Definitions for purposes of rules 242, 243 and 244.

241. For the purposes of rules 242, 243 and 244,—

(*1*) "Anti Money Laundering or Know Your Customer Procedures" means the customer due diligence procedures of a reporting crypto-asset service provider as provided under the Prevention of Money-Laundering Act, 2002 (15 of 2003);

(*2*) "branch" means a unit, business or office of a reporting crypto-asset service provider that is treated as a branch under the regulatory regime of a country or territory, or that is otherwise regulated under the laws of such country or territory as separate from other offices, units, or branches of the reporting crypto-asset service provider;

(*3*) for the purposes of clause (*2*), all units, businesses, or offices of a reporting crypto-asset service provider in a single country or territory shall be treated as a single branch;

(*4*) "entity" means a legal person or a legal arrangement, such as a company or partnership firm or trust or foundation;

(*5*) "excluded person" means—

(*a*) an entity, the stock of which is regularly traded on one or more established securities markets; or

(*b*) any entity that is a related entity of an entity described in sub-clause (*a*); or

(*c*) a Governmental entity; or

(*d*) an international organisation; or

(*e*) a Central Bank; or

(*f*) a financial institution other than an investment entity described in clause (*6*)(*d*)(*ii*);

(*6*) for the purposes of clause (*5*),—

(*a*) "financial institution" means a custodial institution or a depository institution or an investment entity or a specified insurance company;

(*b*) "custodial institution" means any entity that holds, as a substantial portion of its business, financial assets for the account of others and where its gross income attributable to the holding of financial assets and related financial services equals or exceeds 20% of the gross income of the entity during the shorter of—

(*i*) the three-year period that ends on the 31st December (or the final day of a non-calendar year accounting period), prior to the year in which the determination is being made; or

(*ii*) the period during which the entity has been in existence;

(*c*) "depository institution" means any entity that—

(*i*) accepts deposits in the ordinary course of a banking or similar business; or

(*ii*) holds specified electronic money products or Central Bank Digital Currencies for the benefit of customers;

(*d*) "investment entity" means any entity [other than an active entity on account of meeting any of the criteria mentioned in items (*ii*) to (*v*) of clause (*16*)(*1*)]:—

(*i*) that primarily conducts as a business, any one or more of the following activities or operations for or on behalf of a customer:—

(*A*) trading in money market instruments (cheques, bills, certificates of deposit, derivatives, etc.), foreign exchange, exchange, interest rate and index instruments, transferable securities, or commodity futures trading; or

(*B*) individual and collective portfolio management; or

(*C*) otherwise investing, administering, or managing financial assets, money, or relevant crypto-assets on behalf of other persons; or

(*ii*) the gross income of which is primarily attributable to investing or reinvesting or trading in financial assets or relevant crypto-assets, if the entity is managed by another entity, that is, a depository institution or a custodial institution or a specified insurance company or an investment entity described in item (*i*);

(*e*) (*i*) for the purposes of sub-clause (*d*), an entity is treated as primarily conducting as a business, any one or more of the activities described in item (*i*) of the said sub-clause, or gross income of an entity is treated as primarily attributable to investing or reinvesting or trading in financial assets or relevant crypto-assets in item (*ii*) of the said sub-clause, if the gross income of the entity attributable to the relevant activities equals or exceeds 50% of the gross income of the entity during the shorter of—

(*A*) the three-year period ending on the 31st December (or the final day of a non-calendar year accounting period) of the year preceding the year in which the determination is made; or

(*B*) the period during which the entity has been in existence;

(*ii*) for the purposes of sub-clause (*d*)(*i*)(*C*), the term "otherwise investing, administering, or managing financial assets, money, or relevant crypto-assets on behalf of other persons", does not include the provision of services for effecting exchange transactions for or on behalf of customers;

(*iii*) the provisions of sub-clause (*d*) shall be interpreted in a manner consistent with similar language set forth in the definition of "financial institution" in the Financial Action Task Force Recommendations, as updated in June, 2019 pertaining to virtual asset service providers and as further updated from time to time;

(*f*) "specified insurance company" means any entity that is an insurance company (or the holding company of an insurance company) that issues, or is obligated to make payments with respect to, a cash value insurance contract or an annuity contract;

(*g*) "governmental entity" means the government of a country or territory or any political sub-division of a country or territory (which, for the avoidance of doubt, includes a state, province, county, or municipality), or any wholly owned agency or instrumentality of a country or territory or of any one or more of the foregoing including the integral parts, controlled entities and political sub-divisions of such country or territory;

(*h*) for the purposes of sub-clause (*g*),—

(*i*) "integral part" of a country or territory means any person or organisation or agency or bureau or fund or instrumentality or other body, however designated, that constitutes a governing authority of a country or territory, where the net earnings of the governing authority shall be credited to its own account or to other accounts of the country or territory, with no portion enuring to the benefit of any private person, but does not include any individual who is a sovereign or official or administrator acting in a private or personal capacity;

(*ii*) "controlled entity" means an entity that is separate in form from the country or territory or that otherwise constitutes a separate juridical entity, provided that—

(*A*) the entity is wholly owned and controlled by one or more governmental entities directly or through one or more controlled entities;

(*B*) the entity's net earnings are credited to its own account or to the accounts of one or more governmental entities, with no portion of its income enuring to the benefit of any private person; and

(*C*) the entity's assets vest in one or more governmental entities upon dissolution;

(*iii*) income does not enure to the benefit of private persons if such persons are the intended beneficiaries of a governmental programme, and the programme activities are performed for the general public with respect to the common welfare or relate to the administration of some phase of government;

(*iv*) irrespective of anything contained in item (*iii*) above, income is considered to enure to the benefit of private persons if the income is derived from the use of a governmental entity to conduct a commercial business, such as a commercial banking business, that provides financial services to private persons;

(*i*) "international organisation" means any international organisation or wholly owned agency or instrumentality thereof, including any inter-governmental organisation or a supranational organisation—

(*i*) that is comprised primarily of governments;

(*ii*) that has in effect a headquarters or substantially similar agreement with India; and

(*iii*) the income of which does not enure to the benefit of private persons;

(*j*) "Central Bank" means an institution that is, by law or government sanction, the principal authority, other than the government of the country or territory itself, issuing instruments intended to circulate as currency and may include an instrumentality that is separate from the government of the country or territory, whether or not owned, in whole or in part, by the country or territory;

(*k*) "financial asset" includes—

(*i*) a security (for example, a share of stock in a corporation, partnership or beneficial ownership interest in a widely held or publicly traded partnership or trust, note, bond, debenture, or other evidence of indebtedness), partnership interest, commodity, swap (for example, interest rate swaps, currency swaps, basis swaps, interest rate caps, interest rate floors, commodity swaps, equity swaps, equity index swaps, and similar agreements), insurance contract or annuity contract; or

(*ii*) any interest (including a futures or forward contract or option) in a security, relevant crypto-asset, partnership interest, commodity, swap, insurance contract, or annuity contract,

but, it does not include a non-debt and direct interest in an immovable property;

(*l*) "equity interest" means—

(*i*) in the case of a partnership that is a financial institution, either a capital or profits interest in the partnership;

(*ii*) in the case of a trust that is a financial institution, where any person is treated as a settlor or beneficiary of all or a portion of the trust, or any other natural person exercising ultimate effective control over the trust, such person shall be considered to be holding equity interest in such trust;

(*m*) for the purposes of sub-clause (*l*)(*ii*), a reportable person shall be treated as being a beneficiary of a trust, if such reportable person has the right to receive directly or indirectly a mandatory distribution, or may receive directly or indirectly, a discretionary distribution from the trust;

(*n*) "insurance contract" means a contract (other than an annuity contract) under which the issuer agrees to pay an amount upon the occurrence of a specified contingency involving mortality, morbidity, accident, liability, or property risk;

(*o*) "annuity contract" means a contract under which the issuer agrees to make payments for a period of time determined, in whole or in part, by reference to the life expectancy of one or more individuals and it also includes a contract that is considered to be an annuity contract in accordance with the law, regulation, or practice of the country or territory in which the contract was issued, and under which the issuer agrees to make payments for a term of years;

(*p*) "cash value insurance contract" means an insurance contract (other than an indemnity reinsurance contract between two insurance companies) that has a cash value;

(*q*) "cash value" means the greater of—

(*A*) the amount that the policyholder is entitled to receive upon surrender or termination of the contract (determined without reduction for any surrender charge or policy loan); and

(*B*) the amount the policyholder can borrow under or with regard to the contract;

but does not include an amount payable under an insurance contract in the following circumstances:—

(*I*) solely by reason of the death of an individual insured under a life insurance contract; or

(*II*) as a personal injury or sickness benefit or other benefit providing indemnification of an economic loss incurred upon the occurrence of the event insured against; or

(*III*) as a refund of a previously paid premium (less cost of insurance charges whether or not actually imposed) under an insurance contract (other than an investment-linked life insurance or annuity contract) due to cancellation or termination of the contract, decrease in risk exposure during the effective period of the contract, or arising from the correction of a posting or similar error with regard to the premium for the contract; or

(*IV*) as a policyholder dividend (other than a termination dividend) provided that the dividend relates to an insurance contract under which the only benefits payable are described in sub-item (*II*) above; or

(*V*) as a return of an advance premium or premium deposit for an insurance contract for which the premium is payable at least annually if the amount of the advance premium or premium deposit does not exceed the next annual premium that will be payable under the contract;

(*7*) "partner jurisdiction" means any country or territory outside India that has put in place equivalent legal requirements and that is specified by the Central Government, by notification;

(*8*) "related entity" means an entity which—

(*a*) either controls the other entity; or

(*b*) the two entities are under common control,

and for this purpose, control includes direct or indirect ownership of more than 50% of the vote and value in an entity;

(*9*) "relevant crypto-asset" means any crypto-asset—

(*i*) that is not a Central Bank Digital Currency; or

(*ii*) that is not a specified electronic money product; or (*iii*) for which the reporting crypto-asset service provider has adequately determined that it cannot be used for payment or investment purposes;

(*10*) for the purposes of clause (*9*),—

(*a*) "crypto-asset" shall have the meaning assigned to it in section 2(*111*)(*d*);

(*b*) "digital representation of value" means that a crypto-asset shall represent a right to value, and that the ownership of, or right to, such value can be traded or transferred to other individuals or entities in a digital manner;

(*c*) "Central Bank Digital Currency" means any digital fiat currency issued by a Central Bank;

(*d*) "specified electronic money product" means any crypto-asset that is—

(*i*) a digital representation of a single fiat currency;

(*ii*) issued on receipt of funds for the purpose of making payment transactions;

(*iii*) represented by a claim on the issuer denominated in the same fiat currency;

(*iv*) accepted in payment by a natural or legal person other than the issuer; and

(*v*) redeemable at any time and at par value for the same fiat currency upon request of the holder of the product, by virtue of regulatory requirements to which the issuer is subject to,

but does not include a product created for the sole purpose of facilitating the transfer of funds from a customer to another person pursuant to instructions of the customer;

(*e*) for the purposes of sub-clause (*d*), a product is not created for the sole purpose of facilitating the transfer of funds if, in the ordinary course of business of the transferring entity,—

(*i*) the funds connected with such product are held longer than sixty days after receipt of instructions to facilitate the transfer; or

(*ii*) if no instructions are received, the funds connected with such product are held longer than sixty days after receipt of the funds;

(*11*) "relevant transaction" means any—

(*a*) exchange transaction; and

(*b*) transfer of relevant crypto-assets;

(*12*) for the purposes of clause (*11*),—

(*a*) "exchange transaction" means any—

(*i*) exchange between relevant crypto-assets and fiat currencies; and

(*ii*) exchange between one or more forms of relevant crypto-assets;

(*b*) "reportable retail payment transaction" means a transfer of relevant crypto-assets in consideration of goods or services for a value exceeding fifty thousand USD;

(*c*) "transfer" means a transaction that moves a relevant crypto-asset either from or to the crypto-asset address or account of one crypto-asset user, other than one maintained by the reporting crypto-asset service provider on behalf of the same crypto-asset user, where, based on the knowledge available to the reporting crypto-asset service provider at the time of transaction, the reporting crypto-asset service provider cannot determine that the transaction is an exchange transaction;

(*d*) "fiat currency" means the official currency of a country or territory, issued by such country or territory, or by the designated Central Bank or monetary authority of such country or territory, as represented by physical banknotes or coins or by money in different digital forms, including bank reserves and Central Bank Digital Currencies, including commercial bank money and electronic money products (including specified electronic money products);

(*13*) "reporting crypto-asset service provider" means any individual or entity that, as a business, provides a service for effecting exchange transactions for or on behalf of customers, including by acting as a counterparty, or as an intermediary, to such exchange transactions, or by making available a trading platform;

(*14*) for the purposes of clause (*13*), —

(*i*) a service effecting exchange transactions includes any service through which the customer can receive relevant crypto-assets for fiat currencies, or *vice versa*, or exchange relevant crypto-assets for other relevant crypto-assets;

(*ii*) the phrase "as a business" excludes individuals or entities who carry out a service on infrequent basis for non-commercial reasons and in determining "as a business", reference can be made to the relevant rules of each country or territory;

(*iii*) "as a counterparty" or "as an intermediary" includes—

(*A*) dealers acting for their own account to buy and sell relevant crypto- assets to customers;

(*B*) operators of crypto-asset Automated Teller Machines, permitting the exchange of relevant crypto-assets for fiat currencies or other relevant crypto-assets through such Automated Teller Machines;

(*C*) crypto-asset exchanges that act as market makers and take a bid-ask spread as a transaction commission for their services;

(*D*) brokers in relevant crypto-assets, where they act on behalf of clients to complete orders to buy or sell an interest in relevant crypto-assets; and

(*E*) individuals or entities subscribing one or more relevant crypto-assets;

(*iv*) "trading platform" includes any software program or application that allows users to effect (either partially or in their entirety) exchange transactions;

(*15*) "reportable user" means a crypto-asset user that is a reportable person;

(*16*) for the purposes of clause (*15*),—

(*a*) "crypto-asset user" means—

(*i*) an individual or entity that is a customer of a reporting crypto-asset service provider for the purposes of carrying out relevant transactions;

(*ii*) where an individual or entity (other than a financial institution or a reporting crypto-asset service provider), acts as a crypto-asset user for the benefit or account of another individual or entity as agent, custodian, nominee, signatory, investment advisor, or intermediary, such other individual or entity, so however that the first mentioned individual or entity shall not be treated as a crypto-asset user;

(*iii*) where a reporting crypto-asset service provider provides a service for effecting reportable retail payment transactions for or on behalf of a merchant, the customer that is the counterparty to the merchant for such reportable retail payment transaction;

(*b*) for the purposes of item (*iii*) of sub-clause (*a*), the reporting crypto-asset service provider is required to verify the identity of such customer by virtue of the reportable retail payment transaction pursuant to Prevention of Money Laundering Act, 2002 (15 of 2003);

(*c*) "individual crypto-asset user" means a crypto-asset user that is an individual;

(*d*) "pre-existing individual crypto-asset user" means an individual crypto-asset user that has established a relationship with the reporting crypto-asset service provider as of the 31st December, 2025;

(*e*) "entity crypto-asset user" means a crypto-asset user that is an entity;

(*f*) "pre-existing entity crypto-asset user" means an entity crypto-asset user that has established a relationship with the reporting crypto-asset service provider as of the 31st December, 2025;

(*g*) "reportable person" means—

(*i*) an entity or an individual that is resident in a country or territory outside India under the tax laws of such country or territory; or

(*ii*) an estate of a decedent that was a resident of a country or territory outside India,

other than excluded person;

(*h*) for the purposes of sub-clause (*g*), an entity such as a partnership, limited liability partnership or similar legal arrangement that has no residence for tax purposes shall be treated as resident in the jurisdiction in which its place of effective management is situated;

(*i*) "controlling persons" means—

(*A*) the natural persons who exercise control over an entity;

(*B*) in the case of a trust, the settlor(s), the trustee(s), the protector(s)(if any), the beneficiary(ies) or class(es) of beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust;

(*C*) in the case of a legal arrangement other than a trust, persons in equivalent or similar positions,

and the expression "controlling persons" shall be interpreted in a manner consistent with the 2012 Financial Action Task Force Recommendations, as updated in June 2019 pertaining to virtual asset service providers and as further updated from time to time;

(*j*) for the purposes of sub-clause (*i*)(*B*), the settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or class(es) of beneficiaries, shall always be treated as controlling persons of a trust, regardless of whether or not any of them exercises control over the trust;

(*k*) for the purposes of sub-clause (*i*)(*C*), reporting crypto-asset service providers shall identify controlling persons through similar customer due diligence procedures as those required for trusts, with a view to achieving appropriate levels of reporting;

(*l*) "active entity" means any entity that meets any of the following criteria:—

(*i*) less than 50% of the gross income of the entity for the preceding calendar year (or for the preceding non-calendar accounting period) is passive income and less than 50% of the assets held by the entity during the preceding calendar year (or the preceding non-calendar accounting period) are assets that produce or are held for the production of passive income; or

(*ii*) substantially all of the activities of the entity consist of holding (in whole or in part) the outstanding stock of, or providing financing and services to, one or more subsidiaries that engage in trades or businesses other than the business of a financial institution, except that an entity does not qualify for this status if the entity functions (or holds itself out) as an investment fund, such as a private equity fund, venture capital fund, leveraged buyout fund, or any investment vehicle whose purpose is to acquire or fund companies and then hold interests in those companies as capital assets for investment purposes; or

(*iii*) the entity is not yet operating a business and has no prior operating history, but is investing capital into assets with the intent to operate a business other than that of a financial institution, provided that the entity does not qualify for this exception after twenty-four months from the date of the initial organisation of the entity; or

(*iv*) the entity was not a financial institution in the past five years, and is in the process of liquidating its assets or is reorganising with the intent to continue or recommence operations in a business other than that of a financial institution; or

(*v*) the entity primarily engages in financing and hedging transactions with, or for, related entities that are not financial institutions, and does not provide financing or hedging services to any entity that is not a related entity, provided that the group of such related entities is primarily engaged in a business other than that of a financial institution; or

(*vi*) the entity meets all of the following requirements:—

(*A*) it is established and operated in the country or territory (outside India) of its residence exclusively for religious, charitable, scientific, artistic, cultural, athletic, or educational purposes, or it is established and operated in the country or territory (outside India) of its residence and it is a professional organisation, business league, chamber of commerce, labour organisation, agricultural or horticultural organisation, civic league or an organisation operated exclusively for the promotion of social welfare;

(*B*) it is exempt from income tax in the country or territory (outside India) of its residence;

(*C*) it has no shareholders or members who have a proprietary or beneficial interest in its income or assets;

(*D*) the applicable laws of the country or territory (outside India) of its residence or the formation documents of the entity do not permit any income or assets of the entity to be distributed to, or applied for the benefit of, a private person or non-charitable entity other than pursuant to the conduct of the charitable activities of the entity, or as payment of reasonable compensation for services rendered, or as payment representing the fair market value of property which the entity has purchased; and

(*E*) the applicable laws of the country or territory (outside India) of its residence or the formation documents of the entity require that, upon the liquidation or dissolution of the entity, all of its assets be distributed to a Governmental entity or other non-profit organisation, or escheat to the Government of the country or territory (outside India) of its residence or any political sub-division thereof;

(*m*) for the purposes of item (*i*) of sub-clause (*l*), "passive income" includes the portion of gross income that consists of:—

(*i*) dividends; or

(*ii*) interest; or

(*iii*) income equivalent to interest or dividends; or

(*iv*) rents and royalties, other than rents and royalties derived in the active conduct of a business conducted, at least in part, by employees of the entity; or

(*v*) annuities; or

(*vi*) income derived from relevant crypto-assets; or

(*vii*) the excess of gains over losses from the sale or exchange of relevant crypto-assets or financial assets; or

(*viii*) the excess of gains over losses from transactions (including futures, forwards, options, and similar transactions) in any relevant crypto-assets or financial assets; or

(*ix*) the excess of foreign currency gains over foreign currency losses; or

(*x*) net income from swaps; or

(*xi*) amounts received under cash value insurance contracts; and

(*n*) for the purposes of sub-clause (*l*)(*ii*), "substantially all" means 80% or more;

(*17*) "telegraphic transfer buying rate", in relation to a fiat currency (other than Indian Rupee), means the rate or rates of exchange adopted by the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955), for buying such currency, having regard to the guidelines specified from time to time by the Reserve Bank of India for buying such currency, where such currency is made available to that bank through a telegraphic transfer; and

(*18*) "TIN" means Taxpayer Identification Number (or functional equivalent in the absence of a Taxpayer Identification Number) assigned to the crypto-asset user in the country or territory in which he is a resident for tax purposes.