Mudrex is an all-in-one global crypto investment platform designed to benefit retail investors to earn better risk-adjusted returns in a volatile market in the long term.

## Simplifying The Web3 World

### Smart Contracts



A smart contract is a self-executing software that operates just like a regular contract between two parties would, carrying out its instructions when predetermined conditions are met.

Smart contracts do not contain legal language, terms, or agreements—only code that executes actions when specified conditions are met.

On blockchain networks like Ethereum, smart contracts are used by developers to create decentralised applications that allow users to securely transact without the need for permission. Dapp developers and traders can use the smart contract development tools to monitor and debug their applications.

### Stablecoin



Stablecoins are tokens that exist on public blockchains or similar protocols that are pegged to the value of a real-world asset, such as a currency like USD or INR, or to the price of a commodity such as gold. As of now, the major types of stablecoins include:

- Fiat-collateralized stablecoin (USDC, USDT)
- Crypto-assets collateralized (DAI)
- Algorithmic (UST)
- Hybrid

Stablecoins aim to maintain stable prices by keeping reserve assets on hand as collateral or by using supply-controlling computational algorithms.

## Simplifying The Web3 World

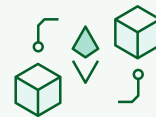
### DYOR



DYOR stands for Do Your Own Research and is a common disclaimer used by various companies. It is a widely used acronym and is not necessarily exclusive to the VDA ecosystem. The practice requires that users understand the token they choose to invest in to reduce the number of uninformed users in the market.

In what is still a largely unregulated space, the possibility of trickery is high as there are several unverified businesses. The practice therefore encourages users to do their due diligence. It also promotes user education by demanding that consumers first understand the asset they are interested in and only then choose to invest.

### Tokenomics



A new field called tokenomics studies the economic characteristics of agent-driven systems that employ cryptographic tokens, which are typically issued and managed on distributed ledgers based on blockchain technology.

The concept is based on the idea of creating an entire eco-system around issued tokens as an enterprise that has a well-designed incentive structure is more likely to perform better than a project that hasn't created an ecosystem around its token. Therefore tokenomics is a crucial idea to take into account when making an investment decision. A solid base frequently leads to greater demand over time as more investors pour money into the enterprise, which raises pricing.

# About Us

Jun '23

## Bharat Web3 Association

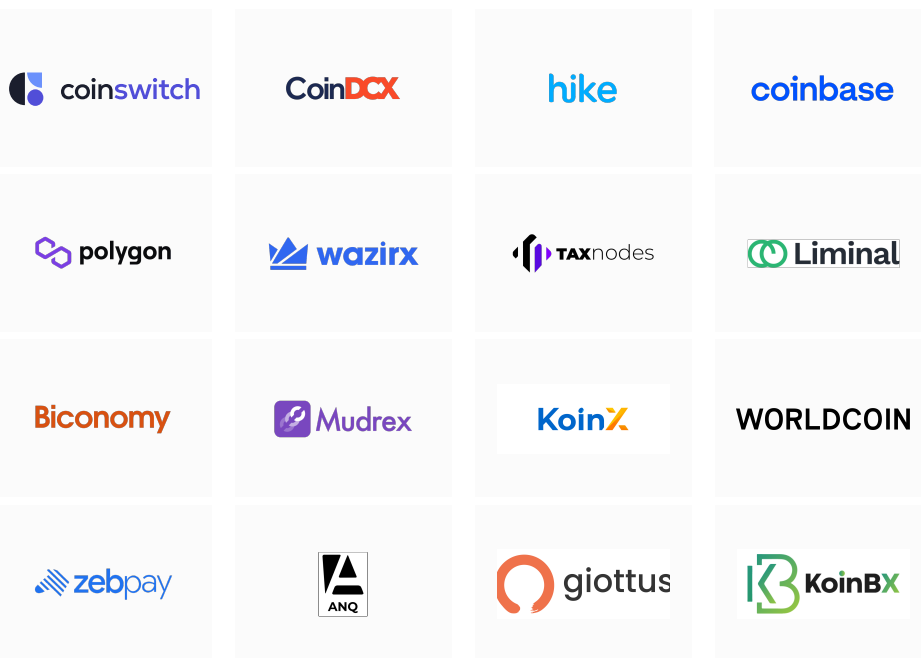
Bharat Web3 Association (BWA), is a platform that brings together leading Web3 players to enable and support the growth of India's Web3 ecosystem which includes Virtual Asset Service Providers (VASPs), Web3 Developers and infrastructure providers.

BWA believes that India has the potential to lead the world over the next decade by building a strong Web3 ecosystem in the country, in line with the government's "Make-in-India" and Digital India initiatives.



**BHARAT WEB3  
ASSOCIATION**

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### EDUCATE

Through Research To Keep Pace With Evolving  
Technology

### COLLABORATE

To Encourage Web3 And Blockchain Innovation And  
Nurture India's Talent Pool

### PROMOTE

Dialogue Between Key Stakeholders