VIRTUAL DIGITAL ASSETS AND SHAREHOLDER PROTECTION: RE-READING RIGHTS AND LIABILITY UNDER INDIAN COMPANY LAW

Santhosh M, The Central Law College, Salem, Tamil Nadu, India

CHAPTER 1

INTRODUCTION

Barely a decade ago cryptocurrency was a fringe experiment in peer-to-peer computing; today it sits on the balance sheets of retail investors, corporate treasuries, and a handful of listed companies. India's regulatory posture toward this shift has been guarded and, more than once, self-contradictory. The Reserve Bank of India's first serious attempt to keep virtual currencies out of the banking system came through a 2018 circular that directed regulated entities to stop servicing crypto exchanges a measure the Supreme Court ultimately struck down in Internet and Mobile Association of India v. Reserve Bank of India (2020).[1] In the years since that judgment, Parliament has chosen neither to prohibit virtual digital assets outright nor to regulate them comprehensively, leaving the field to a patchwork of tax law, anti-money-laundering law, and general company-law doctrine none of it written with crypto assets in mind.

This paper narrows in on a question that sits inside that larger regulatory gap and has, so far, drawn comparatively little scholarly attention: what happens to the rights and liabilities of a shareholder once the company whose shares they hold begins to acquire, trade, mine, or otherwise deal in cryptocurrency? A shareholder's rights under the Companies Act, 2013 to receive information, to vote, to receive dividends, and to seek protection against oppression and mismanagement were designed for a company whose assets and liabilities could be captured in ordinary balance-sheet language. Cryptocurrency resists that language. Its volatility, its pseudonymity, and its distance from conventional custody and disclosure norms

[1] Internet and Mobile Association of India v. Reserve Bank of India, (2020) 10 SCC 274 : (2020) SCC OnLine SC 275.

put pressure on each of these rights, and tracing that pressure is the central task of this paper.

Liability adds a further layer of difficulty. A shareholder ordinarily enjoys the protection of limited liability, grounded in the separate legal personality of the company and given statutory form through Section 34.[2] That protection is not unconditional: Indian courts have, in appropriate cases, lifted the corporate veil where a company has been used as a vehicle for fraud. Given how easily crypto transactions cross borders and slip into pseudonymity, and given how readily a company's crypto dealings can shade into money-laundering or securities-law violations, the possibility that a shareholder particularly a promoter-shareholder, or one who exercises real control over the company could be drawn into personal liability deserves closer examination than Indian legal literature has so far offered it.

1.1 Statement of the Problem

Indian law neither pins down cryptocurrency with any precision for company-law purposes, nor tells a company how its crypto holdings, crypto-linked contracts, or crypto-related losses ought to be disclosed to shareholders, voted upon, or reflected in dividend calculations. The result is uncertainty at exactly the points where shareholder protection is supposed to be strongest disclosure, voting, dividend distribution, and the remedies available when a company's crypto exposure causes oppression, mismanagement, or loss.

1.2 Objectives of the Study

This paper sets out to: (i) examine how a company's crypto dealings affect the rights shareholders already hold under the Companies Act, 2013 and allied regulations; (ii) identify the circumstances in which a shareholder's ordinarily limited liability might be affected by the company's crypto-related conduct; (iii) map the existing Indian legal framework company law, securities law, tax law, and anti-money-laundering law as it touches this question; (iv) identify the gaps in that framework; (v) assess the remedies presently open to an aggrieved shareholder; (vi) draw lessons from comparable jurisdictions; and (vii) propose reforms that are specific and implementable rather than aspirational.

[2]Companies Act, 2013, § 34.

1.3 Hypothesis

The absence of a dedicated disclosure and governance framework for corporate cryptocurrency holdings materially weakens the practical enforceability of shareholder rights under existing Indian company law. It also raises the risk that shareholders including passive minority holders end up exposed to loss, and in narrow circumstances to derivative liability, without a correspondingly clear route to a remedy.

1.4 Research Questions

1. Is a company presently under any legal obligation to disclose material cryptocurrency holdings or transactions to its shareholders?

2. Do voting and dividend rights get affected, in practice if not in form, when a company's asset base includes volatile crypto holdings?

3. On what doctrinal basis, if any, can a shareholder be exposed to liability arising from the company's crypto dealings?

4. What remedies does a shareholder presently have, and are those remedies adequate?
5. What can Indian law usefully borrow from other jurisdictions that have moved further on this question?
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1.5 Research Methodology

The study is doctrinal and analytical rather than empirical. It works primarily through statutory interpretation[3] read together with the Supreme Court's judgment in Internet and Mobile Association of India v. RBI and secondary academic commentary. Comparative material drawn from the United States, Singapore, and the United Kingdom is used to test the adequacy of the Indian position against jurisdictions that have moved further on crypto-specific disclosure and custody standards. No survey or primary data collection was undertaken; the analysis is

[3]See generally the Companies Act, 2013; the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; the Income-tax Act, 1961 (as amended by the Finance Act, 2022); the Prevention of Money Laundering Act, 2002; and the Foreign Exchange Management Act, 1999.

confined to legal text and policy discourse.

1.6 Scope and Limitations

The paper is confined to the position of shareholders in companies incorporated under Indian company law. It does not deal with cryptocurrency exchanges as regulated entities in their own right, nor with the criminal law of crypto-fraud generally, except where that law bears directly on shareholder liability. Because the regulatory landscape in India continues to shift, this paper should be read as reflecting the law and policy discourse as it stood in 2026.

CHAPTER 2

REVIEW OF LITERATURE

Until fairly recently, Indian legal scholarship on cryptocurrency clustered around two questions: whether virtual currencies could be banned outright, and how they should be taxed. Writing that followed the Supreme Court's 2020 decision in Internet and Mobile Association of India v. RBI mostly examined the proportionality of the RBI's banking-ban circular and its constitutional dimension, in particular the right to trade under Article 19(1)(g). That body of work is useful background, but it does not engage with the company-law questions that arise internally, inside a firm that itself deals in or holds crypto assets.

A second strand of commentary followed the Finance Act, 2022, which introduced a dedicated tax regime for transfers of Virtual Digital Assets under Section 115BBH of the Income-tax Act, 1961, alongside the one-per-cent tax deducted at source under Section 194S.[4] This literature is precise about the tax consequences for the person transferring a VDA, but says little about what a corporate VDA holding means for the internal governance of the company that holds it, or for shareholders who never individually chose to take on that exposure.

A third and thinner strand deals with anti-money-laundering regulation, particularly the 2023 notification that brought virtual digital asset service providers within the definition of 'reporting entity' under the Prevention of Money Laundering Act, 2002.[5] This writing is oriented toward the compliance obligations of exchanges and intermediaries, not toward the shareholders of

[4]Finance Act, 2022, inserting Income-tax Act, 1961, §§ 115BBH, 194S.

[5]Ministry of Finance, Notification bringing Virtual Digital Asset service providers within the definition of 'reporting entity' under the Prevention of Money Laundering Act, 2002 (2023).

companies that use or hold crypto assets.

Company-law scholarship on shareholder rights and remedies disclosure under Section 134, oppression and mismanagement under Sections 241–242,[6] and the doctrine of piercing the corporate veil is well developed in the abstract, but has not, to this researcher's knowledge, been applied systematically to the specific fact pattern of corporate cryptocurrency exposure. International literature, especially from the United States after the collapse of FTX and several crypto-adjacent public companies, has begun examining fiduciary duty and disclosure questions tied to corporate crypto holdings, and this paper draws on that comparative material wherever it sheds light on the Indian position.

2.1 Research Gap

No integrated Indian study appears to connect (a) the existing disclosure and governance provisions of the Companies Act and SEBI regulations, (b) the taxation and anti-money-laundering regime applicable to VDAs, and (c) the specific position of the ordinary shareholder as opposed to the exchange, the director, or the tax authority who holds shares in a company dealing with cryptocurrency. This paper tries to close that gap by treating the shareholder's rights and liabilities as one connected question, rather than as scattered observations picked up incidentally across banking-law, tax-law, and company-law commentary.

CHAPTER 3

CONCEPTUAL FRAMEWORK

3.1 What is Cryptocurrency

Cryptocurrency is a digitally native, cryptographically secured medium of exchange or store of value recorded on a distributed ledger most often a blockchain without any central issuing authority. Indian legislation avoids the word 'cryptocurrency' altogether and instead uses the statutory term Virtual Digital Asset, defined broadly under Section 2(47A) of the Income-tax Act, 1961 to cover any information, code, number, or token generated through cryptographic means that can be transferred, stored, or traded electronically.[7] That definition was drafted for tax purposes and has never been carried over into the Companies Act or SEBI's disclosure

[6]Companies Act, 2013, §§ 241–242.
[7]Income-tax Act, 1961, § 2(47A), inserted by the Finance Act, 2022.

regulations itself part of the problem this paper is examining.

3.2 Who is a Shareholder

A shareholder, or member, is a person whose name appears in a company's register of members under Section 88 of the Companies Act, 2013.[8] Membership carries with it a bundle of statutory and contractual rights: notice of and a vote at general meetings, dividends when declared, inspection of certain company records, transfer of shares subject to the articles, and access to the National Company Law Tribunal for relief against oppression or mismanagement. None of these rights changes depending on whether the company's underlying business is conventional or involves an emerging asset class such as cryptocurrency they attach uniformly either way.

3.3 Corporate Exposure to Cryptocurrency

Companies can come into contact with cryptocurrency in several distinct ways, and each carries a different risk profile for shareholders: as a treasury asset held purely for investment; as consideration received or paid in the ordinary course of business; as the actual subject matter of the company's business, in the case of an exchange or a mining operation; or indirectly, through an investment in another entity that itself deals in crypto assets. The governance and disclosure implications are not the same across these categories, yet Indian law presently treats them to the extent it treats them at all without meaningful differentiation. Bringing out that difference is one of the arguments this paper makes.

3.4 Limited Liability and Separate Legal Personality

The foundational principle of Indian company law, inherited from Salomon v. Salomon & Co. Ltd.[9] and given statutory expression in the Companies Act, is that a company is a person in law distinct from its members, and that a shareholder's liability is ordinarily capped at whatever remains unpaid on the shares held. That principle is not absolute. Courts lift the corporate veil where a company is a sham or facade concealing the real facts, where it has been used to dodge an existing legal obligation, or where a statute itself imposes personal liability for instance, in provisions dealing with the fraudulent conduct of business. Whether crypto-related misconduct by a company can trigger veil-piercing against a shareholder, and if so against which category

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[8] Companies Act, 2013, § 88.
[9] Salomon v. Salomon & Co. Ltd., [1897] AC 22 (HL).

of shareholder, is taken up in Chapter 5.

CHAPTER 4

IMPACT ON SHAREHOLDERS' RIGHTS

4.1 Right to Information and Disclosure

Section 134 of the Companies Act requires the board to prepare financial statements giving a true and fair view of the company's affairs, and Schedule III prescribes the format those statements must follow.[10] Neither Schedule III nor the applicable Accounting Standards presently carve out a dedicated head for cryptocurrency holdings. Companies that hold VDAs typically classify them, by analogy, either as intangible assets or as inventory a classification choice that materially changes how gains, losses, and impairment get reported. Because that choice is left to each company's own accounting judgment rather than being prescribed centrally, shareholders end up with disclosure that is inconsistent from one company to the next and hard to compare, which quietly erodes the practical value of their statutory right to a true and fair account of the company's affairs.

4.2 Voting Rights

Formally, a company's crypto exposure changes nothing about voting rights; a shareholder still votes in proportion to shareholding under Section 47.[11] The real difficulty is informational rather than formal. A shareholder cannot cast a meaningfully informed vote on a resolution tied to the company's crypto strategy say, a resolution authorising further investment in VDAs without knowing the scale, custody arrangements, and risk exposure of the company's existing holdings. That disclosure, as already noted, is not presently mandated in any uniform way, so the vote ends up formally intact but substantively hollow.

4.3 Dividend Rights

Sections 123 and 124 of the Companies Act allow dividends to be declared only out of profits, and profits are themselves shaped by how crypto gains and losses get recognised in the books.[12]

[10] Companies Act, 2013, § 134; Schedule III.
[11] Companies Act, 2013, § 47.
[12] Companies Act, 2013, §§ 123–124.

Because crypto assets are volatile, an unrealised gain booked in one accounting period can reverse sharply in the next, creating two opposite risks: dividends declared on the strength of paper gains that never survive to actual distribution, or dividends unjustifiably withheld because the board has taken a conservative view of volatile holdings. Either way, shareholders presently have no specific statutory tool to test whether the board's treatment of crypto gains for dividend purposes was reasonable.

4.4 Rights of Minority Shareholders

Minority shareholders are, structurally, the group least able to influence or even learn of a controlling group's decision to commit company funds to crypto assets. Because Indian law does not require a special resolution or enhanced disclosure specifically tied to crypto-related capital allocation, a promoter or controlling shareholder can, in principle, direct significant treasury exposure toward a volatile and lightly regulated asset class without triggering any procedural safeguard beyond what would apply to an ordinary investment decision. This is, on the analysis in this paper, the point at which shareholder protection erodes most sharply.

CHAPTER 5

LIABILITIES AND RISKS OF SHAREHOLDERS

5.1 Director's Liability Distinguished from Shareholder's Liability

It helps, at the outset, to separate two categories that popular discussion tends to blur together: the liability of directors, who owe fiduciary and statutory duties of care under Section 166,[13] and the liability of shareholders, whose obligations are ordinarily confined to whatever remains unpaid on their shares. A director who causes the company to deal recklessly in crypto assets can attract personal liability for breach of duty; an ordinary shareholder who merely holds shares and had no hand in that decision ordinarily does not. The risk to shareholders this paper is concerned with is narrower, and arises principally where a shareholder is also, in substance, in control of the company.

5.2 Piercing the Corporate Veil in Crypto-Related Misconduct

Where a company is used as a vehicle to launder proceeds through cryptocurrency, to defraud

[13]Companies Act, 2013, § 166.

investors under cover of a crypto business, or to evade an existing statutory obligation, Indian courts retain the power to look past the company's separate legal personality and proceed against the people who controlled it including a controlling shareholder who also sits as a director. The risk is therefore concentrated on promoter-shareholders and on shareholders who exercise de facto control, rather than on the general body of investing shareholders, though the latter group can still suffer the indirect consequence of a fall in the value of their investment.

5.3 Exposure under the Prevention of Money Laundering Act

Since the 2023 notification widened the definition of 'reporting entity' under the Prevention of Money Laundering Act, 2002 to cover virtual digital asset service providers,[14] a company engaged in crypto-related business now carries direct compliance obligations, and falling short of them can expose both the company and, in appropriate cases, its officers in default to proceedings under the Act. A shareholder who also happens to be an officer in default, or who is shown to have directed non-compliant conduct, is exposed to this risk in a way an arm's-length shareholder is not.

5.4 Taxation-Linked Risk

Section 115BBH taxes gains from the transfer of a VDA at a flat thirty per cent,[15] without allowing losses on one VDA to be set off against gains on another, and without permitting deduction of any expenditure beyond the cost of acquisition. Where a company's crypto losses cannot be offset against its crypto gains for tax purposes, post-tax profitability and, in turn, the dividend available to shareholders is affected in a way that is not intuitive to a shareholder unfamiliar with the specific tax treatment of VDAs. This is better described as a market and disclosure risk than a legal liability risk, but it is a real economic burden that shareholders presently bear without much warning.

5.5 Risk of Loss Without a Clear Remedial Pathway

Perhaps the sharpest practical risk facing the ordinary shareholder is not liability in any strict legal sense but the risk of uncompensated loss. Where a company's crypto holdings lose value, or are lost outright to hacking, exchange insolvency, or custodian fraud, the shareholder's

[14]Ministry of Finance, Notification (2023), supra note 5.
[15]Income-tax Act, 1961, § 115BBH.

investment in the company falls in value with no direct cause of action against the wrongdoer who is frequently outside Indian jurisdiction and only an indirect, difficult derivative or oppression remedy against the company's own management. Chapter 8 examines how adequate that remedial pathway really is.

CHAPTER 6

INDIAN LEGAL FRAMEWORK GOVERNING CRYPTOCURRENCY

6.1 The Companies Act, 2013

The Companies Act supplies the general governance architecture disclosure under Section 134, related-party transaction approval under Section 188, and the oppression and mismanagement remedy under Sections 241 to 242[16] inside which any corporate crypto exposure must presently be accommodated, in the absence of crypto-specific provisions.

6.2 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

For listed companies, Regulation 30 requires disclosure of events or information material to investors.[17] SEBI has not issued a dedicated circular fixing materiality thresholds for crypto holdings or crypto-linked contracts, so listed companies are left to apply the general materiality test to a novel, volatile asset class without any sector-specific guidance.

6.3 Reserve Bank of India Circulars and the IAMAI Judgment

The RBI's April 2018 circular directed regulated entities to stop providing banking services to persons or businesses dealing in virtual currencies.[18] In Internet and Mobile Association of India v. Reserve Bank of India (2020), the Supreme Court struck the circular down on proportionality grounds, holding that the RBI had not shown actual harm to regulated entities sufficient to justify so wide a restriction on a lawful activity. The judgment removed the banking-access barrier, but it neither did nor could supply the positive regulatory framework covering disclosure, custody, or investor protection that is still missing.

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[16]Companies Act, 2013, §§ 134, 188, 241–242.

[17]SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Reg. 30.

[18]Reserve Bank of India, Circular No. DBR.No.BP.BC.104/08.13.102/2017-18, Prohibition on Dealing in Virtual Currencies, April 6, 2018.

6.4 Income-tax Act, 1961

Sections 115BBH and 194S together make up India's operative tax framework for VDAs,[19] taxing transfer gains at thirty per cent and requiring one-per-cent tax deduction at source on payments above prescribed thresholds. This framework is reasonably well developed on the tax side, but, as discussed in Chapter 5, it has consequences for shareholder returns that no parallel company-law disclosure obligation currently mirrors.

6.5 Prevention of Money Laundering Act, 2002

The 2023 notification bringing virtual digital asset service providers within the PMLA's reporting-entity framework[20] requires such entities to maintain records, verify client identity, and report suspicious transactions to the Financial Intelligence Unit extending to crypto businesses obligations that have long been familiar to banks and other financial institutions.

6.6 Foreign Exchange Management Act, 1999

Cross-border crypto transactions raise unsettled questions under FEMA[21] about whether VDAs should be classified as goods, services, or capital-account transactions a classification that remains open and that affects how a company's foreign crypto dealings are reported and regulated.

CHAPTER 7

LEGAL GAPS AND REGULATORY CHALLENGES

7.1 Absence of a Dedicated Legislation

India has, at the time of this study, no standalone statute governing the issuance, trading, custody, or corporate holding of virtual digital assets. The subject is regulated only indirectly through the tax code, anti-money-laundering law, and general company and securities law none of which was drafted with crypto assets specifically in mind. This produces gaps precisely at the points examined in Chapters 4 and 5: disclosure, custody standards, and shareholder

[19] Income-tax Act, 1961, §§ 115BBH, 194S.
[20] Ministry of Finance, Notification (2023), supra note 5.
[21] Foreign Exchange Management Act, 1999.

remedy.

7.2 Regulatory Fragmentation

Responsibility for crypto-related matters is presently spread across the RBI, SEBI, the Ministry of Corporate Affairs, the Central Board of Direct Taxes, and the Financial Intelligence Unit, with no lead regulator empowered to set binding disclosure or governance standards specifically for corporate crypto exposure. That fragmentation raises compliance uncertainty for companies and disclosure inconsistency for shareholders in roughly equal measure.

7.3 No Prescribed Accounting Treatment

The Institute of Chartered Accountants of India has issued guidance suggesting that VDAs be treated as intangible assets under Ind AS 38 or as inventory under Ind AS 2, depending on the business model,[22] but that guidance is advisory rather than a binding Accounting Standard written specifically for VDAs. The consequence, already flagged in Chapter 4, is disclosure that is inconsistent and hard to compare across companies holding the very same underlying asset class.

7.4 Cross-Border and Jurisdictional Difficulty

Crypto exchanges, custodians, and counterparties are frequently incorporated or operated outside India, which limits how far Indian courts and regulators can reach when a company's crypto assets are lost through the fault of a foreign intermediary and correspondingly limits the practical value of any remedy a shareholder might otherwise pursue.

7.5 Absence of Shareholder-Specific Safeguards

Even where general company-law remedies exist, none of them is calibrated to the volatility and custody risk particular to crypto assets. There is, for instance, no requirement of shareholder approval by special resolution before a company commits a defined proportion of its treasury to VDAs a safeguard that already exists, by analogy, for other major corporate actions such as the disposal of undertakings under Section 180.[23]

[22]Institute of Chartered Accountants of India, Technical Guide on accounting treatment of cryptocurrencies/crypto assets; Ind AS 38 (Intangible Assets); Ind AS 2 (Inventories).
[23]Companies Act, 2013, § 180.

CHAPTER 8

EXISTING REMEDIES AVAILABLE TO SHAREHOLDERS

8.1 Oppression and Mismanagement Sections 241–242

A shareholder or group of shareholders meeting the threshold prescribed under Section 244[24] may approach the National Company Law Tribunal on the ground that the company's affairs are being conducted in a manner oppressive to a member, or prejudicial to the interests of the company. A decision to commit substantial company funds to volatile crypto assets without disclosure, taken by a controlling group against the wishes or knowledge of minority shareholders, could in principle be framed as mismanagement though no reported Indian NCLT decision has yet tested this precise fact pattern, so the remedy remains theoretically available but practically untried.

8.2 Class Action under Section 245

Section 245 lets a specified number of members apply to the Tribunal on behalf of a wider class where the company's affairs are being run in a manner prejudicial to the company or its members, including a claim for damages against the company or its directors.[25] In principle this mechanism suits a scenario where a company's crypto losses harm a broad class of shareholders reasonably well, though meeting the numerical threshold can be genuinely difficult in a widely-held company.

8.3 SEBI Grievance Redressal SCORES

Shareholders of listed companies can lodge complaints about disclosure failures through SEBI's online grievance-redressal system, SCORES,[26] which can prompt SEBI to examine whether a listed company's crypto-related disclosure complied with Regulation 30 of the LODR Regulations.

8.4 Civil Remedies

A shareholder also retains the general civil remedy of a suit for damages against directors for

[24]Companies Act, 2013, § 244.
[25]Companies Act, 2013, § 245.
[26]SEBI Complaints Redress System (SCORES), available at scores.sebi.gov.in.

breach of fiduciary duty, and, in an appropriate case, an action in fraud or misrepresentation against anyone who induced investment on the strength of misleading statements about the company's crypto dealings. These remedies exist in theory, but they are slow, costly, and require the shareholder to prove specific loss tied to specific misconduct a demanding evidentiary burden given how technical and cross-border crypto transactions tend to be.

8.5 Criminal Remedies

Where crypto-related conduct amounts to cheating, criminal breach of trust, or an offence under the Prevention of Money Laundering Act, criminal proceedings may follow, and any resulting attachment or confiscation of proceeds of crime can indirectly benefit defrauded shareholders though restitution to shareholders is not really the point of criminal proceedings, and recovery, where it happens at all, is usually partial and delayed.

8.6 Assessment of Adequacy

Taken together, these remedies are formally present but functionally weak for the specific problem this paper is examining. They are reactive rather than preventive, they depend on the shareholder discovering and proving misconduct that is, by the very nature of crypto assets, hard to trace, and none of them compels the kind of disclosure that would have let a shareholder object before the loss occurred rather than litigate after it.

CHAPTER 9

COMPARATIVE ANALYSIS WITH OTHER JURISDICTIONS

9.1 United States

After the collapse of several prominent crypto-linked firms, the United States Securities and Exchange Commission has increasingly required public companies to disclose material crypto holdings and associated risk factors in periodic filings, and has pursued enforcement action against issuers who understated crypto-related risk to investors.[27] The Financial Accounting Standards Board has, since 2023, prescribed fair-value accounting for certain crypto assets,[28]

[27]U.S. Securities and Exchange Commission, staff guidance on disclosure obligations relating to crypto-asset markets.

[28]Financial Accounting Standards Board, Accounting Standards Update No. 2023-08, Accounting for and Disclosure of Crypto Assets.

requiring companies to report holdings at current market value rather than at cost less impairment a standard considerably more transparent than what is presently available in India.

9.2 Singapore

The Monetary Authority of Singapore regulates digital payment token service providers under the Payment Services Act,[29] and has issued specific guidance on the custody and disclosure obligations of entities dealing in digital assets, including requirements aimed at protecting retail customers and, by extension, investors in those entities.

9.3 United Kingdom

The UK's Financial Conduct Authority has brought crypto-asset businesses within its anti-money-laundering perimeter,[30] and has proposed a broader regulatory regime that would bring certain crypto activities within the Financial Services and Markets Act framework, with attention to disclosure and consumer-protection standards comparable to those applied to conventional financial products.

9.4 Lessons for India

Three lessons come through consistently in the comparative material. First, a single or lead regulator with clear authority over crypto-asset disclosure produces more consistent shareholder protection than fragmented oversight does. Second, prescribed accounting treatment particularly fair-value reporting removes the discretion that presently makes Indian corporate crypto disclosure so hard to compare across companies. Third, explicit custody and risk-disclosure standards for entities holding client or investor assets cut down on the kind of catastrophic, undisclosed loss that has repeatedly harmed investors abroad.

CHAPTER 10

SUGGESTIONS AND SOLUTIONS (RESEARCHER'S RECOMMENDATIONS)

Building on the analysis in the preceding chapters, this chapter sets out the researcher's own recommendations. They are framed to be specific and implementable within the existing

[29]Monetary Authority of Singapore, Payment Services Act 2019 and guidelines issued thereunder.
[30]UK Financial Conduct Authority, Guidance on Cryptoasset Financial Promotions and Regulatory Perimeter.

structure of Indian company and securities law, rather than proposals that must wait for an entirely new statute.

10.1 A Dedicated Disclosure Rule under the Companies Act

The Ministry of Corporate Affairs should amend Schedule III to the Companies Act, or issue a notification under Section 129,[31] requiring any company holding virtual digital assets above a prescribed materiality threshold to disclose, in a separate note to its financial statements, the nature, quantity, valuation basis, and custody arrangement of those holdings, together with a statement of the maximum loss the company could sustain from a total failure of its principal custodian or exchange.

10.2 Prescribed Accounting Treatment

The Institute of Chartered Accountants of India should be directed, through the National Financial Reporting Authority, to issue a binding Accounting Standard for virtual digital assets that prescribes fair-value measurement with changes recognised through other comprehensive income. Reporting on a consistent basis would take the choice between the intangible-asset and inventory analogies out of management's hands and out of shareholders' way.

10.3 Special Resolution Requirement for Material Crypto Allocation

Section 180 of the Companies Act should be extended, by amendment or by a Ministry of Corporate Affairs clarification, to require shareholder approval by special resolution before a company commits more than a prescribed percentage of its net worth to virtual digital assets placing this category of decision on the same footing as other major capital decisions that already require shareholder sanction.

10.4 A Single Lead Regulator

Parliament should designate a single lead regulator logically SEBI for listed companies and the Ministry of Corporate Affairs for unlisted companies, working from a common rulebook with clear authority to set binding disclosure, custody, and governance standards for corporate crypto exposure. That would replace the present fragmentation across the RBI, SEBI, the

[31]Companies Act, 2013, § 129.

CBDT, and the FIU on this specific question.

10.5 A Shareholder Protection and Escrow Mechanism

For companies whose core business involves holding crypto assets on behalf of clients or investors, a mandatory escrow or third-party custody requirement similar to the client-securities segregation rules already applicable to stockbrokers would cut the risk of total loss through custodian insolvency or fraud, and deserves consideration by SEBI in any future framework for crypto-asset service providers.

10.6 Simplified Class Remedy

The numerical threshold for a class action under Section 245 should be relaxed specifically for claims arising from undisclosed or misrepresented crypto exposure, given how difficult it is in practice for widely dispersed shareholders to coordinate and meet the present threshold. Without that relaxation, the remedy risks remaining merely theoretical for this category of claim.

10.7 Investor Education

Independent of any legislative reform, SEBI and the Ministry of Corporate Affairs should issue plain-language investor guidance explaining how corporate crypto holdings are presently taxed and accounted for, so that shareholders are better placed to interpret existing if imperfect disclosure until the reforms above are actually implemented.

CHAPTER 11

CONCLUSION

This paper set out to examine a comparatively narrow but practically significant question: how does a company's engagement with cryptocurrency affect the rights and liabilities of the people who hold its shares? On the analysis undertaken here, the answer is that Indian law leaves shareholders in a weaker position on this specific question than the general architecture of company and securities law would otherwise suggest. The right to disclosure exists in form but is inconsistent in substance, because no accounting standard specifically governs crypto assets. The right to vote is formally intact but practically hollow wherever the information needed for an informed vote is not required to be disclosed in the first place. The right to a fair share of profits is complicated both by the volatility of crypto gains and by a tax regime that does not permit loss set-off. Liability, for the ordinary shareholder, remains generally limited consistent with the doctrine of separate legal personality except where the shareholder is also a controlling or de facto director whose conduct invites veil-piercing or exposure under anti-money-laundering law.

The hypothesis with which this study began that the absence of a dedicated disclosure and governance framework weakens the practical enforceability of shareholder rights, and increases shareholder risk without a correspondingly clear remedy is, on this analysis, borne out. The remedies that do exist, chiefly the oppression and mismanagement jurisdiction of the National Company Law Tribunal and the class-action mechanism under Section 245, are formally available but have not yet been tested against this fact pattern, and each carries practical burdens of proof and coordination that limit how useful it really is.

The recommendations set out in Chapter 10 a dedicated disclosure rule, a binding fair-value accounting standard, a special-resolution requirement for material crypto allocation, a single lead regulator, a custody or escrow safeguard for client assets, and a relaxed class-action threshold for this category of claim are proposed as measures that can be implemented within the existing statutory architecture, without waiting for a comprehensive standalone cryptocurrency statute whose enactment has, for several years now, remained uncertain. Until such measures are adopted, the Indian shareholder who invests in a company with cryptocurrency exposure carries a risk that is real, presently under-disclosed, and only imperfectly matched by the remedies the law makes available.

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