MANU/TN/4594/2025

IN THE HIGH COURT OF MADRAS

Original Application No. 194 of 2025

Decided On: 25.10.2025

Rhutikumari **Vs.** Zanmai Labs Pvt. Ltd. and Ors.

Hon'ble Judges/Coram:
N. Anand Venkatesh, J.

Counsels:
For Appellant/Petitioner/Plaintiff: D. Ravichander, Adv.

For Respondents/Defendant: Satish Parasaran, SC for Vishnu Mohan and Adithya Reddy, Advs.

ORDER

N. Anand Venkatesh, J.

1. This application has been filed under Section 9 of the Arbitration and Conciliation Act (for short, the Act) for an order of injunction restraining the respondents from interfering with the account/portfolio holding of the applicant to the tune of 3,532.30 XRP coins bearing Client I.D.No. 1709079 in the WazirX platform either by redistribution or apportionment or reallocation.

2. Heard both.

3. The case of the applicant is as follows :

(i) The first respondent is incorporated under the Indian Companies Act, 2013 and respondents 2 to 5 are the directors of the first respondent company. The first respondent company is engaged in the business of running crypto currency exchange platform under the name and style of WazirX. The applicant made an investment to the tune of Rs. 1,98,516/- in the exchange platform of the first respondent during January 2024. A portfolio account was allotted to the applicant by giving a specific identification number and it was registered with both the e-mail address as well as the mobile contact number of the applicant.

(ii) By investing the said amount, the applicant purchased 3,532.30 XRP Coins, which were retained in the custody of the first respondent company. The Indian currency that was invested by the applicant after conversion into XRP Coins has been stored in the wallet maintained by the first respondent company.

(iii) The first respondent company holds the XRP coins in its capacity as the custodian and in trust on behalf of the applicant. The value of the XRP coins belonging to the applicant will keep varying depending upon the market fluctuation. The value of the XRP coins is identified/based on US Dollars (USD), which, in turn, is based on the conversion rate of USD to Indian rupees. On 20.2.2025, the value of each XRP coin was USD 2.77. As on 17.1.2025, the XRP coins held by the applicant were carrying the value of Rs. 9,55,148.20 Ps.

(iv) In the meantime on 18.7.2024, the first respondent made an official announcement in its website that one of its cold wallets had been subjected to cyber attack, that on account of the same, there has been loss of Ethereum and Ethereum based tokens (ETH) - ERC 20 coins stored in the concerned crypto wallet and that therefore, the first respondent company suffered a loss to the tune of USD 230 Million. Following the said announcement, the first respondent company immediately froze the crypto account/portfolio of the applicant as on 18.7.2024 and thereby prevented the applicant from having access or to trade with her XRP coins or liquidate the same.

(v) The parties are governed under a WazirX user agreement dated 01.8.2023 and it contained a dispute resolution mechanism by referring the dispute for arbitration under the Arbitration Rules of Singapore International Arbitration Centre (SIAC) with the seat of arbitration at Singapore.

(vi) It is under these circumstances, the above application came to be filed before this Court seeking for an order of injunction.

4. The first respondent filed a counter affidavit wherein they took the following stand :

(i) WazirX platform was founded in the year 2018 and it was a leading crypto currency exchange in India with over 60 million registered users, out of whom, 4.3 Million users have crypto currency balances in their accounts maintained with the platform. The first respondent company is a wholly owned subsidiary of M/s.Zettai Pte.Ltd. (for brevity, the Zettai), a company incorporated under the laws of Singapore. The Zettai was formerly known as M/s.Zanmai Pte Ltd. The platform facilitated peer to peer (P2P) trade of crypto currency between the users. The platform holds the crypto currency in an escrow between the two counter parties until the payment in fiat currency funds between the buyer and the seller is completed. Such supported crypto currency is released as soon as the payment is confirmed.

(ii) The platform does not take custody or facilitate transfer of the fiat currency fund and the transfer of the fiat currency funds is solely between the users without any responsibility or liability of the platform. Hence, the platform does not hold the virtual digital assets of its users in its capacity as a custodian or trustee. The users of the platform can withdraw the crypto currency tokens, which are also termed as virtual digital assets either by transferring the crypto currency tokens to any crypto currency wallet of the user's choice held outside the platform or by liquidating/selling the crypto currency assets on the platform for Indian rupees and thereafter withdrawing back the proceeds to their respective registered bank accounts.

(iii) The WazirX platform was owned and operated by the Zettai and its affiliates until November 2019. Later, a group of entities known as Binance entered into negotiations with the founders of the platform - the first respondent for its acquisition. On 21.11.2019, Binance announced its acquisition of the platform. Thereafter, the first respondent and Binance entered into a licence and distribution agreement. Under this agreement, the first respondent must act as a non exclusive and limited distributor of the platform within the territory of India for a compensation in the nature of licence fee as determined under the provisions of the agreement.

(iv) The first respondent was appointed as a non exclusive distributor of the

platform for services in relation to trading between Indian rupees and crypto currencies. From November 2019, Binance operated the crypto currency related services on the platform and licensed the platform to the first respondent for the sole purpose of distribution of the services for trading between Indian rupees and crypto currencies, in India.

(v) Every user of the platform is given an Indian rupee wallet and a crypto currency wallet. Binance operates the crypto currency wallet. The first respondent operates the Indian rupee wallet, which is facilitated through third party bank accounts situated in India.

(vi) In or around August 2022, Binance started to distance itself from the platform, which resulted in a dispute related to the ownership of the platform. On 26.1.2023, Binance terminated the wallet and the related technology support to the platform. In or around February 2023, Binance publicly announced its decision to cease providing services in relation to the platform. This has resulted in a dispute between the original owner - Zettai and Binance, which is a subject matter of an ongoing confidential formal dispute resolution process. Since Binance withdrew its support infrastructure for the virtual digital assets, to ensure continuity of the platform and to safeguard the interests of the platform users, the Zettai stepped into the shoes of Binance and held custody of the crypto currency assets associated with the platform.

(vii) In these circumstances, on 31.1.2023, the Zettai entered into a licence agreement with another entity namely M/s.Answer Eleven Pte. Ltd. (hereinafter called as Liminal Infrastructure). Pursuant to this agreement, Liminal Infrastructure undertook to provide a digital asset wallet management services required to operate the crypto currency. The crypto currency tokens, which were lying in the Binance wallets, were transferred to the wallets of Liminal Infrastructure.

(viii) During July 2024, the platform fell victim of a vicious cyber attack and the hackers siphoned off a huge sum of around USD 234 Million worth of crypto currency assets amounting to approximately 45% of the platform assets held in the wallets maintained at Liminal Infrastructure to certain unknown wallets. The first respondent along with the Zettai were also victims of the said cyber attack. Immediately after the cyber attack, the platform promptly informed the stakeholders about the cyber attack through social media, blogs, etc., and provided day-to-day developments. They also approached the law enforcement authorities both in Singapore and in India and the authorities in India are investigating into the complaint filed by the first respondent. Steps were also taken to trace and tag the stolen token assets.

(ix) The Zettai also reached out over 500 crypto currency exchanges to block the identified wallet addresses, to which, some of the stolen token assets have been transferred. The platform ceased processing of users' withdrawal requests to prevent further losses and to ensure safety of wallets. The platform also ceased to process trades. The platform migrated all the remaining assets from Liminal Infrastructure to alternative wallets for enhanced security of the remaining virtual digital assets. The platform also initiated restructuring proceedings in Singapore under the relevant enactment. The investigation is also started in this regard.

(x) Since the cyber attack took place, there are insufficient crypto currency tokens attributable to the platform's user liabilities to satisfy unsecured crypto currency claims of its users. Hence, the Zettai devised a solution for the benefit of platform's users through a scheme of arrangement under the Singapore Companies Act, which would provide a mechanism for a fair and orderly manner of distribution pursuant to the scheme under the supervision of the Singapore Courts. During the pendency of restructuring proceedings, information was provided in the blogposts of the Zettai for disseminating to the users and conducted virtual polls and surveys in the platform and otherwise for assessing the user sentiment pertaining to the moratorium sought in the restructuring proceedings. Almost, 95% of the survey responded favouring moratorium.

(xi) At the time when the counter affidavit was filed, the proceedings were pending before the Singapore High Court. In the meantime, in the interest of all the depositors, their accounts were frozen to prevent any further trading or liquidating the crypto currency assets. During the pendency of the proceedings, the Singapore High Court, by order dated 13.10.2025, rendered a finalized scheme of arrangement, which was approved by the Singapore High Court under the Singapore Companies Act so as to bind the Zettai Group and the scheme of creditors.

(xii) The respondents have taken a stand that the applicant would be paid as per the scheme of arrangement on pro-rata basis. It involved a three step process. As a first step, the Zettai must transfer its role in the WazirX platform operations to the first respondent. In the second step, the Zettai must transfer the crypto currency from their wallet to the wallet of the first respondent and provide the first respondent with a list of creditors and the amounts to be credited to each WazirX account. As a third step, the first respondent opens a platform for withdrawal with updated WazirX accounts and it provides for three options. The first option is for a direct crypto withdrawal on chain. The second option is to crypto conversion. The third option is crypto to Indian rupees conversion. Once this option is chosen, the Indian rupees would be sent to the bank account fund. This scheme of arrangement is going to be held for all those, who invested money, including the applicant. Ultimately, they sought for dismissal of this application.

5. This Court has carefully considered the submissions of the learned counsel on either side and perused the materials available on record.

6. The learned Senior Counsel appearing on behalf of the first respondent raised a preliminary objection on the ground that the agreement between the parties contemplated that the seat of arbitration should be at Singapore, that the Arbitrator would be appointed as per the Rules of the SIAC as the digital wallets are held outside India by a foreign entity and that therefore, the above application filed under Section 9 of the Act is not maintainable before this Court.

7. In reply to the above submissions, the learned counsel for the applicant contended that a part of the cause of action has arisen within the jurisdiction of this Court in the present case since the applicant had transferred her Indian national currency from the account held at Kotak Mahindra Bank, George Town, Chennai and that the applicant was also using the WazirX platform through her mobile phone, which was operated within the jurisdiction of this Court.

8. To support his submission, the learned counsel appearing for the applicant relied upon the judgment of the Hon'ble Apex Court in PASL Wind Solutions (P) Ltd. Vs. GE Power Conversion India (P) Ltd. [reported in MANU/SC/0295/2021 : 2021:INSC:264 : 2021 (7) SCC 1] wherein the relevant portions read thus :

> "37. This being the case, it is a little difficult to accede to any argument that would breach the wall between Parts I and II. Mr Himani's argument that the proviso to Section 2(2) of the Arbitration Act is a bridge which connects the two parts must, thus, be rejected. As a matter of fact, Section 2(2) specifically states that Part I applies only where the place of arbitration is in India. It is settled law that a proviso cannot travel beyond the main enacting provision see Union of India v. Dileep Kumar Singh [Union of India v. Dileep Kumar Singh, MANU/SC/0190/2015 : 2015:INSC:171 : (2015) 4 SCC 421 : (2015) 2 SCC (L&S) 1] (at para 20), DMRC v. Tarun Pal Singh [DMRC v. Tarun Pal Singh, MANU/SC/1681/2017 : 2017:INSC:1119 : (2018) 14 SCC 161 : (2018) 4 SCC (Civ) 488] (at para 21), Kandla Export Corpn. v. OCI Corpn. [Kandla Export Corpn. v. OCI Corpn. MANU/SC/0112/2018 : 2018:INSC:113 : (2018) 14 SCC 715 : (2018) 4 SCC (Civ) 664] (at para 13), and Mavilayi Service Coop. Bank Ltd. v. CIT [Mavilayi Service Coop. Bank Ltd. v. CIT, MANU/SC/0017/2021 : 2021:INSC:17 : (2021) 7 SCC 90] (at para 44).
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> **38.** As a matter of fact, the reason for the insertion of the proviso to Section 2(2) by the Arbitration and Conciliation (Amendment) Act, 2015 was because the judgment in Bhatia International v. Bulk Trading S.A. [Bhatia International v. Bulk Trading S.A., MANU/SC/0185/2002 : 2002:INSC:138 : (2002) 4 SCC 105] ["Bhatia"] had muddied the waters by holding that Section 9 would apply to arbitrations which take place outside India without any express provision to that effect. The judgment in Bhatia [Bhatia International v. Bulk Trading S.A., MANU/SC/0185/2002 : 2002:INSC:138 : (2002) 4 SCC 105] has been expressly overruled by a five-Judge Bench in BALCO [BALCO v. Kaiser Aluminium Technical Services Inc., MANU/SC/0722/2012 : 2012:INSC:379 : (2012) 9 SCC 552 : (2012) 4 SCC (Civ) 810]. Pursuant thereto, a proviso has now been inserted to Section 2(2) which only makes it clear that where, in an arbitration which takes place outside India, assets of one of the parties are situated in India and interim orders are required qua such assets, including preservation thereof, the courts in India may pass such orders. It is important to note that the expression "international commercial arbitration" is specifically spoken of in the context of a place of arbitration being outside India, the consequence of which is an arbitral award to be made in such place, but which is enforced and recognised under the provisions of Part II of the Arbitration Act. The context of this expression is, therefore, different from the context of the definition of "international commercial arbitration" contained in Section 2(1)(f), which is in the context of such arbitration taking place in India, which only applies "unless the context otherwise requires". The four sub- clauses contained in Section 2(1)(f) would make it clear that the definition of the expression "international commercial arbitration" contained therein is party-centric in the sense that at least one of the parties to the arbitration agreement should, inter alia, be a person who is a national of or habitually resident in any country other than India. On the other hand, when "international commercial arbitration" is spoken of in the context of taking place outside India, it is place-centric as is provided by Section 44 of the Arbitration Act. This expression, therefore, only means that it is an arbitration which takes place between two parties in a territory outside India, the New York Convention applying to such territory, thus making it an

"international" commercial arbitration."

9. In the said judgment, the Hon'ble Apex Court dealt with the Proviso that was inserted to Section 2(2) of the Act and held that at least, one of the parties to the arbitration agreement is a resident in India, that the assets of one of the parties are situated in India, that interim orders are required qua such assets, including preservation thereof and that the Courts in India can pass orders under Section 9 of the Act.

10. In the case in hand, the WazirX platform was used by the applicant. It was operated through her mobile phone from her ordinary place of residence and she has been prevented from either trading or liquidating her crypto currency holdings through WazirX platform. To that extent, prima facie, it must be held that the asset namely the crypto currency was held by her in India by means of WazirX platform and that the applicant has been prevented from using the platform since it has been frozen. Therefore, in the light of the said judgment of the Hon'ble Apex Court, the above application filed under Section 9 of the Act is maintainable before this Court.

11. The next issue to be considered is as to whether the applicant must be construed as an investor or a proprietor of her holdings i.e. 3,532.20 XRP coins and consequently as to whether the proceedings before the Singapore High Court, which resulted in the approval of the modified scheme of arrangement on 13.10.2025, will bind the applicant.

12. The article "10 Things Judges Should Know About Cryptocurrency," written by Lee Reiners at Duke Law School, explains as to how crypto currency has transformed modern finance and as to why Judges must understand it as cases increasingly involve digital assets. It begins with the origins of money, showing that currencies emerged not merely to simplify barter, but as a medium of trust and credit. Governments historically gave value to currency by accepting it for taxes. Crypto currency, on the other hand, removes the State's involvement and replaces trust in people or institutions with trust in technology.

13. Bitcoin, the first and most popular crypto currency, represented the breakthrough idea of creating a digital asset verified collectively through blockchain technology rather than any central authority. Blockchain acts as a shared digital ledger that ensures every transaction is transparent and immutable, meaning thereby that it cannot be changed once recorded. This technological design allows value to be transferred without relying on banks or governments. Yet, Bitcoin's decentralised and semi-anonymous nature has also made it popular among criminals, enabling drug marketplaces such as Silk Road and recent ransomware attacks like the 2021 Colonial Pipeline incident. Criminals exploit the fact that identities on the blockchain are pseudonymous, though law enforcement has improved its ability to trace transactions using advanced data analytics.

14. The article notes that US law lacks a single unified framework for crypto currency regulation. Different agencies treat it differently - the Treasury's FinCEN views crypto as money and applies anti-money-laundering rules; the Commodity Futures Trading Commission treats Bitcoin and Ether as commodities; the Securities and Exchange Commission regards many tokens as securities depending on whether they meet the "Howey test" for investment contracts; and the Internal Revenue Service classifies crypto currency as property for tax purposes. This fragmented approach confuses both regulators and market participants, leading to overlapping oversight and uncertainty.

15. In 2022, President Biden signed an executive order calling for a coordinated national strategy titled "Ensuring Responsible Development of Digital Assets." It

directed multiple agencies to balance innovation with safeguards for consumers, financial stability, and national security. Despite this, efforts to legislate clear frameworks have faced resistance from the growing political influence of the crypto industry in the United States. Lawmakers such as Senators Gillibrand and Lummis have proposed bipartisan bills to clarify jurisdiction over crypto markets, but these are yet to pass into law.

16. Crypto currency increasingly appears in courtrooms in various forms - from financial crimes and money laundering to divorce disputes where spouses hide assets in digital wallets. Courts have also handled regulatory questions, such as whether certain tokens qualify as commodities or securities. In one notable case, the Commodity Futures Trading Commission Vs. My Big Coin Pay, Inc. [reported in 334 F. Supp. 3d 492 (D.Mass. 2018)], the Federal Court held that crypto currencies can be classified as commodities under the Commodity Exchange Act, thereby bringing them within the agency's jurisdiction.

17. Around the world, countries have taken divergent paths. El Salvador adopted Bitcoin as legal tender, allowing citizens to use it alongside the US dollar for everyday transactions, though widespread use remains limited. Conversely, China completely banned crypto currency trading, citing risks like financial crime and speculation and introduced its own central bank digital currency, the digital yuan. These opposing examples show how national priorities shape crypto regulation: for some, it represents innovation and inclusion; for others, it is a danger to financial sovereignty.

18. Finally, Reiners highlights that crypto currency has grown far beyond Bitcoin. The 19,000 existing crypto currencies are worth nearly $2 trillion in total market capitalization. Innovations like stablecoins, which maintain fixed value by linking to assets such as the US dollar, and decentralised finance platforms (DeFi), which offer banking services without intermediaries, are reshaping global finance. Non- fungible tokens (NFTs) have created unique digital ownership over art, music and even property titles, with billions traded annually. The author concludes that crypto currency is no longer a passing phenomenon. Its challenges - from regulation and enforcement to privacy and policy - will persist and Judges, like all decision-makers, must understand its workings to interpret the law effectively in this evolving domain.

19. If one is to now examine as to how courts across the world are treating crypto currencies, we note as under:-

(1) United Kingdom: In the United Kingdom, the case of AA Vs. Persons Unknown [reported in 2019 EWHC 3556 (Comm)] became a turning point, where the Court held that Bitcoin could be considered a form of property, capable of ownership and transfer.

(2) Singapore: This reasoning was followed in Singapore in cases dealing with NFTs and stablecoins, such as Janesh Vs. Unknown Person [reported in MANU/SGHC/0399/2022 : 2022 SGHC 264] and ByBit Fintech Ltd. Vs. Ho Kai Xin [reported in MANU/SGHC/0173/2023 : 2023 SGHC 199]. These rulings confirmed that digital tokens can be defined, identified, transferred and stored like any other form of property.

(3) USA: Meanwhile, US courts have focused on whether these tokens can be classified as securities. In Securities and Exchange Commission (SEC) Vs. Ripple Labs Inc. [reported in 682 F.Supp. 3d 308 (S.D.N.Y. 2023)] and SEC Vs. Terraform Labs Pte.Ltd. [reported in 2023 WL 8944860 (S.D.N.Y. Dec. 28,

2023)] Judges examined whether crypto tokens sold to investors met the criteria of the Howey Test-a legal tool used to decide if something is an "investment contract." Ripple's case set an important precedent, ruling that XRP tokens sold in public markets were not securities, though institutional sales were. Terraform's case raised similar questions, but also drew attention to fraudulent misrepresentation in the crypto market. These cases underline a global challenge: applying traditional financial laws to a new, decentralised world.

(4) New Zealand : There is a different approach. This is detailed further below.

20. At its heart, it remains to be seen as to what really crypto currency is. The Supreme Court says, in Internet and Mobile Association of India Vs. Reserve Bank of India [reported in MANU/SC/0264/2020 : 2020:INSC:264 : 2020 (2) SCR 297], any attempt to define what a virtual currency is, it appears, should follow the Vedic analysis of negation namely "neti, neti". Avadhuta Gita of Dattatreya says, 'by such sentences as 'that thou are', our own self or that which is untrue and composed of the 5 elements, is affirmed, but the sruti says 'not this not that'." The concept of Neti Neti is an expression of something inexpressible, but it seeks to capture the essence of that, to which, no other definition applies. This conundrum will squarely apply to crypto currencies and hence this flashback into its genesis, so that its DNA is sequenced.

21. The term "currency" is a misnomer, since a currency is an official index of value. Everyone, who holds a 100 rupee note, knows exactly what it is worth. However, the value of a crypto currency is nothing more than what a willing buyer and willing seller would attribute as value for it.

22. Crypto currencies are streams of 1s and Os residing in a blockchain managed by the issuer of the crypto currency. A unit of crypto currency - a single bitcoin or dogecoin or ethereum coin - is not created based on any central banker's study of fiscal data, but is based on data mining and solving of problems, which add to the blockchain. Therefore, the bitcoin itself resides in the place where the blockchain is located.

23. These crypto currencies are called as digital assets. It is important to note here that neither is crypto currency a currency stricto sensu, nor can we jump to the conclusion that a digital asset, is an asset stricto sensu.

24. Digital "assets" are stored and recorded on the blockchain ledger where they were issued. Every blockchain ledger has entries with respect to the ownership of the digital assets held in that blockchain. Each ledger entry has a public and private key associated with it, which is not like a computer-generated email address and password.

25. There are digital wallets that help store a person's keys securely, so that only that person can access his or her digital assets. Digital wallets are convenient places to view one's assets and ledger positions.

26. The digital asset is stored on the blockchain ledger and the keys that give one access to it are stored in a wallet.

27. One can try to draw an analogy to dematerialized shares. The depository holds the shares in the dematerialized form in its digital ledger and the shareholder has only a depository participant ID, with which, he or she exercises his/her beneficial interest. However, the important distinction here is that the shares are real. They represent equitable interests in a real corporation, carrying on real business. A holder of a

dematerialized share can, theoretically, prove in liquidation, and get an actual return for his or her money.

28. No such thing exists in the case of crypto currency.

29. The difficulty arises in attempting to pigeonhole completely new concepts into existing frameworks, which may or may not be adequate to absorb these new concepts.

30. Stablecoins-currencies linked to real-world assets like the US dollar-have also drawn attention. The SEC's notice to Paxos in 2023, arguing that its Binance USD (BUSD) was an unregistered security, reflected growing confusion about whether these tokens are closer to currency or investment. Markets, users and regulators all await clearer global definitions.

31. Cases like Mt.Gox Co. Ltd. in Japan, FTX Trading Limited in the United States and Gatecoin Limited in Hong Kong illustrate what happens when governance fails in centralized crypto exchanges. Mt.Gox's collapse in 2014 led Japan to introduce a self-regulatory model under the Japan Virtual and Crypto Assets Exchange Association, which has been widely praised for balancing innovation with protection. The FTX scandal, where founder Sam Bankman-Fried was found guilty of massive investor fraud, highlighted the disastrous consequences of poor corporate governance. Investors lost billions as funds were moved between companies without transparency. Gatecoin's liquidation further showed that the wording of exchange terms can decide whether investor funds are treated as trust property or company assets during insolvency.

32. Together, these cases send a clear message: existing corporate governance and prudential standards can and should apply to Web3 service providers. Exchange operators must separate client assets from company funds, conduct independent audits and follow anti-money laundering and Know Your Customer (KYC) rules with the same rigor as banks.

33. Ultimately, Courts have become the central stage where the future of digital value is debated. Through each ruling, they are shaping a clearer picture of rights, responsibilities, and trust in the age of decentralization. India, by learning from these experiences, has the opportunity to design a regulatory regime that encourages innovation while protecting consumers and maintaining financial stability.

34. In the decision in Internet and Mobile Association of India, the Hon'ble Supreme Court dealt with the question as to whether the Reserve Bank of India (RBI) had the legal power to restrict banking services for those involved in virtual currency transactions. The dispute arose when the RBI issued a circular in April 2018 directing all regulated entities not to deal with or provide services to businesses and individuals trading in virtual currencies such as crypto currencies. This order effectively cut off crypto exchanges and traders from regular banking channels, making their operations nearly impossible.

35. The Internet and Mobile Association of India, representing crypto exchanges and digital entrepreneurs, challenged this directive before the Hon'ble Supreme Court. The RBI defended its circular by stating that it was acting within its powers under Section 35A of the Banking Regulation Act, 1949, the relevant provisions of the RBI Act, 1934 and the Payment and Settlement Systems Act, 2007 and that these laws empower the RBI to issue directions in the interests of public good, monetary stability and the banking system. The Hon'ble Apex Court observed that the RBI's responsibility is to safeguard not only the banking system, but also the faith of the general public in that

system and that therefore, it has the authority to act preventively when it perceives risk, even if the activity in question-like trading in virtual currencies-is not outright illegal under the Indian law.

36. On behalf of the Internet and Mobile Association of India, it was argued that the RBI had acted excessively and unreasonably. They claimed that the RBI failed to differentiate between various types of virtual currencies and ignored the steps taken by crypto businesses to meet compliance standards such as KYC and Anti-Money Laundering (AML) norms. They also contended that other regulators like the Security Exchange Board of India (SEBI), the Enforcement Directorate (ED) and the Central Board of Direct Taxes (CBDT) had chosen to monitor rather than restrict such activities and the RBI should have adopted a similar, balanced approach. But, the Hon'ble Apex Court held that different agencies have separate roles-while the SEBI deals with securities and the ED steps in when actual money laundering occurs, the RBI's mandate is to protect monetary and banking stability. Hence, its preventive action could not be questioned on the ground that other authorities had opted for a softer approach.

37. The Court further noted that what may be referred to as a "light-touch" approach in other countries cannot dictate the legality of the RBI's decisions, because a comparative law is useful only to understand principles and it should not measure the validity of decisions under Indian statutes. The Judges acknowledged that the global understanding of virtual currencies is still evolving and that even the Government of India had not yet finalized its stance on whether to allow or ban them completely. The Court also observed that the RBI had not banned virtual currencies as such; it had only prohibited banks from facilitating their trade, which is an important distinction showing that the circular was a preventive rather than punitive measure.

38. A significant issue raised was whether the circular violated the Fundamental Right under Article 19(1)(g) of The Constitution of India, which guarantees freedom to trade and business. The Court agreed that restrictions under this Article must pass the test of reasonableness. It was found that since there was no conclusive evidence of harm caused by crypto trading to the banking system and that because the Government itself had not declared virtual currencies illegal, the RBI's absolute disconnection of banking services was disproportionate. As a result, the Court allowed the petition and set aside the circular.

39. In its reasoning, the Hon'ble Supreme Court made two important clarifications. Firstly, the Reserve Bank of India is not an ordinary statutory authority-it performs sovereign and regulatory functions that maintain the country's monetary stability. Secondly, while it has the power to act against risks to the financial system, its actions must still be proportionate to the threats identified. Thus, although the RBI's authority to regulate was upheld, the exercise of that authority in this instance was found to exceed what was necessary.

40. In summary, the Hon'ble Supreme Court recognized the RBI's power to make decisions concerning virtual currencies, but struck down its 2018 ban on banking support to crypto businesses for being disproportionate. This judgment became a landmark in balancing regulatory caution with the constitutional freedom to trade, paving the way for more nuanced policymaking in India's evolving crypto landscape.

41. One good judgment on the point is that of the New Zealand High Court in Ruscoe v Cryptopia Ltd (in Liquidation) [reported in 2020 NZHC 728] wherein the New Zealand High Court held that crypto currencies, as digital assets, are a form of property that are

capable of being held on trust.

42. Cryptopia was a crypto currency exchange that enabled account holders to trade crypto currencies. There were block chain ledgers, databases and digital wallets to enable its customers to know what their holdings were. The customers' digital wallets were protected by encryption with Cryptopia exclusively holding the private keys to the digital wallets. Cryptopia was victim of a massive hack in 2019 and all the digital assets were stolen.

43. Massive claims were filed against Cryptopia. Cryptopia's shareholders filed for winding up of Cryptopia. The liquidators applied to the Court for guidance on two questions relating to the categorization and distribution of assets in the liquidation:

- Is crypto currency a "property" for the purposes of Section 2 of the New Zealand's Companies Act 1993, capable of forming the subject matter of a trust?

- Was the crypto currency in fact held on trust by Cryptopia for the account holders?

The findings of the Court were as under:-

> "They are a type of intangible property as a result of the combination of three interdependent features.
>
> (1) They obtain their definition as a result of the public key recording the unit of currency.
>
> (2) The control and stability necessary to ownership and for creating a market in the coins are provided by the other two features - the private key attached to the corresponding public key and the generation of a fresh private key upon a transfer of the relevant coin."

Therefore, the Court held that although it is only a series of 1s and Os, it is more than mere information. It is a type of property and it is capable of being held on trust.

44. In India, the word "property" is not defined excepting in laws with specific contexts. One very good expression of this word is to be found in a case, which dealt with Article 19(1)(f), now repealed.

45. In the decision of the Hon'ble Apex Court in Ahmed G.H. Ariff Vs. CWT [reported ir MANU/SC/0167/1969 : 1969:INSC:192 : 1969 (2) SCC 471], it was held as follows:-

> "8. Now "property" is a term of the widest import and subject to any limitation which the context may require, it signifies every possible interest which a person can clearly hold or enjoy. The meaning of the word "property" has come up for examination before this Court in a number of cases. Reference may be made to one of them in which the question arose whether Mahantship or Shebaitship which combines elements of office and property would fall within the ambit of the word "property" as used in Article 19(1)(f) of the Constitution. It was observed in the Commr., Hindu Religious Endowments, Madras v. Shri Lakshmindra Thirtha Swamiar of Sri Shirur Mutt [MANU/SC/0136/1954 : 1954:INSC:26 : (1954) 1 SCC 412 : 1954 SCR 1005, 1019] that there was no reason why that word should not be given a liberal and wide connotation and should not be extended to those well-recognised types of interests which had

> the insignia or characteristic of proprietary right. Although Mahantship was not heritable like the ordinary property, it was still held that the Mahant was entitled to claim protection of Article 19(1)(f) of the Constitution. It is stated in the Halsbury's Laws of England, Vol. 32, 3rd Edn., page 534 that an annuity (which is a certain sum of money payable yearly either as a personal obligation of the grantor or out of property not consisting exclusively of land) can be an item of property separate and distinct from the beneficial interests therein and from the funds and other property producing it. It is property capable of passing on a death and can be separately valued for the purpose of estate duty."

46. , Then, came a judgment which interpreted the word "property" in the next avatar of Article 19(1)(f), which is Article 300A. In the decision of the Hon'ble Apex Court in Jilubhai Nanbhai Khachar Vs. State of Gujarat [reported in MANU/SC/0033/1995 : 1994:INSC:272 : 1995 Supp (1) SCC 596], it has been held thus :

> **42.** Property in legal sense means an aggregate of rights which are guaranteed and protected by law. It extends to every species of valuable right and interest, more particularly, ownership and exclusive right to a thing, the right to dispose of the thing in every legal way, to possess it, to use it, and to exclude everyone else from interfering with it. The dominion or indefinite right of use or disposition which one may lawfully exercise over particular things or subjects is called property. The exclusive right of possessing, enjoying, and disposing of a thing is property in legal parameters. Therefore, the word 'property' connotes everything which is subject of ownership, corporeal or incorporeal, tangible or intangible, visible or invisible, real or personal; everything that has an exchangeable value or which goes to make up wealth or estate or status. Property, therefore, within the constitutional protection, denotes group of rights inhering citizen's relation to physical thing, as right to possess, use and dispose of it in accordance with law. In Ramanatha Aiyar's The Law Lexicon, Reprint Edn., 1987, at p. 1031, it is stated that the property is the most comprehensive of all terms which can be used, inasmuch as it is indicative and descriptive of every possible interest which the party can have. The term property has a most extensive signification, and, according to its legal definition, consists in free use, enjoyment, and disposition by a person of all his acquisitions, without any control or diminution, save only by the laws of the land. In Dwarkadas Shrinivas case [1950 SCC 833 : 1950 SCR 869 : AIR 1951 SC 41] this Court gave extended meaning to the word property. Mines, minerals and quarries are property attracting Article 300-A.

47. Judging from the above two decisions, there can be no doubt that "crypto currency" is a property. It is not a tangible property nor is it a currency. However, it is a property, which is capable of being enjoyed and possessed (in a beneficial form). It is capable of being held in trust.

48. In Indian law regime, the crypto currency is treated as a virtual digital asset and it is not treated as a speculative transaction. This is in view of the fact that the investment made by the user is converted into crypto currency, which is capable of being stored, traded and sold. Crypto currency is termed as a virtual digital asset and is governed under Section 2(47A) of the Income Tax Act, 1961.

49. The stand taken by the first respondent is that the foreign entity (Binance/Zettai) maintained the wallet infrastructure and crypto operation, that the first respondent had

no control over those wallets, which were under the control of the foreign entity and that the first respondent's role was limited to facilitating the Indian rupees denominated transaction in a non P2P trading.

50. Thus, it was contended on the side of the first respondent that where a user purchased crypto currency using Indian rupees, the fiat leg is processed through Indian banking channels managed by the first respondent. But, the crypto leg remained in the foreign entity's custody, that the first respondent never held or controlled the crypto asset, that if the asset has to be preserved, such orders can be passed only against the foreign entity and that it will be ineffectual and unenforceable against the first respondent.

51. The relationship between the applicant and the first respondent is governed by the user agreement. The applicant availed crypto currency through the non P2P method. The applicant transferred her fiat currency from Kotak Mahindra Bank to the platform and the same is converted into crypto currency. This is covered under Clause 6 of the user agreement falling within the scope and domain of the first respondent.

52. For proper appreciation, Clause 6 of the user agreement is extracted as hereunder :

> "SERVICES OFFERED AND OPERATED BY ZANMAI
>
> Only the following Services are offered and operated by Zanmai.
>
> Zanmai enables Users to trade with each other in trading pairs involving Indian Rupees (INR) on the one hand, and Supported Crypto currency on the other hand e.g. INR-BTC, INR- ETH. Such enabling of trades is on a non-P2P basis only (as P2P transactions are offered and operated by Binance (as described under Clause 5.4 above).
>
> Terms applicable to Indian Resident Users
>
> In non-P2P transactions. Users resident in India (as defined under the Foreign Exchange Management Act, 1999) add to their INR balance by depositing Indian Rupees from their registered bank account/payment instrument to Zanmai's or its partners' bank account using regulated banking and payment channels and can redeem their INR balance to their bank accounts/payment instrument by placing a withdrawal request to Zanmai, upon which request, Zanmai will transfer the INR balance amount to the Users' registered bank account/payment instrument, using regulated banking and payment channels, subject to Know Your Customer and other safeguards carried out in Zanmai's sole discretion and subject to withdrawal limits published on the website/mobile application from time to time. In this model, Zanmai merely acts as a duly appointed agent of the User, to whom the payment is due, and does not operate a payment system. You hereby duly appoint Zanmai as your agent for this purpose.
>
> Terms applicable to Non-Indian Resident Users
>
> In all circumstances, Users not resident in India (as defined under the Foreign Exchange Management Act, 1999) shall not use Zanmar's Services to trade between Indian Rupee (INR) and Supported Crypto currencies."

53. To operate a crypto currency within India, the concerned service provider has to be registered as a reporting entity with the Financial Intelligence Unit.

54. In the present case, it is the first respondent, which got registered as a reporting entity and is, therefore, authorized to handle crypto currency in India. Neither the Zettai nor Binance is registered as a reporting entity in India and hence, they are not authorized to handle crypto currency within India or operate the platform.

55. What were held by the applicant as crypto currencies were 3532.30 XRP coins. What were subjected to cyber attack on 18.7.2024 in the WazirX platform were ERC 20 coins, which are completely different crypto currencies not held by the applicant.

56. One moot question that will arise for consideration is as to whether the ERC 20 coins, which were the subject matter of cyber attack and which were held in a separate wallet resulting in a loss to the first respondent company, can be adjusted against a completely different crypto currency held by the applicant namely XRP coins in a different wallet.

57. The Bombay High Court had an occasion to deal with a similar plea wherein the claimant therein was holding crypto currency and the platform was frozen. He approached the Arbitral Tribunal for interim protection and it was granted and confirmed by the Bombay High Court in a petition filed by the first respondent company under Section 37 of the Act. The prima facie findings rendered by the learned Single Judge of the Bombay High Court assume a lot of significance.

58. The findings of the learned Single Judge of the Bombay High Court in Zanmai Labs Private Limited Vs. Bitcipher Labs LLP [reported in Commercial Arbitration Petition (L) No. 11646 of 2025 dated 07.10.2025] are extracted as hereunder :

> "30. Likewise, the facet of "socialisation" of losses needs to be dealt with. The term is nothing but a proposal to spread the losses arising out of the cyber-attack across multiple users of the platform - somewhat like a group insurance of a self-help group. The basis of such a proposition is not any term in the contractual framework between the parties. The basis is a scheme of arrangement proposed by Zettai in Singapore. Had the contract had such a framework at least in concept, it would have posed a basis to give the proposition strong credence. How such scheme propounded by Zettai in Singapore would bind Zanmai and its clients in India (parties to whom Zanmai held itself out as WazirX at least with effect from July 2022) is not at all borne out from the material on record.
>
> **31.** The Learned Arbitral Tribunal has noted that Zanmai does not have an absolute liability but has a liability attributable to a reasonable duty of care. However, that does not mean the Learned Arbitral Tribunal has to necessarily hold that users and brokers registered on the WazirX Platform would be bound by a socialisation proposal initiated by a party outside the contractual framework among them, to impact the contractual relationship between the parties. The very role of Zettai and the scope of its entry, which is based on the dissociation of Binance, is shrouded in mystery. A careful examination of the record would indicate that what the "acquisition" by Binance in 2019 was and what the terms of disengagement were in 2022 is unclear. In fact, Mr. Nischal Shetty, in his affidavit in the Singapore Court when propounding the scheme of arrangement that forms basis of the "socialisation" theory has firmly stated that he would not disclose the nature of the disputes with Binance for reasons of "confidentiality". This presents a high degree of ambiguity at a foundational level, and the Learned Arbitral Tribunal cannot be faulted for perceiving

vulnerability for Bitcipher and Nextgendev.

32. Having examined the fact that the virtual digital asset, subjected to the cyber-attack was ERC-20, the Learned Arbitral Tribunal has in fact, despite this observation about the scheme of arrangement and the "socialisation" has allowed a 45% haircut to the exposure of the Bitcipher and Nextgendev to the extent of 45% of their exposure to ERC-20. In other words, equitable considerations have weighed with the Learned Arbitral tribunal indicating that those assets which were not subjected to the cyber-attack could not be subjected to a haircut and indeed, since ERC-20 was compromised and stolen to the extent of USD 235 million, a pro rata haircut was accepted by the Learned Arbitral Tribunal in the value of exposure to ERC-20.

33. Towards this end, taking the total value of the assets held by the Bitcipher and Nextgendev on the WazirX Platform, a 45% haircut has been applied to the percentage component of ERC-20 held in such portfolio of asset. The Learned Arbitral Tribunal has modified and moulded the relief to reduce the scope of the security to be provided by Zanmai to Bitcipher and Nextgendev.

34. Prima facie, what is apparent is that the WazirX Platform is a platform offered by Zanmai and its parent Zettai (holding 100% and also represented by the same Mr. Nishchal Shetty in proceedings in both jurisdictions) and was providing services to users in India. Those users who are brokers executed the Broker Agreement such as the one executed by Bitcipher. The Broker Agreement entails brokers such as Bitcipher providing access to the WazirX Platform to enable their clients to trade in a number of digital assets, which would be in the nature of a permitted listing. Therefore, while there were indeed two denominations for assets that could be transacted, one being the Indian Rupee stream and the other being the virtual digital asset stream, the cyber- attack led to theft of one of the many tokens traded. The services that were meant to be provided in connection with the management of crypto asset was indeed indicated as Binance but what precisely was a nature of Binance's role in the WazirX Platform whether it was truly an owner or a brand associate is unclear. It is Zanmai's expectation that the Singapore Court would allow Zettai a haircut to be effected to those affected by the cyber-attack after Zettai took over services under Clause 5 of the User Agreement from Binance, can be translated into implications for Indian users on the WazirX Platform. Thereby, Zanmai was hopeful of placing restrictions across all assets held by all users on the WazirX Platform in India. The Learned Arbitral Tribunal finding this untenable and yet adjusting for 45% of the assets held in the form ERC-20 by the users, cannot be regarded as a perverse interlocutory prima facie finding. Indeed, the view that Bitcipher must be secured for its claim to its own assets, which were only stored on the WazirX Platform cannot be regarded as perverse or patently illegal, warranting any interference under Section 37 of the Act.

35. The virtual digital asset, held electronically are meant to be held in trust with a fiduciary duty owed to the owners of such assets. The owners of such assets indeed agreed that a cyber-attack in a security breach would constitute a force majeure situation. Equally, to assuage them, in the Broker Agreement Zanmai has explicitly agreed that notwithstanding a cyber- attack being a force majeure event, WazirX Platform would take its best efforts uninterrupted performance of the Broker Agreement, and that too by treating WazirX as synonymous with Zanmai.

36. Whether a force majeure clause would affect the performance of services (leading to a hold) or whether it could even erode the very assets legitimately held by the users and not just access to further services is a matter for adjudication. If an asset is stored digitally on the WazirX Platform, the provision of services could perhaps be suspended namely, permission to trade or the ability to transact could be stalled owing to the force majeure event. But whether it can be held that the very asset would stand eroded due to a security lapse or security breach and such erosion can be validly spread across all users of the platform is a matter that would need to be adjudicated in terms of the User Agreement and the Bipartite Agreement. Pending such adjudication, the vulnerable party whose assets stand frozen is indeed entitled to protection. The Learned Arbitral Tribunal's view that the counterparties such as Bitcipher and Nextgendev are vulnerable to losing their entire value is not at all an unfair or an improper finding. In this light, the protective measure adopted by the Learned Arbitral Tribunal, for the reasons set out above, cannot be faulted.

37. To use those assets not belonging to Zanmai, and that too by Zettai, and to utilize them for covering losses attributable to other users is not something even on the face of it lends itself to a reasonable acceptance. In fact, the Learned Arbitral Tribunal has adjusted for such component of virtual digital assets which were subjected to the cyberattack and indeed provided an interim haircut on the value of such asset. Therefore, the approach of the Learned Arbitral Tribunal cannot be found at fault with, on this count as well.

38. Indeed, the broker agreement makes no distinction between WazirX Platform and Zanmai, and the finding in this regard cannot be held to be arbitrary or unfair. The Learned Arbitral Tribunal has even taken care to hold that no absolute liability can be fastened on Zanmai and the Learned Arbitral Tribunal has only taken a measure that in its best judgment is intended to be protective and preservative of the subject matter of the arbitration agreement.

39. Apart from the aforesaid analysis, there is one another facet that is raised before me, in upholding the impugned order. If assets are held in the custody of a person under an agreement, it is for the person in whose custody those assets are, held to be accountable for the custody of those assets. It would not be open for that person to state that the assets were handed over by him to yet another person without the consent of the person whose assets were handed over to him in custody. It is another matter if the person in whose custody the assets were meant to be held, faced an overwhelming and supervening force majeure event such as a cyber-attack and that facet would be dealt with by interpretation of the contract governing the party.

40. However, to state that the assets were entirely handed over to a party with no privity to the agreement and that such party is propounding a scheme of arrangement and in terms of that scheme of arrangement, no intervention must at all be made until and unless the scheme of arrangement runs its course in the Courts in Singapore, is rightly rejected by the Learned Arbitral Tribunal. I have also noticed that the Learned Arbitral Tribunal has left multiple substantial avenues of argument open to the parties and has come up with a reasonable approach of computing the values involved, moving them to the date of August 27, 2024 when the matter first came up. One does not know the value of the underlying assets as of today and the Learned Arbitral Tribunal has even provided for a bank guarantee to be submitted by the person in whose custody

> the assets were and were meant to be safeguarded. It is possible that Zanmai may not have the net worth and strength corresponding to the assets because the assets in the first place never belonged to Zanmai. Equally, the corollary would be that Zanmai, not being the owner of the assets, ought not to have parted with those assets to Zettai, its own parent and without indicating what is the nature of the dispute with Binance that led to the current situation at hand. Even a case of equity is not made out for interfering with the Impugned Order. All that Zanmai has to do is regain control over the assets of its users and provide assurance that they are secure."

59. This Court is in complete agreement with the above findings rendered by the Bombay High Court wherein it was held that the virtual digital asset held electronically are meant to be held in trust with a fiduciary duty owed to the owners of such asset. If the asset is stored digitally on the WazirX platform and that because of a cyber attack, if the entire operation stood frozen, whether it can be held that the asset that was possessed by the applicant will stand eroded due to security lapse or security breach and such erosion can be validly spread across all users of the platform and more particularly when such breach did not take place in so far as the asset held by the applicant in a different wallet namely XRP Coins, is a matter to be adjudicated in terms of the agreement.

60. If, ultimately, based on the modified scheme of arrangement approved by the Singapore High Court on 13.10.2025, the asset held by the applicant stood eroded substantially, the applicant becomes a vulnerable party, who will be entitled for a protection. This is more so since the main issue with respect to the action initiated by the Zettai and its liquidation proceedings before the Singapore High Court and whether it will have a binding effect on the applicant, is a core question, which will be dealt with by the Arbitral Tribunal. Therefore, the applicant will be certainly entitled to an interim protection in exercise of jurisdiction under Section 9 of the Act.

61. The learned Senior Counsel appearing on behalf of the first respondent raised yet another plea to the effect that there is no intention on the part of the applicant to arbitrate and that therefore, invoking the jurisdiction of this Court under Section 9 of the Act is unsustainable.

62. In the case in hand, after the platform was frozen, everyone was eagerly following up the modified scheme of arrangement pending before the Singapore High Court. That is the reason as to why this application was adjourned from time to time. Now that the Singapore High Court approved the scheme by order dated 13.10.2025, the applicant knows where she exactly stands. Hence, the contention on the side of the first respondent that the applicant has not issued a trigger notice till now cannot be put against her in view of the fact that none of the parties had clarity as to how the proceedings before the Singapore High Court is going to end.

63. This is more so since the Singapore High Court had earlier rejected the scheme of arrangement and later, when the Zettai agreed to transfer its operations to the first respondent under the modified scheme of arrangement, the subsequent order was passed on 13.10.2025. In view of the above, this Court rejects the contention raised on the side of the first respondent that the applicant did not have manifest intention to arbitrate. It goes without saying that the applicant will hereafter issue a trigger notice since the applicant exactly knows where she stands in the light of the order dated 13.10.2025 passed by Singapore High Court.

64. The learned Senior Counsel appearing on behalf of the first respondent made a further submission to the effect that the scheme was sanctioned by a overwhelming majority of 95.7% of the creditors/ users present and voting and that when a decision was taken by such majority creditors, the applicant, who did not even participate during the voting, cannot, in a self centered manner, protect her crypto currency.

65. The above submission of the learned Senior Counsel appearing on behalf of the first respondent will revolve around the larger issue that has been raised before this Court as to whether the order dated 13.10.2025 passed by the Singapore High Court will bind the applicant, whose asset is going to stand eroded. Hence, this contention raised on the side of the first respondent cannot be put against the applicant at this stage and it is a larger issue, which will be dealt with by the Arbitral Tribunal.

66. The conspectus of the above discussions leads to the only conclusion that the applicant is entitled to an interim protection under Section 9 of the Act.

67. Accordingly, there shall be a direction to the first respondent to furnish a bank guarantee for a sum of Rs. 9,56,000/- (Rupees nine lakhs and fifty six thousand only) in favour of the applicant and it shall be renewed from time to time till the end of the arbitration proceedings or in the alternative, the first respondent shall deposit the said sum in an escrow for the purpose of preservation of the subject matter till the arbitration proceedings comes to an end.

68. This application is disposed of in the above terms.