RESOLÜT PARTNERS

Analysis

Crypto Assets – A Viable Treasury Strategy for Listed Indian Companies?

Key Takeaways

- Aren't virtual digital assets/ crypto assets legal in India, despite explicit recognition under company law, tax law and by constitutional courts?
- If yes, how can listed companies (eg: Jetking) be restricted by a stock exchange (BSE) from raising funds to invest in crypto?
- SEBI and RBI state that they do not regulate crypto assets. On what basis can BSE, an instrumentality of SEBI, restrict fund raises for investment in such assets?
- Listed entities have already acquired crypto from internal accruals. Why then is BSE distinguishing between companies acquiring crypto directly vs. those raising funds to acquire crypto?
- Absent specific law, aren't stock exchanges violating fundamental rights of an enterprise by prohibiting investments in crypto assets?
- Can listed companies approach constitutional courts (high courts/ supreme court) to stay the operation of BSE's orders?

Summary

VDAs are legal. Are cryptocurrencies and virtual digital assets (VDAs) legal in India? The answer is an emphatic yes for the following reasons:

a. both SEBI and the RBI have clarified on multiple occasions (including RTI queries) that VDAs are not regulated by them, neither as securities nor as currency;
b. in 2020, the Supreme Court of India set aside the RBI's circular that had restricted banks from facilitating transactions in VDAs, effectively reinforcing the legality of VDAs;
c. VDAs are expressly recognized for taxation purposes under Indian law and income arising from the transfer of VDAs is subject to tax. Indian companies are also required to disclose VDA holdings in their financial statements under law;
d. there is currently no law in India that restricts dealing in VDAs, and in the absence of a prohibition under law, the constitutional right to liberty should extend to dealing in VDAs.

So, if VDAs are legal, shouldn't a listed company be able to invest in them? The answer should be a straightforward – yes. But stock exchanges, specifically the Bombay Stock Exchange (BSE) (which are effectively instrumentalities of SEBI) seem to think otherwise. BSE issued a new diktat (ref: Jetking, String Metaverse and the like) – listed companies cannot raise funds to invest in crypto assets. On what legal basis, one wonders?

What is a listed Crypto Treasury Company. At the threshold, one might ask: what is a crypto treasury company? Why would someone want to invest in a listed crypto treasury company as against holding the asset directly? The answer is nuanced in the debate of simplicity. For instance – while you can buy gold directly, isn't buying a Gold ETF easier? For retail investors, the appeal is simple: investing in shares of a listed company that holds VDAs gives you all the upside, without any of the risks usually faced with investing in VDAs directly (eg. complicated wallets, crypto exchanges being hacked etc). Investing in VDAs through listed companies offers familiarity and safeguards. In fact, several listed companies across the world (such as Tesla and MicroStrategy) have adopted a VDA-based treasury strategy.

Stock Exchanges' Unreasonable Restriction on Crypto Treasury Companies – Jetking and String Metaverse Episodes. However, in India, the idea of a crypto treasury company encountered an abrupt anti-climax. Jetking Infotrain, a company listed on the BSE, adopted a crypto treasury strategy and raised capital to acquire Bitcoin in 2025. It disclosed its objectives, obtained shareholder approval and proceeded transparently. Yet, BSE subsequently refused to list the shares issued pursuant to the fundraise, citing the following: "*policy on investment in virtual digital assets in under review and till a final view emerges we would not be able to process applications of this nature*". Similarly, String Metaverse was denied in-principle approval for a rights issue of INR 60 crores, since the proceeds were proposed to be invested in subsidiaries that deal in digital assets.

BSE's decision does not however track with the legality of VDAs under law. When the government is perfectly happy to tax VDAs (and at high rates), when courts have recognised VDAs as property,

and when trading in VDAs is widespread, why can't a listed company raise funds to invest in VDAs? Can a stock exchange unilaterally restrict dealings in a legitimate asset class? These are not abstract or academic questions but go to the heart of how far regulators and market institutions can stretch their authority in the absence of written law. Can such actors intervene at the cost of constitutional freedoms, which extend to companies as well?

In the absence of any express prohibition under law that prevents listed companies from holding VDAs or raising capital for that purpose, BSE's diktat appears to be an overreach.

These episodes therefore raise a fundamental question: where lawmakers have chosen not to prohibit companies from investing in or raising funds to invest in VDAs, can a stock exchange unilaterally step in and dictate such a policy? In our view, it cannot.

Are VDAs legal in India?

Yes, VDAs are legal in India, and despite years of committee reports, draft bills and policy ambivalence, India has never enacted a ban on virtual digital assets. Multiple factors support the view that VDAs are legal in India.

a. Both SEBI and RBI decline jurisdiction

SEBI has consistently maintained that crypto assets are not "securities" under existing law[1]. This position was reiterated recently by SEBI in response to a 'Right to Information' application, where SEBI indicated that crypto assets do not meet the statutory definition of 'securities' under securities laws, and therefore fall outside its regulatory scope.

Even without SEBI's express statements, a plain reading of the statutory definition of "securities" (as set out in Annexure I) makes it clear the VDAs do not fall within this category of assets. Nor have VDAs been notified as "commodities" for the purposes of commodity derivatives regulation. On the face of the statute, therefore, VDAs do not fit within any recognised asset class regulated by SEBI.

The position is no different with the RBI. Under Indian law, only the RBI is empowered to issue legal tender. The defining feature of legal tender is sovereign issuance, whereas VDAs are largely privately created and distributed digital assets. And in case there was any doubt whether VDAs could still be 'currency', the RBI has also cleared the air[2] and publicly distanced itself from regulating VDAs.

[1] In April 2025, the SEBI Chairman stated publicly that regulation of cryptocurrencies is a policy decision for the Ministry of Finance, as crypto assets do not fall within SEBI's jurisdiction.
[2] In December 2025, the Deputy Governor of the RBI remarked – "*cryptocurrencies have no intrinsic value. They are not backed by a promise to pay, that is, they have no issuer. Since they do not meet the basic attributes of money, they are not money. In fact, since they do not have any underlying cash flow, they are not financial assets as well, or, for that matter, any asset at all*".

These positions have also been reaffirmed by both regulators in judicial proceedings. For instance, in their submissions before the Delhi High Court in a matter concerning WazirX, SEBI represented that since crypto assets do not qualify as "securities" under the SCRA, their regulation lies outside SEBI's jurisdiction. Similarly, the RBI represented that while it had previously advised regulated entities to undertake due diligence in relation to VC transactions, cryptocurrencies and crypto exchanges do not fall within the RBI's regulatory domain.

Taken together, the consistent stance of both financial regulators, in policy statements and in court, is that VDAs fall outside their statutory remit.

b. VDAs are recognised by courts

Decisions by courts have further clarified the legality of VDAs in India. In 2018, the RBI issued a circular directing banks not to facilitate transactions involving VDAs. While the circular did not outlaw the ownership of VDAs, it effectively severed the crypto ecosystem from the formal banking system.

This circular was subsequently challenged and struck down by the Supreme Court of India in Internet and Mobile Association of India v. Reserve Bank of India (2020). The Court held that, in the absence of any legislative prohibition on VDAs, such a sweeping restriction was disproportionate. The court made it clear – without a law actually banning VDAs, a regulator's actions cannot act as a substitute for law, and observed that:

"*when the consistent stand of RBI is that they have not banned VCs and when the Government of India is unable to take a call despite several committees coming up with several proposals, the RBI's prohibition could not be proportionate*".

Later, the Madras High Court[3] took the Supreme Court's decision a step further – holding that while cryptocurrencies are not "currency" in the legal sense, they are digital assets, a form of property capable of being owned, possessed, transferred, and even held in trust.

Therefore, the legal position today appears settled: VDAs are not illegal, they are just unregulated.

c. VDAs are recognised by law

VDAs are also already recognised by the law. Firstly, the Companies Act mandates VDA-related disclosures by companies, including profits / losses from VDA transactions and the quantity of VDAs held by the company.

[3] Rhutikumari v. Zanmai Labs and Ors., O.A.No. 194 of 2025.

Separately, the government has introduced a dedicated taxation regime for VDAs – a 30% tax on gains from transfer of VDAs and a 1% TDS on specified transactions. While the high tax rates suggest a subtle discouragement by the government, a tax regime for VDAs is another strong indicator that the government has accepted VDAs and has decided to tax these assets, rather than ban them.

d. Extension of the right to liberty under the constitution

Article 21 of the Indian constitution provides that no person shall be deprived of his life or personal liberty except according to procedure established by law. So, if the state intends to restrict an otherwise lawful economic activity, it can only do so by passing the necessary laws. Accordingly, when there isn't an express prohibition on VDAs under law, one could argue that the right to personal liberty extends to the ability to deal in VDAs.

So, can listed companies acquire VDAs and raise funds for this purpose?

Yes, they can. Considering that VDAs are legal, and since both SEBI and RBI have declined to regulate VDAs, listed companies should be permitted to invest in these assets and raise funds for such investments. However, such companies should be cautious of the risk of being categorised as a collective investment scheme (CIS).

A CIS is a scheme or arrangement where there is i) pooling of funds; ii) with a view to receive profits or income; iii) with the investment being managed on behalf of investors; and iv) without investors having day-to-day control over the scheme or arrangement. Categorisation as a CIS brings SEBI scrutiny and various compliance requirements.

It's relevant to note that SEBI has often used the broadly worded definition of a CIS to go after structures and arrangements that were not otherwise covered by other laws and regulations. Therefore, companies raising funds for crypto investments should be cautious about promising any returns to investors or offering a standalone scheme for crypto investments.

The key, therefore, lies in structure and substance. A bona fide listed company raising equity capital for a VDA-related treasury strategy is fundamentally different from a scheme designed solely to pool funds for managed crypto exposure. After all, if every fundraise tied to a disclosed business strategy was treated as a CIS merely because investor funds are pooled and managed without day-to-day control, then virtually any company could fall within the CIS framework.

Do stock exchanges have the power to stop listed companies from raising funds for investments in VDAs?

No, they should not and BSE's position in the Jetking/ String Metaverse cases, i.e. restricting listed companies from raising funds to invest in VDA, seems to be an overreach.

What happened with Jetking and String Metaverse?

Jetking, a company which primarily operates in the education sector, has held Bitcoin on its balance sheet as part of its treasury strategy. In 2025, to augment this strategy further, Jetking announced that it would raise funds via a private placement from specific investors and use the funds to invest in VDAs. While this share issuance received shareholder approval and initially received in-principle approval from BSE, the stock exchange later changed its mind and rejected Jetking's application for listing these shares.

The consequence of this has been particularly harsh on investors who invested based on Jetking's proposed VDA strategy. Although shares were validly issued and allotted to them, those shares have not been admitted to trading on the exchange, effectively locking them in without the liquidity that a stock exchange listing is meant to provide.

Concerningly, while returning Jetking's application for listing the shares issued, BSE noted that the stated object of the issue included investment in VDAs, which it described as potentially speculative in nature. BSE further stated that its policy on investment in virtual digital assets was under review, and that until a final position was taken, applications for listing involving fundraises for VDA investments could not be processed. Jetking has since challenged BSE's decision before an appellate tribunal.

Similarly, String Metaverse applied for an in-principle approval to BSE to raise INR 60 crores via a rights issue. Part of the proceeds were intended to be infused into its subsidiaries which were engaged in the business of digital assets. However, BSE refused to provide the approval by stating that their policy concerning investments by listed companies into VDAs is still under review.

This raises a fundamental question: on what legal basis could BSE make this determination? While stock exchanges possess certain supervisory and administrative powers, those powers are not without limits. In our view, in the absence of any explicit legislative prohibition on VDAs, BSE lacked the authority to reject Jetking's listing application solely because the proceeds were to be deployed into VDAs. Through its order, BSE has effectively manufactured 2 classes of listed companies – i.e. those permitted to acquire crypto assets using internal accruals and those which are not permitted to acquire crypto assets since they're doing it by raising fresh funds. This distinction has no legal basis and does not support BSE's "investor protection" rationale, as investors are equally affected in both cases.

The inconsistency becomes more pronounced when viewed against the position of SEBI, which has publicly stated that crypto assets fall outside its regulatory jurisdiction. If the dedicated securities market regulator has declined to classify or regulate VDAs as securities, or prohibit listed companies from investing in VDAs, it is difficult to see how a stock exchange, whose authority is derived from the broader securities law framework, can effectively impose a restriction of its own.

Accordingly, the affected companies should have good grounds to get the BSE's decision set aside, especially at the constitutional courts.

So what's next?

It's tough to say, and a lot depends on the outcome of Jetking's challenge of BSE's decision. In the likely scenario that BSE's diktat is set aside by the court, opportunities should open up again for companies looking to adopt a VDA treasury strategy.

However, the larger issue with this sequence of events is that this piecemeal approach to crypto regulation is unsustainable and risks harming both investors and the crypto industry in India. If the government intends to prohibit listed companies from investing in crypto assets, this should be done through clear legislation. Conversely, if companies are permitted to invest in crypto assets, as current tax and disclosure requirements suggest, the sector must be regulated in a clear and consistent manner to avoid a repeat of the Jetking episode. What should not happen is a market institution unilaterally making determinations on the status of VDAs without the backing of an underlying law.

Annexure I

Definition of securities under the SCRA –

i. shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or a pooled investment vehicle or other body corporate;
ii. derivatives;
iii. units or any other instrument issued by any collective investment scheme to the investors in such schemes
iv. security receipts as defined under the SARFAESI Act
v. units or any other such instrument issued to the investors under any mutual fund scheme;
vi. units or any other instrument issued by any pooled investment vehicle
vii. any certificate or instrument issued to an investor acknowledging beneficial interest of such investor in debt or receivables
viii. government securities;
ix. such other instruments as may be declared by the Central Government to be securities

Authors



Hrishikesh Anand



Shreyas Bhushan



Ruchir Sinha

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