10 JAWANS KILLED IN BLAST BY MAOISTS IN DANTEWADA

Ten security personnel returning from a counter-insurgency operation and a civilian driver were killed when Maoists blew up their vehicle in Dantewada of Chhattisgarh on Wednesday afternoon, according to the State police.

"Acting on a tip-off about Maoist presence in the area, an operation was conducted by the Deputy Inspector-General. As they were returning to the Dantewada headquarters, the [District Reserve Guard] team was targeted by the Maoists," Inspector General of Police (Bastar Range) Sundarraj P. said. The incident took place on the Aranpur Road.

The Dantewada headquarters is in the Bastar region, nearly 350 km from the State capital of Raipur.

A senior government official said the attack took place around 1.5 km from a police station and a security camp of the Central Reserve Police Force (CRPF). "After blowing up the vehicle with an IED [improvised explosive device], the Maoists exchanged fire with other policemen who were part of the convoy. Two other vehicles were following the affected vehicle. The Maoists managed to flee," the official said, adding that the IED was packed with over 50 kg of explosives. The blast was so powerful that a crater was formed on the road.

It remains unclear why a civilian was driving the vehicle full of policemen, or whether the vehicle was a private civilian one.

The deceased jawans were members of the District Reserve Guard (DRG), a locally-raised force designed to carry out anti-Maoist operations. They have been identified as Joga Sothi, Munnaram Kadti, Santosh Tamo, Dulgo Mandavi, Lakhmu Markam, Joga Kawasi, Hariram Mandavi, Rajuram Kartam, Jairam Podiyam and Jagdish Kawasi. The civilian driver was Dhaniram Yadav.

With this incident, the number of security forces killed by Maoists in Chhattisgarh in the first four months this year has touched at least 17, almost twice the nine casualties reported in 2022.

Security experts say that between February and June, Maoists conduct a tactical counter-offensive campaign, during which they target security forces, before the onset of the monsoon makes attacks difficult in the Bastar region.

A crater was formed under the impact of the blast in Chhattisgarh's Dantewada on Wednesday. PTI

Civilian driver also dead; District Reserve Guard team was returning from an anti-naxal operation launched on a tip-off, when their vehicle was blown up by an IED packed with 50 kg of explosives

Prime Minister Narendra Modi, Chhattisgarh Chief Minister Bhupesh Baghel, Congress president Mallikarjun Kharge, and others expressed their condolences to the families of those killed in the attack. "Strongly condemn the attack in Dantewada. I pay my tributes to the brave personnel we lost in the attack. Their sacrifice will always be remembered. My condolences to the bereaved families," Mr. Modi tweeted.

DESPITE COURT STAY, OTT PLATFORMS FACE PRESSURE ON CONTENT

OTT, or over-the-top, streaming services such as Netflix and Amazon Prime Video are facing pressure to comply with the Information Technology Rules, 2021, and to exercise further restraint in streaming mature content. This is despite the fact that two High Courts have stayed provisions of the IT Rules, which require them to appoint a grievance officer and take down content when ordered to do so by a self-regulatory body.

Two advisories

The Ministry of Information & Broadcasting (I&B) has issued two advisories on the issue: the first, in February 2022, told the platforms to ensure that a grievance officer's details are made publicly available on their websites. The second advisory, issued on March 24 this year, warned streaming platforms to exercise "abundant precaution in ensuring that films and web-series... do not fall [a]foul of the... Code of Ethics" that is laid out in the IT Rules.

"Given that the Code of Ethics under Rule 9(1) of the IT Rules, 2021 has been stayed by the Bombay and Madras High Courts, OTT platforms are not bound by the terms thereof," the Internet Freedom Foundation said in a statement to The Hindu.

Beyond the government advisories, a self-regulatory body that includes Netflix, Amazon Prime Video and ALT Balaji as members, issued its own internal advisory to streaming firms. The fact that some sites do not have grievance officers or monthly reports of grievances posted on their website does "not appear to be in strict conformity with the law", Justice (Retd.) A.K. Sikri, chairperson of the Digital Publisher Content Grievances Council's Grievance Redressal Board, said in an advisory to streaming platforms on April 10.

I&B Minister Anurag Thakur recently warned streaming services, which have largely stopped releasing mainstream series and shows with politically or religiously sensitive themes, that they should not make content that offends Indian cultural sensibilities. The Ministry did not respond to The Hindu's queries on the legal aspects of its advisories after the High Court stays.

As recently as Wednesday, Mr. Thakur said at an event, "There are multiple complaints about the kind of content that should not be on TV, that is shown on OTT."

This comes even though the redressal board received zero appeals on content complaints in February and March, and just one complaint each in the two months before that, according to disclosures on their website.

CENTRE TELLS STATES TO SCRAP LEVIES ON POWER GENERATION

Power Ministry in a communique warns States to rescind any 'unconstitutional' imposts, including water cess, that they may have levied on power generating units; says such levies tax non-residents

The Centre on Wednesday issued a terse warning to States against resorting to tax levies on electricity generation, including through imposition of a water cess, noting that there were no provisions in the Constitution that enabled States to do so.

In a communique to States' chief secretaries, approved by Union Minister for Power and New and Renewable Energy R. K. Singh, the government said some States had imposed taxes or duties on generation of electricity and underlined that this was 'illegal as well as unconstitutional'.

"Any tax/duty on generation of electricity, which encompasses all types of generation... is illegal and unconstitutional," the Power Ministry said.

"Some States have imposed taxes/duties... under the guise of levying a cess on the use of water for generating electricity. However, though the State may call it a water cess, it is actually a tax on the generation of electricity - the tax is to be collected from the consumers of electricity who may happen to be residents in other States," the Ministry pointed out.

Terse missive

Centre has written to chief secretaries warning against imposing levies on generation of power

- Stresses there are no provisions in Constitution enabling States to impose any tax on power generation
- Flags fact that some States have imposed taxes in the guise of levying a cess on use of water for generating electricity
- Terms it 'illegal', 'unconstitutional' as levy has to be collected from consumers who may be residents in other States

THE AMBIGUITIES IN THE NUCLEAR LIABILITY LAW

The energy question: Police officers guard the proposed site of the Nuclear Power Project near Jaitapur in 2011.AFP

What are the provisions of the Indian nuclear liability law? What does it say about supplier liability in the event of a nuclear accident? Why do some provisions in the law continue to make foreign companies wary of signing deals with India? What has the government said on the issue?

The story so far:

The issues regarding India's nuclear liability law continue to hold up the more than a decade-old plan to build six nuclear power reactors in Maharashtra's Jaitapur, the world's biggest nuclear power generation site under consideration at present. An official at the French energy company Electricite de France (EDF), which submitted its techno-commercial offer for the construction of the 9,900 MW project two years ago, told The Hindu that the issues arising out of the liability law "would have to be solved before any contract" could be signed with India.

What is the law governing nuclear liability in India?

Laws on civil nuclear liability ensure that compensation is available to the victims for nuclear damage caused by a nuclear incident or disaster and set out who will be liable for those damages. The international nuclear liability regime consists of multiple treaties and was strengthened after the 1986 Chernobyl nuclear accident. The umbrella Convention on Supplementary Compensation (CSC) was adopted in 1997 with the aim of establishing a minimum national compensation amount. The amount can further be increased through public funds, (to be made available by the contracting parties), should the national amount be insufficient to compensate the damage caused by a nuclear incident.

Even though India was a signatory to the CSC, Parliament ratified the convention only in 2016. To keep in line with the international convention, India enacted the Civil Liability for Nuclear Damage Act (CLNDA) in 2010, to put in place a speedy compensation mechanism for victims of a nuclear accident. The CLNDA provides for strict and no-fault liability on the operator of the nuclear plant, where it will be held liable for damage regardless of any fault on its part. It also specifies the amount the operator will have to shell out in case of damage caused by an accident at ₹1,500 crore and requires the operator to cover liability through insurance or other financial security. In case the damage claims exceed ₹1,500 crore, the CLNDA expects the government to step in and has limited the government liability amount to the rupee equivalent of 300 million Special Drawing Rights (SDRs) or about ₹2,100 to ₹2,300 crore. The Act also specifies the limitations on the amount and time when action for compensation can be brought against the operator.

India currently has 22 nuclear reactors with over a dozen more projects planned. All the existing reactors are operated by the state-owned Nuclear Power Corporation of India Limited (NPCIL).

What does the CLNDA say on supplier liability?

The international legal framework on civil nuclear liability, including the annex of the CSC is based on the central principle of exclusive liability of the operator of a nuclear installation and no other person. In the initial stages of the nuclear industry's development, foreign governments and the industry agreed that excessive liability claims against suppliers of nuclear equipment would make their business unviable and hinder the growth of nuclear energy, and it became an accepted practice for national laws of countries to channel nuclear liability to the operators of the plant with only some exceptions. Two other points of rationale were also stated while accepting the exclusive operator liability principle — one was to avoid legal complications in establishing separate liability in each case and the second was to make just one entity in the chain, that is the operator to take out insurance, instead of having suppliers, construction contractors and so on take out their own insurance.

Section 10 of the annex of the CSC lays down "only" two conditions under which the national law of a country may provide the operator with the "right of recourse", where they can extract liability from the supplier — one, if it is expressly agreed upon in the contract or two, if the nuclear incident "results from an act or omission done with intent to cause damage".

However, India, going beyond these two conditions, for the first time introduced the concept of supplier liability over and above that of the operator's

in its civil nuclear liability law, the CLNDA. The architects of the law recognised that defective parts were partly responsible for historical incidents such as the Bhopal gas tragedy in 1984 and added the clause on supplier liability. So, apart from the contractual right of recourse or when "intent to cause damage" is established, the CLNDA has a Section 17(b) which states that the operator of the nuclear plant, after paying their share of compensation for damage in accordance with the Act, shall have the right of recourse where the "nuclear incident has resulted as a consequence of an act of supplier or his employee, which includes supply of equipment or material with patent or latent defects or sub-standard services".

Why is the supplier liability clause an issue in nuclear deals?

Foreign suppliers of nuclear equipment from countries as well as domestic suppliers have been wary of operationalising nuclear deals with India as it has the only law where suppliers can be asked to pay damages. Concerns about potentially getting exposed to unlimited liability under the CLNDA and ambiguity over how much insurance to set aside in case of damage claims have been sticking points for suppliers.

Suppliers have taken issue with two specific provisions in the law, Section 17(b) and Section 46. The latter clause goes against the Act's central purpose of serving as a special mechanism enforcing the channelling of liability to the operator to ensure prompt compensation for victims. Section 46 provides that nothing would prevent proceedings other than those which can be brought under the Act, to be brought against the operator. This is not uncommon, as it allows criminal liability to be pursued where applicable. However, in the absence of a comprehensive definition on the types of 'nuclear damage' being notified by the Central Government, Section 46 potentially allows civil liability claims to be brought against the operator and suppliers through other civil laws such as the law of tort. While liability for operators is capped by the CLNDA, this exposes suppliers to unlimited amounts of liability.

What are existing projects in India?

The Jaitapur nuclear project has been stuck for more than a decade — the original MoU was signed in 2009 with EDF's predecessor Areva. In 2016, EDF and NPCIL signed a revised MoU, and in 2018, the heads of both signed an agreement on the "industrial way forward" in the presence of Indian Prime Minister Narendra Modi and French President Emmanuel Macron. In 2020, the EDF submitted its techno-commercial offer for the construction of six nuclear power reactors but an EDF official told that the issue arising from India's nuclear liability law remains an item on the "agenda for both countries". Multiple rounds of talks have not yet led to a convergence on the issue. Other nuclear projects, including the nuclear project proposed in Kovvada, Andhra Pradesh, have also been stalled. Despite signing civil nuclear deals with a number of countries, including the U.S., France and Japan, the only foreign presence in India is that of Russia in Kudankulam — which predates the nuclear liability law.

What is the government's stand?

The central government has maintained that the Indian law is in consonance with the CSC. About Section 17(b), it said that the provision "permits" but "does not require" an operator to include in the contract or exercise the right to recourse.

However, legal experts have pointed out that a plain reading of Section 17 of the CLNDA suggests that Section 17(a), (b) and (c) are distinctive and separate, meaning even if the right to recourse against the supplier is not mentioned in the contract [as provided by Section 17 (a)], the other two clauses stand. This effectively means that the supplier can be sued if defective equipment provided or if it can be established that the damage resulted from an act of intent. Besides, it would not be sound public policy if the NPCIL, a government entity, entered into a contract with a supplier and waived its right to recourse in the contract, despite the fact that the law provides for such recourse.

Further, the Ministry of External Affairs had said that Parliament debates over the CLNDA had rejected amendments to include the supplier, and therefore the supplier cannot be liable under this kind of "class-action suit". However, private sector players were not convinced and experts point out that during a trial, what would be considered is what is enshrined in the statute and not what was discussed in Parliament.

As for the Jaitapur project, the government has said that the issues regarding the liability law would be resolved before French President Emmanuel Macron's visit to India, which was first scheduled for March but has been pushed to September.

ANGRY WITH REFORM DELAYS, INDIA CALLS UN SYSTEM 'ANACHRONISTIC'

Ruchira Kamboj was speaking at a session on how to make multilateralism effective 'by defending the UN Charter'. File Photo

With another year of meetings on reforming the United Nations — and particularly the question of the expansion of the Security Council — coming to a close in June, India lashed out at the UN system with its most scathing attack thus far.

In a speech at the UNSC this week, the Indian Permanent Representative called the UN Charter "anachronistic", adding that it has failed in handling the COVID-19 pandemic, the Ukraine war, terrorism and climate change.

Ambassador Ruchira Kamboj was speaking at a session convened by Russia that called for a discussion on how to make multilateralism effective "by defending the UN Charter".

Veto for all or none

Ms. Kamboj also called for expanding the Security Council's permanent membership and hit out at the "veto power" given to the "P-5" of the U.S., the U.K., France, Russia and China.

"Can we practise 'effective multilateralism' by defending a Charter that makes five nations more equal than others, and provides to each of those five, the power to ignore the collective will of the remaining 188 member states?" Ms. Kamboj asked, at the meeting chaired by Russian Foreign Minister Sergey Lavrov on Monday. This is the first time India has specifically criticised giving the veto to the P-5, clarifying its stand that in any expansion of the Security Council, the veto must be given to all members, or none.

The tough words in the Indian speech are a reflection of India's frustration at the slow pace of the Inter-Governmental Negotiations (IGN) process, as well as its determination to keep UN reforms at the top of the global body's agenda even though India is not in the Security Council this year, officials said.

The IGN process, which began in 2008 is now in its 15th year, and though a draft text of the reforms proposed was presented in 2015, there is little indication that negotiations on the basis of a text will begin in the near future. Ms. Kamboj also called for a "clear attribution of groups and member states" or naming those who oppose expansion for specific countries, indicating the "United For Consensus" group that includes Argentina, Italy, Mexico, Pakistan and Turkey. All eyes will now be on the next IGN session in June, the last for this year — where national statements of various countries will be "webcast" live for the first time — that will discuss the way forward in the process.

Significantly, at the UNSC meeting this week, many joined India's voice of concern about the process, and about the lack of representation for Africa, South America and Asia. China is the only Asian P-5 member.

Apart from reform, India also called for an urgent review of the UN Charter from 1945, citing Article 109 that had said a "review conference" must be held within a decade of the original charter being adopted.

BIGGEST ATTACK BY MAOISTS IN CHHATTISGARH IN TWO YEARS

Deadly attack: Arms and ammunition recovered in a search conducted by security forces after a blast in Dantewada district of Chhattisgarh on Wednesday. PTI

Officials say they lack proper technology to detect IEDs while the extremists have been avoiding direct combat; tri-junction of Chhattisgarh, Telangana and Odisha has been a vulnerable point

The Maoist ambush on Wednesday has highlighted what is seen as the last major challenge for security forces in Chhattisgarh — foiling improvised explosive device (IED) attacks in the forested tri-junction in Bastar region.

Security officials cite the lack of foolproof technology to detect IEDs and the increasing desperation of Maoists, who are avoiding direct combat with the forces, for such incidents.

The latest attack was the biggest strike by the extremists on the security forces in the State in the past two years. Ten District Reserve Guard (DRG) personnel and a driver were killed when the extremists blew up their vehicle in the Aranpur area of Dantewada district.

The tri-junction of Chhattisgarh, Telangana and Odisha located right at the southern tip of Sukma district in the south Bastar region is an area that witnesses the highest number of such incidents including the deadly 2010 Maoist ambush in Dantewada where 75 CRPF and one Chhattisgarh police personnel were killed.

The Centre has maintained that left-wing extremism (LWE) has almost been wiped out in Jharkhand and Bihar after sustained operations, noting that violence has come down by 77% in just over a decade.

"South Bastar region and its bordering areas and the IEDs are the last Maoist bastions to be breached. Forces are working towards this goal," a Central Reserve Police Force (CRPF) officer said.

PROMISING BILL

Rajasthan's initiative on a gig workers' welfare board heralds good tidings

With an estimated eight million people employed in an industry built on the back of the smartphone revolution, "gig" work has become a major source of jobs for youth in India. It goes without saying that in a country where informal labour and unemployment have defined the nature of the jobs market in the last decade, the gig economy has been a beneficial outlet of employment. This is especially true of youth and migrant workers, as they seek a ready and quick means of securing finances and flexible hours — an option used by informal workers who have used gigs for moonlighting. With growing smartphone use and a reliance on apps for daily needs and purposes, the gig economy is only set to flourish in terms of usage and opportunities. Yet, increased competition among platforms and the availability of a cheap labour force have led to a lowering of incentives for gig workers even as their workload and uncertainty of work hours have increased significantly relative to pay, which has also become insufficient for many. Adding this to the fact that gig workers are not recognised as "workers" but partners by most aggregating platforms and that they lack any social security or related benefits due to them as "workers", working conditions have become increasingly harsh in an industry that is no longer a fledgling one. This is now evident in growing flash strikes by gig workers.

Seen in this light, the decision by the Rajasthan government, to deliver a Rajasthan Platform-based Gig Workers (Registration and Welfare) Bill, 2023, should be welcomed, even if it will be introduced before the Assembly elections later this year. While the draft Bill envisages a "welfare board" that will design welfare policies and hear grievances of gig workers on a piece rate basis, the specificities of the policies and how they might benefit the workers are still un clear. The board is expected to work towards a social welfare corpus which will be financed by a cess on the digital transactions made by consumers on the platforms that utilise the gig worker labour. This schema is not unfamiliar — platform workers in the transport sector in Thailand and Malaysia, for instance, benefit from health and accident insurance as well as social security that is financed by a deduction of 2% for every ride. Recently, the Union government passed the Code on Social Security (one of four labour codes), which also allowed for some social security for gig workers, but the scheme only remains on paper without proper implementation. If Rajasthan's pioneering draft Bill takes off, other States could be compelled to utilise similar measures to ensure the welfare of gig workers.

THE CHALLENGE OF REVIVING A SENSE OF FRATERNITY

Hamid Ansari was the Vice-President of India (2007-2017)

The Constitution of India was drafted by the Constituent Assembly. The idea was initially proposed in December 1934 by M.N. Roy, a pioneer of the Communist movement in India and an advocate of radical democracy. It became an official demand of the Indian National Congress in 1935 and was officially adopted in the Lucknow session in April 1936 presided by Jawaharlal Nehru, who also drafted the Objectives Resolution. The proceedings of the Constituent Assembly show the richness of ideas that characterised it. The Drafting Committee was presided over by B.R. Ambedkar.

'Common brotherhood'

In the concluding session of the Committee, on November 25, 1949, B.R. Ambedkar drew attention to a lacuna in the draft. "The second thing we are wanting in is recognition of the principle of fraternity. What does fraternity mean? Fraternity means a sense of common brotherhood of all Indians — if Indians being one people. It is the principle which gives unity and solidarity to social life. It is a difficult thing to achieve...."

He added elsewhere that 'without fraternity[,] equality and liberty will be no deeper than coats of paint'; that fraternity has been most forgotten in our Constitution and in our electoral process, that in turn are reproduced in our hearts and homes. The idea of fraternity is closely linked to that of social solidarity, which is impossible to accomplish without public empathy.

So along with liberty, equality and justice, fraternity was added to the principles in the Preamble. There was little discussion nor was it sufficiently clarified that a sense of fraternity enriches and strengthens the gains emanating from the other three.

Those in the audience familiar with the history of the French Revolution might have recalled with some disquiet the message of the 1792 Edict of Fraternity ('All governments are our enemies, all people our friends'). Only Acharya Kripalani, on October 17, 1949, drew attention to some implications. He pointed out that the contents of the Preamble were not only legal and political principles but also had a moral, spiritual and mystical content: "If we want to use democracy as only a legal, constitutional and formal device, I submit, we shall fail.... the whole country should understand the moral, the spiritual and the mystic implication of the word democracy... If we have not done that, we shall fail as they have failed in other countries. Democracy will be made into autocracy and it will be made into imperialism, and it will be made into fascism. But as a moral principle, it must be lived in life. It is not lived in life, and the whole of it in all its departments, it becomes only a formal and a legal principle.

A duty

What duties emanate from it? How are they to be undertaken in practice? The text of the Constitution dilates at length on the implication of other principles and on the duties arising from them; not so on fraternity. In fact, Article 51A, on Fundamental Duties, added to by the 42nd Amendment in 1977 and further amended by 86th Amendment in 2010, evaded it except by Article 51A(e) generally that referred to the duty of every citizen 'to promote harmony and the spirit of common brotherhood amongst all the people of India'.

This has wider ramifications and, as pointed out by Sir Ernest Barker in a seminal work lauding the Constitution of India, a distinction has to be made between the psychological fact of common emotion and the political principle of fraternity or co-operation. 'Fraternity is a dubious word, which may be used to denote both emotion and principle but is perhaps generally used to denote emotion rather than principle…the emotion of loyalty to the state and the emotion of nationalism for national society are, or should be, controlled emotions.'

In such a discussion, it is useful to recall the difference between being and becoming. Being designates a state, something which continues unchanged through time while becoming designates an event, a change of state, an act of cultivation. There is also, as Rajeev Bhargava has argued, 'a pressing need to excavate the moral values embedded in the Constitution to bring out their connections, and to identify the coherent or not-so-coherent worldviews contained within it.'

Three years later, and after some experience of the working of a nascent democratic system that he had helped to put in place (and in which disagreements on critical questions led to his resignation from the government), B.R. Ambedkar devoted himself to this arduous task of 'excavation', in a lecture on December 1952 aptly titled 'Conditions Precedent for the Successful Working of Democracy'. Listed first were certain general characteristics: democracy is prone to change form and purpose and its purpose in our times 'is not so much to put a curb on an autocratic king as to bring about welfare of the people'. It is a method of government by discussion that brings about revolutionary changes in the economic and social life of people without bloodshed. Some specifics were listed to bring this about: there must not be glaring inequalities in society, there must also be an opposition, an equality in law as well as equal protection of law, and administration and observance of constitutional morality. There must be no tyranny of the majority over the minority. Above all, a functioning moral order in society and a public conscience are essential. This same social necessity is present in B.R. Ambedkar's righteousness or dharma, tinged as it was by his evolving religious perceptions. The ground reality on each of these counts gives a different reading. Inequalities continue to persist and so do those emanating from the caste system; the democratic opposition has progressively declined in substance, equality in law does not necessarily mean equal protection of the law, and little regard is paid to constitutional morality. Each of Gandhiji's Seven Social Sins (inscribed on a tablet at Rajghat) seem to hold good in the functioning of the polity.

An unavoidable virtue

India's existential reality is one of immense diversity. There is also an unfortunate legacy of violence at birth that persists and takes different forms. This necessitates the functioning in practice of these principles in all their diversity and in individual and collective terms. Without imputing infallibility, a sense of fraternity as an essential virtue is thus unavoidable. This cannot be merely in formal terms and has to be imbibed individually and collectively. Nor can it merely be a legal or formal venture and must ascend to what Acharya Kripalani described as a moral and spiritual content. A legislative shape to it, however, is yet to be given beyond the wording of Article 51A(e) – a 'duty' notionally in the shape of a pious hope without going beyond the consequences of the non-observance of other duties specified in this Article.

The challenge today is to invest our democracy with this moral content at the individual and collective levels. It has to take the shape of an imperative; a failure to do so would expose us to the threat of fragmentation. Its consequences should not be guessed.

VIRTUAL DIGITAL ASSETS, INDIA'S STAND AND THE WAY AHEAD

R. Venkatesh is Senior Vice-President and Head of Public Policy, CoinSwitch

Rulemaking is an arduous task. Oftentimes, the words in a gazette take a form of their own in the real world, diverging from the intent. This can be particularly challenging in the case of emerging technologies, where change is rapid and constant.

Consider the infamous Red Flag Act the United Kingdom introduced at the advent of motorcars. It mandated that every motorcar had to have three "drivers": one at the wheel, the second, a fellow passenger, and the third, on foot, holding a red flag to alert oncoming horse-drawn carriages. Ostensibly established in the interest of safety, the Act only ended up strengthening the motorcar industry elsewhere in Europe. It was ultimately repealed in 1896, clearing the path for the golden era of the British motorcar industry and icons such as Rolls-Royce.

The advent of new technologies, in fact, often evokes Red Flag Acts of their own. History is replete with many such laws — from the Internet to mobile phones, innovations were often curtailed. Today, there are calls for the prohibition of artificial intelligence and blockchain technologies.

A considered approach

It is, therefore, heartening to see India taking a measured approach to regulating virtual digital assets. A prominent, and far-reaching, update has been India's recent notification extending the anti-money laundering provisions to virtual digital assets businesses and service providers. On March 7, the Union Finance Ministry, in a gazette notification, extended these activities under the Prevention of Money Laundering Act (PMLA) Act of 2002: exchange between virtual digital assets and fiat currencies; exchange between one or more forms of virtual digital assets; transfer of virtual digital assets; safekeeping or administration of virtual digital assets or instruments enabling control over virtual digital assets; and participation in and provision of financial services related to an issuer's offer and sale of a virtual digital asset.

This means virtual digital assets platforms carrying out the said activities will now have to register as a reporting entity with the Financial Intelligence Unit-India. The unit is the national agency to strengthen India's efforts against money laundering and terror financing. Reporting entity platforms such as CoinSwitch are now mandated to implement know your customer, record and monitor all transactions, and report to the Financial Intelligence Unit-India as and when any suspicious activity is detected.

This is a step in the right direction. Such rules are already applicable to banks, financial institutions and certain intermediaries in the securities and real estate markets. Extending them to virtual digital assets provides virtual digital assets platforms with a framework to diligently monitor and take actions against malpractices. A standardisation of such norms will go a long way in making the Indian virtual digital assets sector transparent. It will also build confidence and assurance in the ecosystem, and give the government more oversight on virtual digital asset transactions, which will be a win-win for all.

Reconsider tax rates

Such risk-mitigation measures are in line with global guidelines put forward by the International Monetary Fund and the Financial Action Task Force (FATF). FATF, in fact, has a comprehensive definition of Virtual Asset Service Providers (VASPs) — an extensive list covering intermediaries, brokers, exchanges, custodians, hedge funds, and even mining pools.

Such guidelines acknowledge the role VASPs play in regulating and monitoring the virtual digital assets ecosystem. VASPs are the most efficient bridges and eyes for regulators to effectively implement Anti-Money Laundering/Countering/Combating the Financing of Terror principles. Through the latest PMLA notification, India too has acknowledged this.

This could also be the basis for India to reconsider its tax treatment of virtual digital assets, which is an outlier, both domestically and internationally. After all, with the PMLA notification now mitigating the most critical money laundering and terror financing risks, there is little reason for the tax rates to be as prohibitively high as they are.

Perhaps there is an opportunity to bring virtual digital assets taxes on a par with other asset classes. Reducing the tax arbitrage vis-à-vis other economies will also help stem the flight of capital, consumers, investments, and talent, as well as dent the grey economy for virtual digital assets.

Using the G-20 platform

This is also significant, given India's presidency of the G-20. The finance track of the G-20 is spearheading critical discussions on establishing a global regulatory framework for virtual digital assets. India's leadership and

experience is key here. There is also an opportunity to consider the steps taken by other G-20 nations. In Asia, Japan and South Korea have established a framework to licence VASPs, while in Europe, the Markets in Crypto-Assets (MiCA) regulation has been passed by the European Parliament.

Even as India spearheads global coordination, ushering greater oversight on the domestic virtual digital assets ecosystem could provide much-needed assurance to everyday users as well as regulators. Going forward, a progressive regulatory framework will instil the animal spirit in India's innovation economy and establish India's virtual digital assets leadership — a lot like how Rolls-Royce rekindled the British manufacturing industry in the early 20th century.

Head Office:
Vedhik IAS Academy
Mercy Estate,
MG Road, Ravipuram,
Ernakulam-682 015,

Corporate office:
Vedhik IAS Academy
Samkalp Bhawan, Plot No.15,
Sector 4, Rama Krishna Puram,
New Delhi,Delhi-110022

Regional office
Vedhik IAS Academy
202, Raheja Chambers, 12,
Museum Road. Bangalore -
560001. Karnataka, India.

GCC Office:
Bobscoedu,
Bobsco Trading & Contracting Co. W. L . L
Office 22, Dream Tower 1,
Road: 2701, Adliya, Kingdom of Bahrain
www.bobscoedu.com