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India Cracks Down on Crypto Platforms Over Terror Financing Risks

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Indian authorities have intensified enforcement actions against offshore cryptocurrency exchanges amid growing concerns about their alleged role in facilitating terror financing and money laundering. The Financial Intelligence Unit of India (FIU-IND), a key arm of the Finance Ministry, has flagged multiple platforms for failing to comply with national anti-money laundering rules.

The crackdown follows a series of investigations by Indian agencies linking certain crypto transactions to illegal activities, including the funding of extremist groups. The enforcement push includes action against 28 offshore Virtual Digital Asset Service Providers (VASPs), with several platforms blocked for operating without registration under Indian law.

According to FIU-IND, these platforms were providing services to Indian users without adhering to the Prevention of Money Laundering Act (PMLA), a violation that undermines financial security and transparency. In December 2023, show-cause notices were sent to several non-compliant entities. Since then, nine platforms have submitted compliance applications, though formal approvals are still pending.

A spokesperson from FIU-IND stated that these measures are aimed at “protecting the integrity of India’s financial system” and ensuring that virtual asset activities are not exploited for unlawful purposes. The agency has also been coordinating with the Ministry of Electronics and Information Technology to restrict access to unregistered exchanges.

The Reserve Bank of India (RBI), the country’s central bank, has consistently expressed caution over cryptocurrency use, citing financial stability and national security risks. Although the crypto market remains popular among a segment of Indian retail investors, the lack of regulatory clarity has left users exposed to unregulated operators.

Legal experts have noted that the ongoing crackdown could lead to more clearly defined compliance expectations for crypto businesses. “This is a step toward establishing accountability among offshore exchanges targeting Indian investors,” said cyberlaw expert Pavan Duggal in a recent interview with *FinanceFeeds*.

As enforcement continues, Indian users are being urged to conduct digital asset transactions only through platforms registered with FIU-IND. Authorities have indicated that additional surveillance and enforcement measures are under consideration.