BHARAT WEB3 ASSOCIATION

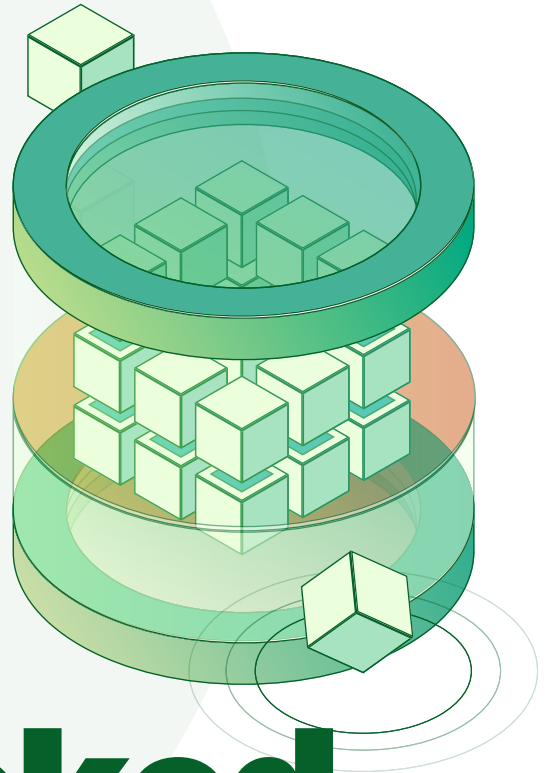# Educate
Collaborate
Promote

Web3 Unpacked

Monthly Newsletter 📜 Aug '23

Inside THE ISSUE

Deep Dive

The Need For Self Regulation In The Web3 Ecosystem (1/4)

The Case for Self-Regulating Organisations

The absence of a robust regulation framework for supervision and oversight might lead to a disarrayed structure for any market. Organisations and individuals might choose to adopt their own set of guidelines and best practices based on isolated and individual experiences which best suit the business and if they follow the existing broader laws and principles laid down by the government, there is little need and incentive to unify and align separately developed frameworks. At a micro level, there might not be too much wrong with this approach.

However, in the long run from the perspective of the sector, it may lead to deprioritisation of key issues which affect the system at large. Consumer protection, for instance, may not be the biggest priority of a given successful business and thus, by carefully leveraging the lack of formal authority and the unique and specific nature of the operations, it might be able to evade responsibility and exploit any inconsistency or gap in the applicable laws. Such possibilities contradict the very nature of regulation and oversight, which exist to protect the needs and rights of all parties and stakeholders in any ecosystem. In such a situation, the existence of a Self-Regulating Authority (SRO) becomes critically important.

A Self-Regulating Authority is an independent body primarily concerned with oversight and control of a given market. The objective of an SRO is to ensure free and fair market operations by prescribing guidelines and best practices that all organisations registered with the SRO must follow with the overall goal to protect public interest. They are formed to govern from within the ecosystem. SROs are usually created for the financial and securities market, but they are not limited to these sectors. The role of the government in the operations of an SRO is usually limited. It may lay down the broader scope and policies for the sector in which the SRO operates and, in some cases, might delegate some of the policy development and implementation to the SRO. Not all SROs are linked to the government however and their status as official regulation authorities depends on the recognition by the authorised government agency tasked with handling the sector.

The Case for Self-Regulating Organisations

For example, the Financial Industry Regulatory Authority (FINRA) is a private American SRO which regulates activities of its registered members in the financial market. Its status and existence have been approved by the U.S. Securities and Exchange Commission (SEC), the government agency that handles financial markets in the country.[1] In some cases, the government may choose to independently create an SRO to operate as a government body. The Municipal Securities and Rulemaking Board is an example of an SRO formed by the American government.[2] The mandate and scope of any recognised SRO is usually dictated by an act or legislation. Ontario's Securities Act, for instance, provides the Ontario Securities Commission with the ability to recognise SROs and set mandates and rules for their operations. [3]

It is important to note that even though recognition from the government provides statutory authority and adds a dimension of legitimacy to the operations of an SRO, its ability to govern its members does not stem from an official status or backing from the government but rather from agreement among the entities registered with the SRO. The rules laid down by the SRO are binding for all its registered members.

The SRO has the right to enforce the prescriptions laid down and impose any corrective action in its mandate as required by the situation.

Regulations laid down by the SROs also have the unique advantage of expertise as they are either operated by or supported by professionals who are experienced in the sector and know the requirements of the market. Thus, there is greater buy-in for such regulations. Moreover, if delegation occurs, there is lesser burden on the government body tasked with managing the sector.

SROs in the Indian Context

India is no stranger to SROs and has legitimised the status of several such agencies. Some Self-Regulatory Bodies in the country include the Digital Media Content Regulatory Council for OTT platforms, Journalist and Media Association Grievances Council for News Publishers and the Press.[4] Exchanges have been self-regulated in the Indian Securities market for several decades.[5] In July, Ministry of Electronics and Information Technology (MeitY) received 3 proposals for self-regulating organisations in the online gaming sector which are under review. [6] These proposals were submitted by the Esports Players Welfare Association (EPWA), a consortium supported by the E Gaming Federation and the Federation of Indian Fantasy Sports (FIFS), and the All India Gaming Federation (AIGF). These 4 bodies were already functioning in India as Industry Bodies and SROs, albeit without the backing of the government.

The Need for Self-Regulation in Web3

There have been regulatory developments in the space such as inclusion of VDAs in the Prevention of Money Laundering Act, publication of advertising guidelines for the sector by the Advertising Standards Council of India, and recognition of VDAs by the Reserve Bank of India. However, the Web3 ecosystem is moving rapidly in the country and pace of development of the regulation is not proportionate at present. There is a desperate need for comprehensive, all-encompassing regulation which prescribes the guidelines for the unique and emerging sector specifically. There is still a complete lack of regulatory clarity on the ecosystem.

In the absence of formal regulation in the country, an SRO can be an invaluable resource to drive the Indian VDA ecosystem. India can follow the example of Japan, where the Financial Services Agency (FSA), the country's financial regulating agency, officially recognised two organisations as SROs in 2020.

These organisations, Japan Virtual Currency Exchange Business Association (JVCEA) and the Japan Security Token Offering Association (JSTOA), were functioning as self-regulating entities in Japan even before being given official status by the FSA. After recognition, these bodies have been given the rights to exercise rules and regulations for different VDA markets in the country.

JVCEA maintains oversight of VDA exchanges while JSTOA oversees token sales. JVCEA was also given the task by the state to draft guidelines for the country's VDA ecosystem. [7]

Proposed Structure for SRO in India

The broad role of the SRO for the Web3 sector can be as follow:

- Provide a safe entry point for new entrants in the virtual digital assets sector by creating appropriate awareness and assisting with licensing and registration of VDA service providers.
  - The provision must highlight the registration process, eligibility criterias, process to obtain registration certificate, renewal etc.
  - The eligibility criteria for the licensees should look at qualification and track record of principal offenders, compliance to regulatory requirements for a " fit and proper person" as per other relevant authorities, requirement of necessary infrastructure for discharge of activities, history of any disciplinary action taken against the applicant among others.

The Need For Self Regulation In The Web3 Ecosystem (4/4)

Proposed Structure for SRO in India

- Facilitate cooperation amongst different departments and jurisdictions to fastrack certain categories of complaints and to enforce against unfair, deceptive, or abusive practices. This shall through appointment of an Ombudsman within the SRO, and also mandating VDA service providers to appoint nodal officers to support law enforcement agencies to investigate any fraudulent activities across jurisdictions.
- Address risks from outsourcing to third parties, including operational failures and cyber incidents
- Ensure advertisement guidelines and disclosure are followed by the sector.
- Ensure VDA service providers have detailed risk disclosure and transparency requirements for risks both associated with the platform in question as well as VDAs being offered.
- Work with regulatory authorities to promote regulatory sandboxes/safe harbor provisions to provide an environment of balanced innovation and regulatory support. Regulations should minimize the benefit from jurisdiction arbitrage, that is, ensure that local regulations make local companies at least as competitive as foreign platforms.

- Establish acceleration centers to empower and support the developer community in respective jurisdictions coupled with infrastructure support could be the way forward.
- Dedicated authority to conduct capacity building and awareness workshops and plug policy gaps through continuous consultation and feedback.
- Partner with educational institutions for training and upskilling talent to provide relevant candidates to the growing digital economy.

The Way Forward

With the approaching G20 Summit and the release of the eagerly anticipated global regulatory framework synthesis paper being drafted by the Financial Stability Board and International Monetary Fund, the timing to introduce an SRO in the country for VDAs and Web3 is ideal. The SRO can continue to function even in the absence of formal regulations as the ecosystem is filled with players earnestly waiting for an opportunity to assist in streamlining the sector in India. An SRO would be able to address the issues faced by all stakeholders directly and after the introduction of regulations in the country, can assist in implementation and supervision.

Monthly Recap

Noteworthy Activities of the Association (1/3)

Namaste Web3 in Jaipur	Policy Next by Moneycontrol
27th Aug 2023	25th Aug 2023

Namaste Web3 is an awareness initiative undertaken by CoinDCX, Forbes India and Bharat Web3 Association to educate the masses about Web3 and the VDA sector. Discussions during the Jaipur Chapter revolved around Skill Development in India for emerging technology and role of state governments like Rajasthan in enabling growth.

The Namaste Web3 event was held on August 26, 2023, at ITC Rajputana in Jaipur with the theme of "Skill Development in India for Emerging Tech." Mr Dilip Chenoy was part of the panel discussion themed 'Web3: Exciting things on the Horizon' with Pranav Kaushik, Partner, Digital Transformation, Grant Thornton dGTL and Gaurav Arora, Head, DeFi Initiatives, CoinDCX.

Read More

At the Moneycontrol Policy Next event on 25th August 2023, Mr Dilip Chenoy spoke on the inseparability of VDAs and blockchain and how VDAs derive value from its underlying blockchain technology as part of the panel discussion on Re-Shaping the Global VDA Landscape.

The panel also included esteemed panellists Mr. Kiran Mysore Vivekananda, Chief Policy Officer, CoinDCX and Mr. Balbir Singh, Senior Advocate and Additional Solicitor General of India, Supreme Court.

The event explored the opportunities and challenges that policymakers encounter as they navigate the new and rapidly evolving dynamics of a one of the world's fastest growing economies.

Read More

Monthly Recap

Noteworthy Activities of the Association (2/3)

BW SME World	WEB3CONFINDIA
24th Aug 2023	11-14th Aug 2023

BW SME World 5th edition of Emerging Business Summit & Awards is a recognition and gathering of the best Emerging Businesses in India from all corners of the country. The sector has immensely supported the Indian Economy to revive post pandemic and is expected to be a key driver for building the nation's capabilities and ushering India towards its goal of becoming a $5 trillion economy.

Mr. Dilip Chenoy was the keynote speaker at the 5th edition of BW Emerging Businesses Summit & Awards and shared his insights on the 'Next Wave of Digital Transformation: Paving the way for Emerging Businesses'.

Read More

Web3Conf is a chain agnostic conference held in Goa. Held over the course of 4 days, the event hosted speakers from all over the Web3 sphere to cover a diverse set of topics including decentralised social media, web3 and safety, decentralised gaming and many more. Several panel discussions and a hackathon were also a part of the event. The event witnessed participation from over 1,500 attendees across 50+ sessions. Last year, this conference was conducted around the same duration with over 1500+ enthusiastic web3.0 lovers in Goa.

BWA Chairman, Mr Dilip Chenoy, spoke about the Present and Future of the Web3 sector in India and participated in a panel discussion at the event on exploring the significance of web3 and widening acceptance for Web3.

Read More

Noteworthy Activities of the Association (3/3)

Bharat Web3 Association and European Crypto Initiative Sign Memorandum of Understanding for Potential Partnership

- The Bharat Web3 Association (BWA) and the European Crypto Initiative (EUCI) announced the signing of a Memorandum of Understanding (MoU) to explore potential collaborative opportunities in the field of Web3 technologies.
- The MoU outlines the proposed principal terms upon which BWA and EUCI are willing to engage in a subsequent Partnership Agreement, aimed at advancing their shared goals and objectives.
- Under the terms of the MoU, BWA and EUCI will collectively work on various initiatives, including participation in Web3-related advocacy or educational conferences, expos, and workshops.
- The two organizations also plan to collaborate on thought leadership, reports, and best practices sharing to further enhance the development and adoption of Web3 technologies.
- Both BWA and EUCI look forward to the opportunity to formalize their collaboration and bring their shared vision to fruition.
- The collaboration has the potential to drive innovation and foster growth within the Web3 ecosystem.

News Round–Up

Key Highlights for the Month (1/3)

National News

IMI Kolkata hosts Bharat Blockchain Yatra focusing on Web3 and India's Blockchain Story

Aug 21, 2023: International Management Institute (IMI) Kolkata hosted a one-day tech event as a part of the Bharat Blockchain Yatra (BBY) on 18 August 2023. The event featured speeches, panel discussions and workshops aimed at narrating India's Blockchain Story and shifting focus from hype to value creation. BBY is a tech tour comprising 25 events focused on Web3 and Blockchain, across 18 states in the country. The event at IMI Kolkata was the third Bharat Blockchain Yatra, which kicked off in Telangana on 6 August 2023.

Read more

MeitY exploring use of Tokens to Digitally Sign Documents

Aug 10, 2023: The Indian Ministry of Electronics and Information Technology (MeitY) wants to give users the ability to use tokens to digitally sign documents in a new indigenous web browser. The browser envisions the ability to digitally sign documents using a token, bolstering secure transactions and digital interactions and support Web3. Among the desired features in the browser, the government has stated the requirement of "support for Web3." The total prize money allocated is around $400,000 and the deadline to submit the product is July 1, 2024.

Read more

Transfers of RTO inspectors in Maharashtra to be done with blockchain-based software

Aug 19, 2023: The much-maligned transfers of Regional Transport Office (RTO) inspectors in Maharashtra will be done with the help of a "blockchain-based" computerised system that will leave no scope for corruption, transport department officials have said. Chief Minister Eknath Shinde has directed that transfers of RTO inspectors be carried out strictly "online" adopting digital methods to curb malpractice. Every step in the blockchain-based software will be transparent and the inspectors will get an OTP while making any changes

Read more

G20 President India Publishes Its Input for Framing Global VDA Rules

Aug 2, 2023: India, the current president of the Group of Twenty (G20), has released its presidency note on VDAs in an effort to have its suggestions included in the framing of global VDA rules. The note assumes significance as it's the official document that voices India's recommendations before the next iteration of framing global VDA rules – a synthesis paper jointly produced by the International Monetary Fund (IMF) and Financial Stability Board (FSB). The note revealed that the synthesis paper is expected at the end of August, less than two weeks before the G20 Leaders' Summit.

Read more

News Round-Up

Key Highlights for the Month (2/3)

International News

Genesis Digital Assets Increases Bitcoin Mining Capacity in Sweden

Aug 22, 2023: Genesis Digital Assets is boosting Bitcoin mining capacity in Sweden with an 8 MW green energy facility, leading the way in sustainable crypto operations.

Read more

Central African Republic expands Sango project to land, resource tokenization

Aug 21, 2023: The Central African Republic (CAR) has extended its Sango blockchain project to tokenization of its land and natural resources.

Read more

Mastercard partners with blockchain leaders to explore CBDCs

Aug 18, 2023: Mastercard is partnering with seven blockchain and payment technology providers to explore the potential and challenges of central bank digital currencies.

Read more

ZetaChain raises $27M in equity round to enable chain-agnostic interoperability

Aug 16, 2023: Participants in the round include Blockchain.com, Sky9 Capital, Jane Street Capital, VistaLabs, Human Capital, Vy Capital, CMT Digital and other investors.

Read more

Oman launches $350M crypto mining center: Report

Aug 22, 2023: The mining facility comes as part of a plan to accelerate the digitalization of Oman's economy, which is mainly dependent on oil exports.

Read more

Taiwan Proposes New VDA Rules as a step towards self-regulation

Aug 19, 2023: Taiwan announced a draft amendment to create a new business category for Web3-related companies to empower self-regulation in the country.

Read more

Sichuan Province of China Targets Metaverse Expansion to Reach $34.4 Billion by 2025

Aug 17, 2023: Sichuan's government unveiled an ambitious draft action plan with an aim to cultivate the nascent metaverse industry into a colossal market worth 250 billion yuan ($34.4 billion) by the year 2025.

Read more

Singapore pushes into VDA regulation with new stablecoin framework

Aug 15, 2023: Singapore's central bank, the Monetary Authority of Singapore (MAS), issued a new stablecoin regulatory framework.

Read more

News Round-Up

Key Highlights for the Month (3/3)

International News

Coca-Cola Launches Exclusive NFT Collection "MasterPiece" on Base Blockchain

Aug 14, 2023: Coca-Cola has chosen to launch its "MasterPiece" NFT collection on the recently introduced Coinbase Ethereum layer-2 network "Base".
Read more

Nigeria to issue verifiable blockchain certificates for NYSC

Aug 10, 2023: The initiative aims to house all National Youth Services Corps certificates on the blockchain, providing individuals with the means to easily verify and authenticate them.
Read more

UAE to establish blockchain-powered national carbon credit system

Aug 8, 2023: The United Arab Emirates (UAE) signed an initial agreement with a blockchain company to create a national carbon credit system using blockchain technology
Read more

Ripple Report Foresees Blockchain Saving Financial Institutions $10 Billion By 2030

Aug 1, 2023: The survey, which received inputs from 300 finance professionals from 45 countries, highlights the growing consensus about the advantages of blockchain.
Read more

FC Barcelona secures $132M investment for blockchain and NFT venture

Aug 11, 2023: Spanish soccer club FC Barcelona has secured a 120 million euro ($132 million) investment from Libero Football Finance AG and Nipa Capital B.V. for its Web3 initiative, Barça Vision.
Read more

Coinbase Officially Launches Base Blockchain

Aug 9, 2023: The blockchain is the first to be launched by a publicly traded company in USA and gives the company a new revenue opportunity.
Read more

Singapore commits $112M to support fintech solutions like Web3

Aug 7, 2023: The Monetary Authority of Singapore (MAS), the country's central bank, announced that it is committing up to 150 million Singapore dollars (around $112 million), to support various financial technology solutions like Web3.
Read more

Use Cases

Web3 in India

India state-owned SIDBI completes pilots for asset tokenization

- Small Industries Development Bank of India (SIDBI) has announced the completion of a pilot exploring tokenization using blockchain technology to improve processes in the financial sector.

- SIDBI teamed up with technology firm Infosys to create a tokenized collateral network (TCN).

- SIDBI Chief Technology Officer Paramendra Tiwary said the study aims to expand the range of Indian micro, small, and medium enterprises (MSMEs) through venture capital (VC) funding and loans.

- SIDBI will utilize blockchain to pool information relating to collateral for lenders across a diversity of platforms, including non-banking financial companies.

- As an added layer of security, the credit bureau will conduct further checks on loan applications while relying on the immutability of blockchains.

- The project will see SIDBI and Infosys create digital versions of real-world assets (collaterals) that will exist as non-fungible tokens (NFTs).

Read more

Tripura Introduces Blockchain-Based Beneficiary Management System To Secure Data

- The Tripura government has teamed up with the NIC Blockchain Centre of Excellence in Bengaluru for the initiative and is using the latter's APIs.

- Tripura is using the blockchain-based beneficiary management system to secure approved beneficiary lists, transaction requests, and details of successful transactions.

- The Tripura state government is expected to be integrating blockchain technology in Beneficiary Management System(BMS) for improving transparency and security for data assets such as scheme-wise approved beneficiary lists, approved transaction requests and transaction details, among others.

- As per the official release, Naresh Babu, director, Information Technology, Government of Tripura, can use blockchain for issuing various government business certificates such as Licenses.

- Tripura has joined a growing list of Indian states and government agencies using blockchain initiatives across a variety of use cases.

Read more

In Focus

Our Associates

Incorporated in	2022
Founder(s)	Punit Agarwal
Sector	Software as a Service (SaaS)

KoinX, founded by Punit Agarwal in 2022, revolutionizes VDA tax calculations and reporting. By simplifying complex calculations, it transforms them into user-friendly tax reports. KoinX has processed tens of millions of transactions to date, solidifying its reputation as a trusted and credible platform. Apart from boasting 180+ integrations, it caters to the VDA ecosystem by providing expert advice, marketplace listings, and options for self/assisted tax filing. Additionally, KoinX receives support from renowned startup figures like Sandeep Nailwal (Polygon), Maninder Gulati (OYO), and Navin Gupta (Ripple).

Incorporated in	2019
Founder(s)	Sam Altman, Alex Blania
Sector	Technology Provider

Tools for Humanity is a technology company dedicated to building a more just and equitable global economic system. We do this through developing technology that supports the Worldcoin ecosystem, including World ID, World App, and the Orb, a biometric imaging device that provides anonymous proof-of-personhood credentials to users in the Worldcoin ecosystem. Tools for Humanity also provides operational support to the Worldcoin Foundation and supports Worldcoin Operators in India and around the world.

Glossary

## Simplifying The Web3 World

Layer 1 Blockchain
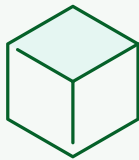
Layer 2 Blockchain

"Layer 1" in the context of blockchain technology refers to the foundational protocol layer of a blockchain network. It represents the underlying architecture and rules that define how the blockchain operates. In simpler terms, it's the fundamental structure of the blockchain system.

Layer 1 blockchains handle essential functions such as creating, validating, and securing blocks of transactions. They establish consensus mechanisms that ensure all participants in the network agree on the state of the blockchain. Layer 1 protocols are responsible for maintaining the integrity, security, and decentralization of the blockchain network.
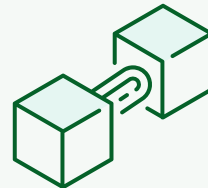
A "Layer 2" blockchain refers to a secondary protocol or solution built on top of an existing "Layer 1" blockchain (often referred to as the base layer). Layer 2 solutions are designed to address the scalability and efficiency limitations of Layer 1 blockchains by handling certain functions off-chain while still relying on the security and consensus of the underlying Layer 1 blockchain.

Layer 2 solutions aim to improve transaction throughput, reduce latency, and lower transaction costs compared to performing all actions directly on the Layer 1 blockchain. These solutions achieve this by processing a group of transactions off-chain and then submitting only the essential data or summary of these transactions to the Layer 1 blockchain for verification and security.

Glossary
Simplifying The Web3 World

Proof of Authority (PoA)

Proof of Authority (PoA) is a consensus mechanism used in blockchain networks to achieve agreement and validate transactions. Unlike other consensus mechanisms like Proof of Work (PoW) or Proof of Stake (PoS), where validators prove ownership of tokens or computational work, PoA relies on a predefined set of authorized validators who are granted the right to create new blocks and validate transactions based on their identity or reputation.

PoA is often used in private or consortium blockchains where a predefined set of participants is known and trusted. It is not typically used in public, permissionless blockchains where a high degree of decentralization is desired.

Validator

Transactions and blocks in PoA-based networks are verified by authorised accounts referred to as validators. The software used by validators enables them to group transactions into blocks. Since the procedure is automated, validators are not required to keep an eye on their computers constantly.

Validators have a motivation to hold onto the position they have attained since they must earn the privilege to be validators. By tying an identity's reputation to it, validators are encouraged to preserve the transaction process since they would not want their identities to be associated with a bad reputation.
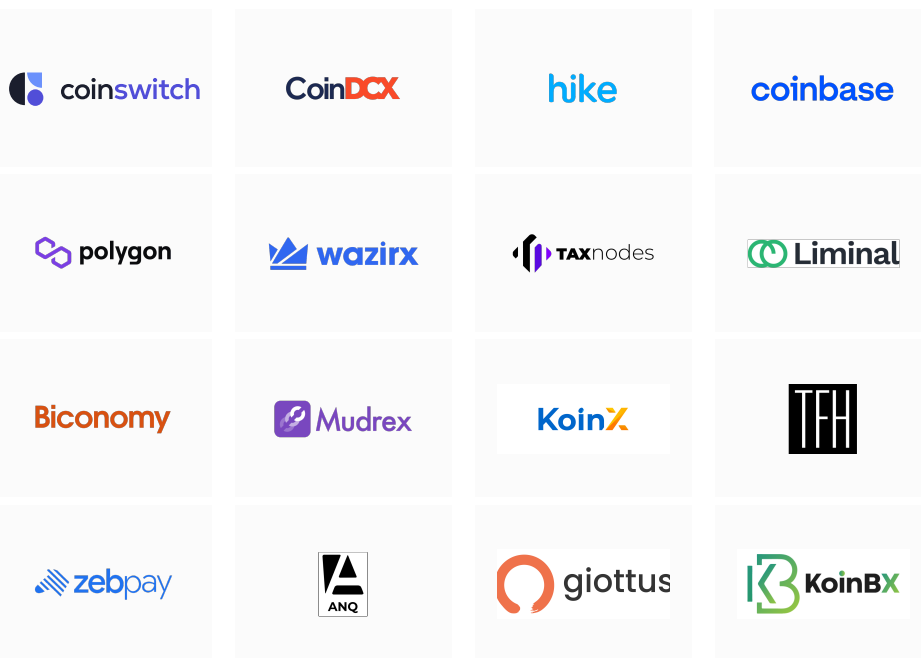
About Us

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

Our Associates

coinswitch	CoinDCX	hike	coinbase
polygon	wazirx	TAXnodes	Liminal
Biconomy	Mudrex	KoinX	TFH
zebpay	ANQ	giottus	KoinBX

56, Janpath Rd, Alps Building, Rear Block, Upper Ground Floor, Atul Grove Road, Janpath,
New Delhi -110001

+91 9355041110

secretariat@bharatweb3association.com

bharatweb3association.com

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