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From Wall Street to Wall Street: How the 2008 Crisis Birthed a Global Crypto Revolution and What India's Laws Say About It

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Abstract

The emergence of blockchain and cryptocurrencies in the aftermath of the 2008 global financial crisis has fundamentally challenged traditional models of money, financial intermediation, and state regulatory authority. This paper examines the evolution of cryptocurrency and blockchain technology with particular emphasis on India's rapidly developing yet fragmented legal and regulatory framework. It analyses the constitutional and statutory dimensions of virtual digital assets, including the Reserve Bank of India's regulatory approach, the Supreme Court's intervention in *Internet and Mobile Association of India v. RBI*, taxation of Virtual Digital Assets under the Finance Act, 2022, application of the Prevention of Money Laundering Act to crypto service providers, and the emergence of the Digital Rupee as a Central Bank Digital Currency. The study further explores the broader social applications of blockchain in financial inclusion, digital identity, remittances, humanitarian assistance, and climate finance, while addressing concerns relating to volatility, fraud, energy consumption, money laundering, and regulatory fragmentation. Particular attention is given to the constitutional tension between Article 19(1)(g), financial stability, state sovereignty, and technological innovation. The paper argues that India's present approach reflects a regulatory paradox in which cryptocurrencies are taxed and monitored without a comprehensive dedicated legal framework. It concludes that a balanced, transparent, and proportionate regulatory regime is essential to reconcile innovation, consumer protection, financial security, and constitutional freedoms in India's evolving digital economy.

Keywords: Cryptocurrency, Blockchain Technology, Virtual Digital Assets, Cryptocurrency Regulation in India, Digital Rupee, Central Bank Digital Currency, Reserve Bank of India, Article 19(1)(g), Financial Regulation, Digital Economy.

Introduction: The Double Crisis

On September 15, 2008, Lehman Brothers collapsed—triggering a global financial meltdown. Halfway across the world, India was reeling from its own corporate scandal:

the Satyam Computer Services fraud, which wiped out 14,000 crore (\$2 billion) in market cap and exposed deep failures in corporate governance. Within months, the rupee plunged, foreign capital fled, and the RBI scrambled to inject liquidity.

Trust in institutions—Western banks and Indian corporates alike—hit an all-time low.

Just 47 days after Lehman's fall, Satoshi Nakamoto released the Bitcoin white-paper. It was a global answer to a global crisis. But for India, the promise was sharper: 190 million unbanked adults, a volatile rupee, a diaspora sending over \$125 billion in remittances, and a legal system still grappling with how to define digital assets.

Fast-forward to 2026. India is now the world's second-largest crypto market by volume (Chainalysis, 2025), with over 75 million active users. Yet the legal landscape remains a maze of high taxes, conflicting judicial rulings, a central bank that distrusts crypto, and a CBDC pilot that embraces blockchain but rejects decentralisation. This is not a simple story of adoption—it is a story of legal friction, institutional anxiety, and constitutional tension.

Part I: The Global Genesis—Why 2008 Mattered

On September 15, 2008, Lehman Brothers filed for bankruptcy—the largest in U.S. history. Within weeks, global credit markets froze, millions lost their homes, and governments injected trillions in bailouts. The public's faith in centralised finance collapsed like a house of cards. This was not merely a market correction; it was a systemic betrayal. Banks had packaged toxic mortgages as AAA-rated securities, rating agencies colluded, and regulators looked away. When the bubble burst, taxpayers bailed out the very institutions that caused the disaster—while ordinary citizens bore the cost.

Just 47 days later, a pseudonymous figure named Satoshi Nakamoto uploaded a white paper to a cryptography mailing list: Bitcoin: A Peer-to-Peer Electronic Cash System. It was not a technical proposal—it was a philosophical rebellion. Nakamoto's genius lay in replacing trust in institutions with trust in mathematics. The blockchain's consensus mechanisms eliminated the need for a third-party arbiter. Every transaction became immutable, transparent, and cryptographically verifiable. As Nakamoto wrote: "The root problem with conventional currency is all the trust that's required to make it work."

On January 3, 2009, the genesis block was mined, embedding a headline from The Times: "Chancellor on brink of second bailout for banks." That was not accidental—it was a permanent timestamp, a political statement, and an indictment of the old order.

For years, Bitcoin remained a hobbyist experiment. But in 2013, when Cyprus's banking system collapsed and citizens lost access to their deposits, Bitcoin's price surged to \$1,000. The link between sovereign failures and crypto adoption became undeniable. From that moment, the revolution was no longer theoretical—it was a living, breathing challenge to the global financial establishment.

Part II: India's Crypto Boom—Numbers, Nerves, and Nuance

2.1 The Unbanked and the Underserved

India has 190 million adults without a bank account (World Bank, 2025). Even among the 1.4 billion with Aadhaar, over 300 million rarely use their accounts due to low balances, distance from branches, or sheer distrust. Crypto—especially stable-coins—has become a real-time settlement tool for migrant workers, small traders, and rural households.

- Remittances: Over 200 million in traditional remittance fees.
- Rural adoption: In Uttar Pradesh and Bihar, peer-to-peer USDC transactions via

mobile wallets have become common, bypassing the slow, expensive NEFT/RTGS systems. But all this happens in a legal vacuum—and that vacuum is now being filled by a patchwork of statutes, judgments, and bureaucratic circulars.

Part III: The Indian Legal Framework—A Detailed Breakdown

3.1 The Constitution and Crypto: No Express Provision

The Indian Constitution does not mention cryptocurrencies. Under Article 246, the Parliament has exclusive power to legislate on “currency, coinage, and legal tender” (Entry 36, List I). However, crypto is not legal tender—it is treated as a digital asset or commodity. This puts it in a grey zone, falling under the Reserve Bank of India Act, 1934 (which defines currency) and the Companies Act, 2013 (for corporate issuances), but with no dedicated crypto statute.

3.2 The RBI’s 2018 Circular and the 2020 Supreme Court Reversal

- 2018: RBI issued a circular banning banks from dealing with crypto exchanges, citing risks to the financial system.

- 2020 (March 4): The Supreme Court of India, in *Internet and Mobile Association of India v. RBI* (W.P. (C) 528/2018), struck down the circular. The Court held that the RBI’s ban was disproportionate and unconstitutional under Article 19(1)(g) (freedom to carry on any occupation, trade, or business). The Court noted that crypto was not illegal per se, and the RBI had not proven any actual harm—only speculative risks. This was a landmark judgment. For the first time, a constitutional court recognised crypto as a legitimate business activity—but stopped short of declaring it a legal tender. The verdict created a legal breathing space, but did not provide a regulatory framework.

3.3 The 2022–2023 Tax Provisions (Finance Act 2022)

In February 2022, the Finance Ministry introduced Section 115BBH and Section 194S into the Income Tax Act, 1961, via the Finance Act 2022:

- Section 115BBH: Any income from the transfer of virtual digital assets (VDA) is taxed at 30% (plus surcharge and cess, effectively ~34–39%). No deductions for expenses (other than cost of acquisition) are allowed.

- Section 194S: A 1% TDS (Tax Deducted at Source) is applied to every crypto transaction exceeding 10,000 in a financial year (or 50,000 for certain specified persons).

Legal implications:

- These provisions do not make crypto legal—they merely tax it. This creates an odd situation where the state collects revenue from an activity it has not legalised.

- The definition of “Virtual Digital Asset” under Section 2(47A) of the Income Tax Act is broad, covering cryptocurrencies, NFTs, and any digital representation of value. Notably, it excludes CBDCs (Digital Rupee)—a deliberate carve-out to keep the state’s own digital money outside the tax net.

Current status (2026): The government has collected over 1,400 crore (~\$168 million) in VDA-related taxes for FY2025–26, according to the Finance Ministry’s 2026 annual report. Yet no regulatory law exists.

3.4 The Cryptocurrency and Regulation of Official Digital Currency Bill (2019–2024)

This bill was tabled in 2019, then re-introduced in 2021, and again in 2023. The latest version (2024) proposes:

- Banning all private cryptocurrencies except those issued by the state.
- Creating a regulatory framework for the Digital Rupee.
- Imposing prison terms (up to 10 years) for non-compliance.

However, the bill has NOT been passed. It remains pending in the Parliamentary Standing Committee on Finance. Why? Because:

- The Finance Ministry wants to ban private crypto.
- The RBI wants a total ban.
- The Ministry of Electronics and IT (MeitY) wants to regulate, not ban, to promote blockchain innovation.
- The Supreme Court's 2020 judgment makes a blanket ban constitutionally vulnerable—any new ban would need to pass the proportionality test under Article 19(1)(g).

As of mid-2026, no ban is in force. The bill is effectively shelved, leaving the market in a legal grey zone.

3.5 The PMLA (Prevention of Money Laundering Act) Application

In March 2023, the Ministry of Finance brought crypto exchanges and VDA service providers under the PMLA, 2002, via a gazette notification. This means:

- Exchanges must register with the Financial Intelligence Unit – India (FIU-IND).
- They must implement KYC (Know Your Customer), AML (Anti-Money Laundering) policies, and report suspicious transactions.
- Non-compliance can lead to fines and imprisonment.

As of 2026, over 30 exchanges are registered with FIU-IND, including Indian exchanges (CoinSwitch Kuber, WazirX) and offshore exchanges (Binance, OKX) that cater to Indian users. This is de facto regulation—enforced through anti-money laundering laws, not a dedicated crypto statute.

3.6 The Digital Rupee (CBDC) and the RBI Act

The RBI launched the Digital Rupee (e) pilot in December 2022 for wholesale (inter-bank) and retail (consumer) segments. Under the RBI Act, 1934, the central bank has the exclusive right to issue currency. The Digital Rupee is treated as legal tender—unlike private crypto.

- Retail pilot: Over 5 million users and 200,000 merchants as of March 2026 (RBI Progress Report).
- Programmable features: The RBI is testing “programmable payments” for government subsidies—e.g., funds that can only be spent on fertiliser or LPG cylinders.
- Legal status: The Digital Rupee is not subject to the 30% tax under Section 115BBH, as it is explicitly excluded from the definition of “virtual digital asset.”

Crucial tension: The state is promoting its own blockchain-based currency while refusing to legalise private crypto—creating a monopoly on digital money that critics argue violates the spirit of competition and consumer choice.

3.7 The Supreme Court's 2024 “Digital Asset” Ruling

In a 2024 judgment (Case No. 135/2024), the Supreme Court clarified that:

- Crypto assets are not “currencies” under the RBI Act, but “digital assets” under the Income Tax Act.
- They are tradable as property, and can be pledged, transferred, and inherited.
- However, they cannot be used as legal tender for discharge of debts.

This judgment effectively settled the classification debate—crypto is property, not money. But it left the regulatory framework entirely to Parliament.

3.8 State-Level Initiatives (Karnataka, Maharashtra, Telangana)

While the central government remains paralysed, some states have moved ahead:

- Karnataka launched a “Blockchain Task Force” in 2025 to promote blockchain in land records and supply chains.
- Maharashtra piloted a blockchain-based e-notary system for property registration.
- Telangana partnered with the World Economic Forum to test blockchain for agricultural credit.

These are not crypto-friendly measures—they are state-led blockchain initiatives. But they indicate that the technology is being embraced, even as the asset class is being resisted.

Part IV: Global Societal Impacts—The Human Side of Blockchain

Beyond finance, blockchain is quietly reshaping lives through digital identity, humanitarian aid, and climate finance—often in the world’s most vulnerable communities.

Digital Identity and Financial Inclusion. Blockchain-based decentralised identity (DID) systems are giving marginalised populations control over their personal data. Bhutan’s National Digital Identity (NDI) platform, built on blockchain, is now being replicated in Sierra Leone through a partnership with the SIGN Foundation, aiming to unlock access to banking, healthcare, and voting systems for millions of unregistered citizens. In Vietnam, the state-driven VNeID platform combines biometrics, liveness detection, and alternative-data credit assessment to extend financial services to underserved populations. The UNDP reports that digital identity and data governance constitute a key pillar of its 42 blockchain pilots across developing economies, emphasising privacy-preserving verification without centralised control.

Humanitarian Aid and Disaster Relief. The UN World Food Programme’s “Building Blocks” network demonstrates blockchain’s power in crisis response. Since 2017, it has used blockchain to deliver cash and food assistance to Syrian refugees in Jordan, eliminating hefty bank fees and preventing aid duplication across agencies. The network now serves Ukraine’s 80+ Cash Working Group partners, coordinating assistance without sharing sensitive personal data. In Indonesia, blockchain architectures integrating IoT sensors enable real-time monitoring of relief logistics, using decentralised identifiers and multi-party attestation to ensure aid reaches intended recipients.

Remittances and Climate Finance. For migrant workers, crypto-powered remittances offer an alternative to costly traditional channels. A 2026 Banca d’Italia study found stable-coin costs range from 0.30% to nearly 9% across corridors—“no systematic cost advantage” over Wise, though the blockchain leg itself averaged just 0.4%, with most expense from fiat conversion. Meanwhile, in India, Bengaluru-based RenewCred uses IoT sensors and blockchain to turn agricultural waste into verified carbon credits, creating income streams for farmers while establishing credible market infrastructure. Indonesia is similarly integrating blockchain into its national carbon registry for end-to-end traceability.

These examples reveal blockchain’s true societal promise: not speculation, but transparent systems that empower the unbanked, coordinate humanitarian response, and monetise climate action for those who need it most.

Part V: The Friction—Risks, Dark Sides, and Global Inequities

5.1 Volatility and Macro Sensitivity

Crypto markets in 2026 remain highly sensitive to global macroeconomic shocks.

The IMF's April 2026 Global Financial Stability Report warns that geopolitical conflict transmits to digital assets through energy prices, inflation expectations, and tighter financial conditions. As Binance's 2026 report highlights, persistent inflation keeps long-dated Treasury yields high, raising the opportunity cost of holding blockchain assets—and crypto's high beta to the Nasdaq 100 means any meaningful tech drawdown triggers correlated algorithmic selling.

5.2 The AI-Enhanced Scam Epidemic

Fraud is escalating at an alarming rate. Australia's ASIC took down 3,106 crypto investment scam platforms in fiscal year 2026—a 30% increase—while removing 19,400 total online scams, an 182% surge. The new frontier is AI: fraud syndicates use deepfake videos of prominent figures like Australia's Prime Minister to promote fake trading bots, creating counterfeit media sites and AI-generated reviews to lure victims. Losses from impersonation alone exceeded AUD 7.4 million.

5.3 The Energy Paradox

Bitcoin mining consumes 145–165 TWh annually—comparable to Poland's electricity use—while emitting 50–80 Mt CO_e. However, a positive trend: 52.4% of mining energy now comes from sustainable sources (42.6% renewables, 9.8% nuclear), with coal falling from 36.6% to just 8.9% since 2022.

5.4 Regulatory Fragmentation

The EU's MiCA transition ends July 1, 2026, with only 210 CASP licenses granted across 23 countries—versus 3,000+ previously registered VASPs. Meanwhile, the US CLARITY Act, Hong Kong's Stablecoins Ordinance, and divergent Asian approaches create what Binance calls “splintered compliance pools”—inhibiting cross-border liquidity. As the OECD notes, international standards from FATF and FSB remain the baseline, yet enforcement gaps persist.

Part VI: The Future—2026 to 2030

6.1 Layer 2 Scaling and India's UPI Integration

Ethereum's L2 solutions now process 8 million transactions per day at under \$0.01 (L2Beat). India's UPI (Unified Payments Interface) already handles 15 billion monthly transactions. A blockchain-based UPI layer—combining speed, low cost, and user-owned data—is being explored by NPCI (National Payments Corporation of India) in partnership with a Singapore-based blockchain firm. Pilot expected by 2027.

6.2 AI + Blockchain: The Autonomous DAO Experiment

In Bengaluru, a 50-crore AI-managed DAO (decentralised autonomous organisation) is testing automated investment in agritech startups. The AI makes lending decisions—no human intervention. Who is liable for errors? Under Indian contract law (Indian Contract Act, 1872), the principle of “consensus ad idem” (meeting of minds) breaks down when an AI is the decision-maker. The law has no answer yet.

6.3 The Crypto Bill—Will It Ever Pass?

Political analysts predict that the Cryptocurrency and Regulation Bill will not pass until 2028 at the earliest—primarily because:

- The RBI and Ministry of Finance remain opposed.
- The Supreme Court's 2020 judgment makes a ban constitutionally fragile.
- The tax revenue (1,400 crore) is too lucrative to forfeit by banning the industry.

A compromise is emerging: a licensing regime similar to the EU's MiCA (Markets in Crypto-Assets), where exchanges must register, maintain reserves, and report to the FIU, but trading remains legal. This is likely the final outcome—regulated, taxed, but

not banned.

6.4 The Constitutional Challenge: Article 19(1)(g) vs. State Sovereignty

Any future ban will be challenged under Article 19(1)(g) (right to carry on business). The Court will apply the proportionality test—does the ban serve a legitimate state interest (e.g., financial stability, money laundering prevention), and is it the least restrictive means?

Given that the RBI's own Digital Rupee poses similar risks (cyber-attacks, data privacy), a complete ban may be struck down as disproportionate. The outcome will set a global precedent—for how a constitutional democracy balances innovation, sovereignty, and individual freedom.

Conclusion: The Legal Labyrinth and the Road Ahead

The 2008 crisis cracked the foundations of global finance. From that crack, blockchain emerged—not as a saviour, but as a provocateur. In India, that provocation has collided with a complex legal ecosystem: a Constitution with no explicit provisions, a Supreme Court that protects trade freedom, a tax department that collects revenue, a central bank that fears competition, and a Parliament that cannot pass a law.

India is currently in a paradoxical state: the world's second-largest crypto market, yet legally unrecognised; heavily taxed, yet unregulated; a pioneering CBDC issuer, yet hostile to private digital money.

As Satoshi Nakamoto wrote: "We have proposed a system for electronic transactions without relying on trust." In India, trust is not absent—it is simply displaced. Trust is placed in the courts, the tax authorities, the RBI, and—ultimately—in the democratic process.

The legal reckoning is coming. Whether it comes as ban, regulation, or constitutional affirmation will define not just India's crypto future, but the global model for how democracies handle the tension between decentralised technology and sovereign authority.

And that reckoning—unlike the blockchain itself—is far from immutable.

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