

Madras High Court Recognises Cryptocurrency as Property under Indian Law

On October 25, 2025, the Hon'ble Madras High Court (**Court**), in *Rhuthikumari v. Zanmai Labs Pvt Ltd* (O.A. No. 194 of 2025) (**Rhuthikumari Case**), delivered a judgment recognising cryptocurrencies as property, a landmark development in the legal treatment of crypto assets in India. This is the first judicial pronouncement in India expressly treating cryptocurrency as property, thereby strengthening investor protection and fiduciary accountability within the Indian digital asset ecosystem.

Facts of the case

In July 2024, WazirX was subjected to a cyber-attack (specifically targeting certain “cold wallets” holding various ERC-20 tokens of value greater than USD 230 million). WazirX, through its Indian operator, Zanmai Labs Pvt. Ltd. (**Zanmai**) then froze numerous user accounts, and proposed a “rebalancing” scheme (pooling losses amongst all users) through insolvency and restructuring proceedings instituted by Zanmai’s parent entity, Zettai Pte Ltd (**Zettai**), before the Singapore High Court seeking approval of a scheme of arrangement. Zettai has also been pursuing arbitral proceedings in Singapore in relation to WazirX users contesting the restructuring scheme.

The petitioner, having purchased XRP coins on WazirX, sought injunctive relief under Section 9 of the Arbitration and Conciliation Act, 1996 against a Singapore arbitral order to prevent Zanmai (and its directors) from redistributing or reallocating her specific holding of XRP coins, which was not involved in the cyberattack. Zanmai disclaimed liability claiming itself only a distributor of rupee-to-crypto transactions and that foreign entities, i.e., Binance and later, Zettai, controlled the actual wallets. Further, Zanmai contested the Court’s jurisdiction stating that a Singapore court-approved scheme should govern all investor compensation.

Issues for Consideration

The court considered the following issues:

1. Whether the applicant’s cryptocurrency holdings can be considered “assets situated in India” for the purposes of establishing jurisdiction under Section 9 of the Arbitration and Conciliation Act, 1996; and
2. Whether the proceedings before the Singapore High Court resulting in the modified scheme of arrangement will bind the petitioner.

Key Holdings of the Court

While dealing with the above issues, the Court held that:

1. Cryptocurrency / virtual digital assets (VDAs) qualify as “**property**” under Indian law. The Court stated: “*It is not 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.*”
2. Indian law treats cryptocurrency not as speculative transaction but as “virtual digital assets” under Section 2(47A) of the Income tax Act, 1961, and that the investment by the petitioner was converted into cryptocurrency, which is capable of being stored, traded and sold.
3. The freeze on operations on the assets under custody does not allow for erosion of the assets themselves – Zanmai has a fiduciary obligation as a custodian of the petitioner’s assets.

Directions issued by the Court

The Court granted interim relief to the petitioner, directing:

1. Preservation of petitioner's XRP holdings; and
2. Zangmai to furnish a bank guarantee or equivalent deposit securing the petitioner's assets;

Aligning with Global Jurisprudence

The Rhutikumari Case, referred to the following foreign judgements to arrive at the conclusion that cryptocurrency is property, aligning with global jurisprudence on affording proprietary rights (as opposed to mere contractual rights) over digital assets:

Jurisdiction	Case Name	Year	Key Holding
UK [High Court of England & Wales]	<i>AA v Persons Unknown</i>	2019	Bitcoin is property capable of proprietary injunction.
Singapore [SG High Court]	<i>ByBit Fintech Ltd v Ho Kai Xin & Ors</i>	2023	Digital tokens can be defined, identified, transferred and stored like any other form of property.
Hong Kong [HK High Court (CFI)]	<i>Re Gatecoin Limited (In Liquidation)</i>	2023	Cryptocurrency constitutes property under Hong Kong law and can therefore form the subject matter of a trust.
New Zealand [NZ High Court]	<i>Ruscoe v Cryptopia Ltd (in Liquidation)</i>	2020	Cryptocurrencies are intangible property capable of being held on trust.

Implications of the Rhutikumari Case

- 1. Legal Recognition of Cryptocurrency as Property:** Crypto currency gain property status, enabling proprietary protection, i.e., ownership, possession, trust holding, akin to intangible movable property. As such, investors may seek asset recovery and proprietary injunctions rather than only damages or specific performance under the Specific Relief Act, 1953, which preserves against value erosion of digital assets.

- 2. Insolvency Remoteness of Digital Assets:** Property status protects cryptocurrency of users from exchange liquidation / insolvency proceedings, recognised under Section 36 of the Insolvency & Bankruptcy Code, 2016. Without this protection, contractual rights in digital assets would allow attaching such assets as part of the exchange's insolvency estate and rank as unsecured claims. Cryptocurrency owners are therefore shielded from exchange insolvency and loss-distribution.
- 3. Consumer Protection;** providing cryptocurrency holders with enhanced consumer protection. Previously, consumers could only claim for "deficiency in service" against VDASPs (e.g., poor platform performance, unauthorised transactions, or failure to execute trades). With recognition as property, digital assets, can now be classified as 'goods' under the Consumer Protection Act, 2019. This dual protection framework significantly strengthens the legal position of cryptocurrency holders, allowing them to pursue claims under both product liability (for defects in the digital asset as goods) and service liability (for deficiency in services provided by VDASPs).
- 4. Fiduciary Obligations of Custodians:** In practical terms, if cryptocurrencies are recognised as property, exchanges, custodians and lenders may be required to adopt governance, custody, record-keeping and fiduciary standards for digital assets analogous to other asset classes.
- 5. Collateralization of Digital Assets:** Secured interest and custodian's accountability opens up the possibility of utilising digital assets for secured lending, collateralization, pledge, hypothecation or trust arrangements in India, following the precedents of global financial institutions.

Conclusion

While the finality of the petitioner's claim to assets viz. the restructuring scheme will be determined by the arbitral tribunal, the Court's ruling in the Rhutikumari Case sets a precedent for legal certainty, investor protections and possibilities of secured finance in the Indian digital assets ecosystem, in alignment with global treatment of digital assets.

The Partners would like to acknowledge the contributions made by Aditya Sarkar (Senior Associate) and Srivalli Kondapalli (Associate).

Key Contacts

Anu Tiwari
Partner (Head - Fintech and FSRP)
anu.tiwari@cyrilshroff.com

Shatrajit Banerji
Partner
shatrajit.banerji@cyrilshroff.com

Disclaimer

All information given in this alert has been compiled from credible, reliable sources. Although reasonable care has been taken to ensure that the information contained in this alert is true and accurate, such information is provided 'as is', without any warranty, express or implied as to the accuracy or completeness of any such information.

Cyril Amarchand Mangaldas shall not be liable for any losses incurred by any person from any use of this publication or its contents. This alert does not constitute legal or any other form of advice from Cyril Amarchand Mangaldas.

Should you have any queries in relation to the alert or on other areas of law, please feel free to contact us on cam.publications@cyrilshroff.com

Cyril Amarchand Mangaldas
Advocates & Solicitors

100⁺ years of legacy

1200 Lawyers

220 Partners

Peninsula Chambers, Peninsula Corporate Park, GK Marg, Lower Parel, Mumbai 400 013, India
T +91 22 6660 4455 E cam.mumbai@cyrilshroff.com W www.cyrilshroff.com
Presence also in Delhi-NCR | Bengaluru | Ahmedabad | Hyderabad | Chennai | GIFT City | Singapore | Abu Dhabi