



# Beyond Borders: Mapping the Global Digital Asset Regulatory Landscape

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Authored by the Crystal Compliance and Regulatory Affairs Team  
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# Foreword

The fast-moving world of cryptocurrencies is no doubt exciting. For compliance teams, it presents ongoing challenges with its lack of uniformity in global standards and constant updates in legislation.

In this report we summarize the regulatory approach in key economic areas and how developments will impact the industry, outlining key considerations for compliance teams.

In the first chapter we look at the USA, UK and Europe - summarizing key legislation that has shifted the industry significantly.

The second chapter focuses on Georgia's progressive stance of balancing crypto innovation with financial security.

The third chapter looks at the motivations behind the regulatory approach in the APAC and the UAE and how their desire to be pioneers in the crypto industry has driven their energetic and fast-paced action.

We discuss Egypt and China in the fourth chapter, noting how their conflicted stance has resulted in cryptocurrency bans.

Finally we discuss our vision for the future and what we deem to be best practice, emphasizing that regulators must strike a decisive balance between fostering innovation and mitigating the risks for the industry to flourish.



**Hedi Navazan**

Compliance & Regulatory Affairs Director  
Crystal Intelligence



**“It's up to industry players and regulators to collaborate and shape a future that's both inclusive and secure, while also fostering growth.”**

## Chapter 1:

# Cryptocurrency Regulation: Navigating the Global Landscape

Initially regarded with skepticism and uncertainty, digital currencies have recently gained recognition as a legitimate asset class in many regions. Consequently, many countries have embarked on their regulatory journeys, aiming to provide clarity and safeguards for participants in the crypto space.

In doing so, regulators face a delicate balancing act between fostering innovation and mitigating risks associated with cryptocurrencies. They grapple with questions surrounding investor protection, financial stability, and the prevention of illicit activities.

In this chapter, we look at some of the diverse approaches taken by governments and supervisory bodies to regulating cryptocurrencies and discuss how these impact financial institutions and crypto exchanges across the globe.

We will look at the United States, where regulatory developments have significant implications not only for the domestic market but for the global crypto market. Then we will explore regulations in Europe and the UK, and how their approach will transform the sector.

Understanding the varying approaches is crucial for crypto enthusiasts, investors, and industry participants navigating crypto compliance.



# The United States of America

## SEC's approval of Bitcoin ETFs:

The approval of a Bitcoin ETF (Exchange-Traded Fund) by the U.S. Securities and Exchange Commission (SEC) has had significant impacts on both the cryptocurrency market and the regulatory landscape.

The approval of a Bitcoin ETF by the SEC will provide greater regulatory clarity for the cryptocurrency industry in the United States. It will establish a precedent for how Bitcoin-related investment products are regulated and may pave the way for the approval of other cryptocurrency-based financial instruments in the future.

## Understanding the new normal since FTX: securities vs commodities

While some countries have adopted proactive approaches to cryptocurrency regulation, the U.S. has pursued a unique path characterized by a combination of case-by-case enforcement actions and attempts to fit crypto regulation into existing financial frameworks.

One of the biggest challenges is the convoluted nature of existing laws and regulations. Currently, digital assets are regulated by multiple federal and state agencies, each with their own approaches based on fluctuating jurisdictional variations.

For example, the SEC primarily classifies digital assets as securities, while the Commodity Futures Trading Commission (CFTC) is exploring how digital assets can be categorized as commodities.

Without nationwide agreement about how digital assets are to be categorized, the SEC acted against two of the front-runners of the crypto sector, Binance and Coinbase, in an effort to safeguard investors and preserve the integrity of U.S. securities markets.

While the securities/commodities debate surrounding cryptocurrencies is still ongoing, the SEC's actions underscore its determination to assert authority over the crypto space and regulate digital assets; the outcomes of which could significantly influence the future of crypto regulation in the United States.

## Lessons learned from the collapse of FTX

The collapse of FTX, the world's second-largest crypto exchange in mid-2022, further intensified regulatory scrutiny in Washington.

The U.S. authorities launched investigations into criminal misconduct at FTX after the Securities Commission of the Bahamas froze FTX assets, which led to its provisional liquidation in November 2022. Approximately 130 companies within the FTX Group filed for bankruptcy in the U.S.

The FTX incident illustrated to stakeholders across the board that more focus and action is needed in several key areas:

- **Transparency:**  
Openness in operations and financial reporting is indispensable for building trust.
- **Risk management:**  
Robust risk assessment and contingency planning are pivotal.
- **Regulatory compliance:**  
Strict adherence to existing regulations is non-negotiable.
- **Investor protection:**  
Safeguarding investor interests through comprehensive measures is paramount.

The case also highlights why compliance is important in ensuring the long-term success of the cryptocurrency market and safeguarding the interests of investors.

This requires close collaboration between crypto companies and regulatory bodies. Crypto firms must prioritize compliance and transparency in their operations, while regulators must strive to understand the crypto space better and develop appropriate regulations. Together, they can create a stable, trustworthy, and resilient cryptocurrency market.

## BitLicense: a watershed moment in digital asset regulation

In June 2015, the Department of Financial Services (DFS) in the U.S. issued virtual currency regulation 23 NYCRR Part 200 under the New York Financial Services Law.

By introducing BitLicense, DFS provided a structured and clear regulatory environment for virtual currency businesses, fostering innovation while ensuring the financial markets' safety.

The regulations were also designed to position New York as a hub for innovation and growth in the virtual currency industry, ensuring that businesses operating in this space are subject to a high standard of oversight.

BitLicense was a watershed moment, setting a precedent for other states to consider similar initiatives. This proactive stance gained even more significance in the absence of comprehensive guidance from the SEC on the regulation of digital assets at the federal level.

It underlined the importance of adapting existing financial regulations to accommodate the evolving digital landscape while ensuring consumer protection and market integrity.

BitLicense's influence spread across the U.S., shaping the regulatory dialogue and inspiring other states to explore their regulatory frameworks for the digital asset industry.

# Europe

## EU cryptocurrency renaissance: MiCA and its impact on crypto market

The Markets in Crypto-Assets (MiCA) Regulation represents a significant milestone not just for the European crypto landscape, but for the digital asset ecosystem worldwide.

Serving as a blueprint for other jurisdictions, MiCA meticulously outlines the parameters for crypto asset service providers (CASPs), balancing the two goals of fostering innovation and ensuring investor protection.

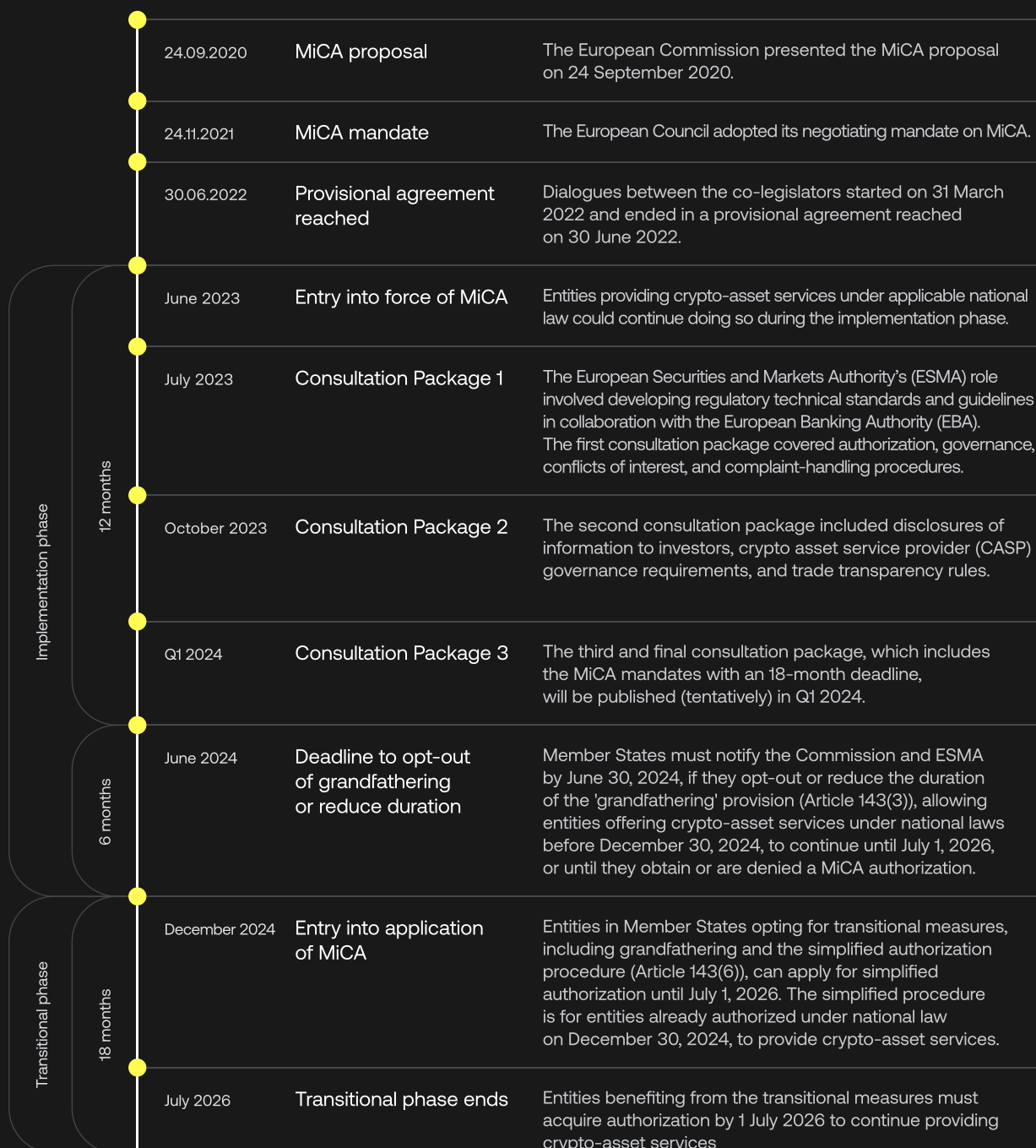
Financial entities already licensed for financial services must notify their home Member States' national competent authorities (NCAs) about their crypto-asset services, providing detailed information about their engagement with virtual assets. For non-regulated entities intending to provide crypto-asset services in the EU, MiCA mandates a comprehensive authorization process, detailing various requirements for business models and anti-money laundering controls.

Additionally, MiCA enforces robust mechanisms for addressing complaints, ensuring that CASPs handle client complaints fairly and transparently. It mandates the publication of complaints-handling procedures and sets specific requirements.

Here is an overview of the complaints-handling requirements for CASPs:

- **Establishment of Procedures:**  
CASPs must establish and maintain transparent complaint-handling procedures
- **Accessibility:**  
Procedures and templates should be publicly available on CASPs' websites in multiple languages
- **Annual Review:**  
CASPs' management should review procedures yearly
- **Resource Allocation:**  
Adequate resources should be dedicated to handling complaints
- **The expertise of Personnel:**  
Staff handling complaints must be skilled and knowledgeable
- **Prompt Acknowledgment:**  
Immediate acknowledgment of complaints received
- **Timeliness:**  
Decisions on complaints must be communicated promptly

## MiCA Implementation Timeline



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Another significant aspect of MiCA is its focus on identifying, preventing, and disclosing conflicts of interest within the crypto asset service industry. CASPs must establish effective policies and procedures to manage these conflicts and disclose them on their websites, along with mitigating measures and controls.

Beyond the detailed mandates— which encompass risk management, prudential standards, and robust anti-money laundering measures—MiCA epitomizes the EU's vision of a standardized, transparent, and resilient crypto market that can serve as a model for other regions.

The European Securities and Markets Authority (ESMA) since released its consultation package to fine-tune MiCA's technical standards, with final recommendations expected to be submitted to the European Commission by 30 of June 2024 at the latest.

Undoubtedly, ESMA's crucial role in refining and guiding the outcome will have global impact.



## Compliance and innovation: UK crypto regulation post-FCA Travel Rule

The Financial Conduct Authority (FCA)'s Travel Rule, implementation of which was mandatory from September 1, 2023 has transformed the crypto industry, blending strict compliance measures with technological innovation.

The Travel Rule is a directive under Recommendation 16 of the Financial Action Task Force (FATF) which mandates that countries must ensure VASPs obtain and hold the necessary details about the originator and beneficiary for virtual asset transfers.

This information must be securely submitted to the recipient VASP or related financial institution. This data should be accessible to relevant authorities when required. The same responsibilities apply to financial institutions managing virtual asset transfers for clients, with provisions for monitoring and potential freezing of transactions with specific individuals and entities.

## Here's a breakdown of what the FCA's Travel Rule entails for the crypto sector:



### Information Collection and Verification:

- For transactions below 1,000 USD/EUR: Crypto-asset businesses must collect names and VA wallet addresses or a unique transaction reference for both the sender and recipient.
- For transactions above this threshold: Detailed information is required, such as the originator's physical address or date of birth and similar details for the beneficiary.

### Reporting and Documentation:

- Maintain records of actions during failures in data provision.
- Report consistent business failures to the FCA, with the definition of "repeated failure" being based on transaction volume size and failure rate.

### Guidance on Missing or Incorrect Data:

- Request missing data.
- Evaluate discrepancies using risk-based assessments.
- Inform originating crypto-asset businesses of major discrepancies.
- Decide to delay or return the crypto asset based on timely rectification.
- Exercise special care with unhosted wallet transfers, which includes verifying fund sources in high risk incidents and possibly filing Suspicious Activity Reports (SARs).

### Wallet Attribution Requirements:

- Employ blockchain analytics.
- Use discoverability methods from the chosen travel rule solution.
- Consult the crypto asset businesses' address book.
- Collect information on wallet status or identity.
- Periodically re-screen for compliance.

### Intermediaries and Transfer Returns:

- Ensure complete information is available before a transfer.
- Retrieve missing data from the original crypto-asset business.
- Decide on retaining or sending back the crypto asset.
- Forward all transfer data and promptly relay post-transfer information.
- For returned transfers, evaluate risks, ensure the possibility of return, and ensure it's not classified as a crypto-asset transfer under the rule.

### Information Collection and Verification:

- The acquired data should be securely shared with the recipient VASP or the concerned financial institution.

The FCA aims to increase transparency, accountability, and security in crypto transactions by requiring crypto asset businesses to adopt data-sharing practices similar to traditional finance.

Collaborative initiatives such as that with the Joint Money Laundering Steering Group underscore the nation's commitment to seamless adaptation and market resilience.

The upcoming Financial promotions regime for crypto assets also demonstrates the UK's balanced approach which acknowledges the potentially disruptive nature of digital assets while ensuring their safe and progressive integration into the broader financial system.

## UK's approach to stablecoins and crypto regulation

A draft of new crypto regulations and proposals published as 2023 entered its final months, further demonstrate the government's commitment to fostering innovation while maintaining financial stability and clear standards for using new technologies. The market events like the FTX incident informed the measures, highlighting the importance of effective sector engagement and regulation.

On October 30, 2023, the UK government provided new insights into its strategy for incorporating fiat-backed stablecoins within the regulatory framework of financial services in the UK.

Building upon responses from a consultation on crypto assets, stablecoins, and distributed ledger technology, this update guides the FCA and the Bank of England in formulating regulatory practices for stablecoin issuers, custodians, and systemic digital payment systems.

Also in response to the consultation, the UK confirmed its final proposals for crypto asset regulation, including bringing several crypto asset activities into the regulatory perimeter for financial services for the first time.

The proposals aim to position the UK's financial sector at the forefront of crypto asset technology and innovation, creating favorable conditions for crypto asset service providers to operate and grow, while managing potential consumer and stability risks.

On November 6, 2023 the UK Treasury formally announced its intention to legislate fiat-backed stablecoins as part of a broader financial services' regulatory framework. This initiative is articulated through a detailed Discussion Paper (DP), which seeks to establish a robust regime for stablecoins when used as a means of payment.

The UK Government tasked the Law Commission with proposing reforms to ensure that existing laws can effectively encompass both crypto-tokens and other digital assets, fostering innovation in this technological realm.

The Law Commission's final report, published on June 28, 2023, presents recommendations for legal reforms to the government. It concludes that the adaptable nature of common law permits the recognition of a distinct category of personal property capable of accommodating and safeguarding the unique characteristics of certain digital assets, including crypto-tokens and crypto assets.

The Commission advises enacting legislation to formally establish this category and eliminate any ambiguity. On February 22, 2024, the Law Commission initiated a brief consultation on draft legislation designed to officially recognize a "third" category of personal property, as outlined in their previous report.

Feedback to be submitted by Friday, 22 March 2024.

## Chapter 2:

# Balancing Act: Georgia's Progressive Policy on Cryptocurrency Regulation



A progressive stance: balancing crypto innovation with financial security

Georgia has taken a monumental step forward with regulation for VASPs issued by the National Bank of Georgia (NBG).

The NBG's stance clearly outlines the rights, obligations, and prohibitions for VASPs. This strikes a balance between harnessing the benefits of blockchain technology, and safeguarding the security of its financial system.

It signifies Georgia's commitment to fostering an environment where crypto innovations can thrive responsibly, and where compliance with regulations not only ensures safety but also boosts credibility within the digital asset community.

VASPs are obliged to implement regulations within one year after registration with the NBG, but no later than 2024, which underscores the urgency and priority the Georgian government assigns to this growing sector.

These actions by NBG emphasize Georgia's role as a responsible, forward-thinking leader in global digital asset management.



## Chapter 3:

# The Great Migration: Crypto Businesses Seek Friendlier Shores

As the crypto asset and blockchain industries mature, certain countries have positioned themselves as more favorable to these technologies.

Consequently, crypto businesses are migrating to jurisdictions that offer the best operational environment within a defined regulatory framework.

In this chapter, we will look at how the Asia-Pacific region (APAC) and the United Arab Emirates (UAE) have become attractive destinations, partly because the measures they have put in place to create favorable environments for crypto asset businesses.



# APAC

## Australia

Cryptocurrencies gained legitimacy in Australia in 2017, falling under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006. Since then, the Australian government has revisited cryptocurrency regulations multiple times.

A pivotal moment came in October 2021 with the release of a parliamentary report that focused on facilitating taxation, thwarting de-banking, and curbing money laundering while safeguarding crypto enthusiasts.

On August 22, 2022, the Australian government revealed its plans to 'token map' the crypto sector, and position Australia as a leader in the field. The project aims to identify regulatory gaps, initiate a licensing framework, and increase consumer protection, especially concerning third-party custodians of crypto assets.

While these recommendations await legislative adoption, Senator Andrew Bragg has championed the Digital Assets (Market Regulation) Bill 2023. The goal is to provide a regulatory framework for digital assets, including central bank digital currencies, to ensure consumer protection, market integrity, and regulatory clarity in the country's evolving digital asset industry.

The Australian Securities and Investment Commission (ASIC) suggests that any cryptocurrency with characteristics like financial products or securities will come under corresponding regulatory responsibilities. While ASIC seeks to foster investor confidence in cryptocurrencies, it emphasizes consumer protection and law compliance. It recommends firms considering ICOs or token sales seek professional counsel.

On November 17, 2022, Blockchain Australia issued a press release urging for regulation of custodial exchanges in the aftermath of the FTX collapse. It was felt the FTX event may negatively affect the reputation of other Australian digital currency exchanges adhering to high standards.

Those engaging with cryptocurrencies often find themselves in a grey area when determining whether a cryptocurrency falls under the category of a financial product.

This categorization is crucial as it triggers the necessity for specific financial services licenses and mandates adherence to certain disclosure requirements. Entities operating a financial services business in Australia must hold an Australian Financial Services License (AFSL) or be exempt. ASIC's INFO 225 document provides guidance to determine regulatory obligations for various crypto participants.

Since 2018, digital currency exchange providers need to register with the Australian Transaction Reports and Analysis Centre (AUSTRAC). Non-compliance can result in severe penalties, including imprisonment. Registered exchanges are mandated to conduct know-your-customer (KYC) verifications, maintain records, and report suspicious activities.

Australia, a member of FATF, has also shown interest in adopting best practices for regulators, aiming to shape how Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) legislation around digital currency evolves in the future.

AUSTRAC actively monitors money laundering and terrorist financing risks associated with digital currencies. In November 2023, AUSTRAC promoted FATF's reports for AML/CTF standards, which are expected to shape digital currency-related AML/CT legislation development.

On October 16, 2023, the Australian Government announced its intention to introduce a comprehensive regulatory framework for digital and crypto asset platforms to foster innovation while addressing potential risks and protecting consumers.

The proposed regulatory framework includes leveraging existing financial laws, licensing requirements for digital asset platforms, adherence to general obligations drawn from Australian financial services law, specific obligations for digital asset platforms, focused regulation on key digital asset activities, and a technologically neutral approach.

This regulatory initiative is crucial for the crypto sector in Australia, promising to enhance consumer protection, prevent scams, and improve the quality of service provided by digital asset platforms.

By ensuring that platforms operate transparently and responsibly, the risks associated with crypto exchange collapses will be mitigated, and Australians will be better protected from potential scams in the crypto space.

The government's forward-thinking approach, which included public consultation and a twelve-month transitional period once the legislation is enacted, sets the stage for a future where digital assets are integral to economic growth and consumer trust.

AUSTRAC recently announced its regulatory priorities for the year ahead, detailing how it plans to bolster the financial system's resilience to money laundering, terrorism financing and other serious economic crime. Additional sectors will be under scrutiny to uplift Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) capability and to ensure legislative compliance. The sectors include Digital Currency Exchanges (DCEs).



## Singapore

Singapore is paving the way for an innovative and responsible digital asset ecosystem. With a keen understanding of the vast potential and risks associated with cryptocurrencies, the government is eager to support the sector's growth and determined to safeguard its citizens who participate in the virtual asset economy, and protect the financial system at large.

On July 3, 2023, The Monetary Authority of Singapore (MAS) released new requirements for digital payment token service providers (DPTSPs) to safeguard customer assets under a statutory trust before the end of the year. This aims to reduce potential losses or misuse of customer assets and supports the recovery of these assets if a DPTSP goes bankrupt.

This move came after an October 2022 public consultation on refining the regulations surrounding digital payment token (DPT) services. General feedback from the consultation was in favor of measures such as segregating customer assets from the provider's own, safeguarding customer funds, conducting daily asset reconciliations, ensuring access and operational controls for DPTs in Singapore and that custody functions are separate from other business units, and making transparent risk disclosures to customers.

Digital assets categorized as capital markets products under the Securities and Futures Act (SFA) face similar regulations as other such products. Companies operating in this space require a capital markets services license. Moreover, any public offer of digital assets that can be classified as securities, derivatives, or units in a collective scheme, must adhere to SFA's prospectus requirements unless exempted.

Payment-oriented digital assets might be regulated either as DPTs or e-money under the Payment Services Act (PSA), mandating the relevant licensing. Recognizing that stablecoins are unique, MAS has proposed specific regulations under the PSA for them which fulfill certain criteria.

A significant stride was the Financial Markets and Services Bill (FSM Bill) passed in April 2022. The legislation aligns the scope of regulated digital token services with FATF Standards. This ensures that most VASPs in Singapore, even those previously outside PSA's purview, come under the FSM Bill's licensing framework.

However, securing a license in Singapore is not simple. MAS is selective and prioritizes firms demonstrating risk management prowess and the potential to bolster Singapore's FinTech and digital asset ecosystem.

## The VASP licensing regime in Singapore

VASPs must apply to the MAS, providing comprehensive information related to their operations.

MAS reviews the application, evaluating it on factors like fit and proper criteria, the VASP's financial stability, AML/CFT measures, and risk management protocols.

### License Requirements for VASPs:

- **Corporate Registration:**

The VASP should be registered as a company in Singapore.

- **Fit and Proper Criteria:**

VASPs, including their officers, directors, and shareholders, must fulfill the fit and proper criteria. This encompasses having a reputable track record, being financially stable, and possessing relevant experience and qualifications.

- **Minimum Capital Requirements:**

VASPs must maintain a minimum base capital of SGD 100,000 (about USD 73,500).

- **AML/KYC Procedures:**

A strong set of AML and know-your-customer (KYC) protocols must be in place to counteract illicit transactions and activities.

- **Cybersecurity Measures:**

VASPs should have stringent cybersecurity protocols to safeguard against potential cyber threats and to ensure the protection of customer assets.

- **Maintenance of Customer Assets:**

There should be established policies and procedures for the consistent maintenance and protection of assets belonging to customers. This includes holding sufficient insurance coverage for those assets.

- **Ongoing Monitoring & Reporting:**

VASPs are mandated to conduct continual surveillance and report any suspicious transactions or activities that may hint at illicit conduct.

- **Compliance with Other Regulations:**

This implies adhering to other pertinent regulations, like those concerning taxes and securities.

- **Local Office Requirement:**

VASPs must operate a physical office within Singapore and uphold a consistent local presence.

- **Ongoing Supervision by MAS:**

Once a VASP license is acquired, VASPs fall under the continuous monitoring and regulatory oversight of MAS. This encompasses regular reporting, audits, and reviews to ensure adherence to the regulatory stipulations.





In the past few years, Hong Kong has witnessed significant growth in the digital assets and cryptocurrency industries.

Acknowledging this surge and the potential of the region to lead in this digital revolution, regulatory authorities in Hong Kong are taking proactive measures to establish a strong framework. This initiative is not just to safeguard and regulate, but also to promote the region as a leading hub for digital assets.

On May 31, 2023, the Securities and Futures Commissions (SFC) announced in a circular pivotal regulatory changes that centralized virtual asset trading platforms (VATPs) had to adhere to as of June 1, 2023. This initiative is governed by both the Securities and Futures Ordinance (SFO) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO).

Also on May 31, 2023, the SFC issued a circular on transitional arrangements of the new licensing regime for VATPs under the AMLO. The circular applies only to VATPs offering trading services in non-security tokens and does not cover compliance with the SFO for security tokens. VATPs planning to provide trading services in security tokens must obtain the relevant license under the SFO before commencing their business.

The VATP Licensing Handbook offers a guide for applying for and maintaining licenses.

Requirements for obtaining a license include capital of at least 5 million Hong Kong dollars (about US\$640,000).

To be eligible for the transitional arrangements, pre-existing VATPs must meet certain criteria, including:

- Be incorporated in Hong Kong.
- Having a physical office and key personnel in Hong Kong.
- Having a genuine business presence in the region.

Mere incorporation or having “shell” operations in Hong Kong is insufficient.

## The VATP licensing regime in Hong Kong

SFC-licensed VATPs must adhere to the AML/CFT Guideline.

Key requirements include:

- **Customer Due Diligence (CDD):**  
Using KYC and Enhanced Due Diligence (EDD) processes, VATPs must verify customer identities.
- **Record-Keeping:**  
VATPs should maintain transaction records for a minimum of five years post business relationship.
- **Suspicious Activity Reporting (SAR):**  
Implement systems to detect and report suspicious money laundering or terrorist financing activities.
- **Risk Assessment:**  
Regular evaluations to identify money laundering or terrorist financing risks.
- **Internal Controls:**  
This involves training, appointing compliance officers, and auditing functions.
- **Compliance with Sanctions:**  
VATPs must screen against sanction lists.
- **Policies & Procedures:**  
Ensure alignment with AML/CFT regulations.

All VATPs authorized by the SFC are legally bound to these regulations, emphasizing high levels of diligence to prevent illegal activities.

## United Arab Emirates

The UAE is determined to establish itself as a leader in technology and blockchain. Thanks to its favorable regulatory environment, marked by the creation of the Virtual Assets Regulatory Authority (VARA) in Dubai, numerous digital currency exchanges and trading platforms have established a presence in the country.

VARA was established and authorized by Law No. 4 of 2022 Regulating Virtual Assets in the Emirate of Dubai (Dubai VA Law) to regulate VASPs, and is affiliated with the Dubai World Trade Centre Authority (DWTCA). It is responsible for overseeing and regulating the activities of VASPs and investors in all areas of Dubai, including Free Zones and Special Development Zones.

On February 7, 2023, VARA issued its comprehensive Virtual Assets and Related Activities Regulations 2023. These were designed to provide a comprehensive framework for regulating virtual assets, focused on addressing the risks that investors and the market face when it comes to the activities of virtual asset platforms.

The regulations also establish standards for a compliance framework consistent with other regulatory bodies' requirements.

### VARA's rulebooks for VASPs

All VASPs that are licensed by VARA must follow four compulsory rulebooks:

- The Company Rulebook
- Technology and Information Rulebook
- Compliance and Risk Management Rulebook
- Market Conduct Rulebook

VARA also developed activity-specific rulebooks to address the risks associated with the operations of virtual assets:

- Advisory Services
- Lending & Borrowing Services
- Broker-Dealer Services
- VA Management & Investment Services
- Custody Services
- VA Transfer and Settlement Services
- Exchange Services
- Virtual Asset Issuance



By requiring cryptocurrency companies to obtain licenses and comply with regulatory requirements, Dubai is taking a proactive step towards managing their risks while fostering innovation and growth in the industry.

## Licensing Regime and Requirements for VASPs in the UAE

- All entities must get authorization from VARA before launching any virtual asset activities (VA Activities) in the UAE, and have a license issued by VARA to perform any VA activity within the Emirate's jurisdiction.
- Entities aiming for a license need to adhere strictly to VARA's periodically updated licensing process.
- VASPs are obligated to meet every licensing condition stipulated by VARA. This encompasses a broad spectrum of Regulations, Rules, and Directives that are communicated either during the licensing process or at various intervals.

For VASPs with a VARA license who wish to expand beyond the UAE, adherence to the Emirate's Regulations, Rules, and Directives is compulsory.

Certain professionals, namely registered practicing lawyers, accountants, and specific business consultants, are exempted from needing a License. However, they must ensure their VA Activities remain incidental to their primary profession. Additionally, their activities must be conducted under the protection or guidance of a professional body within the Emirate, and they must possess relevant professional indemnity insurance.

Exempt Entities are not bound by standard regulations but need to inform VARA about their operations and receive a no-objection confirmation before starting any VA Activities.

Entities handling vast volumes of virtual assets – equivalent or more than USD 250,000,000 within any 30-day span – have a mandatory registration with VARA.

Entities can also choose to register voluntarily with VARA, especially those seeking commercial or free zone licenses in the Emirate for specific activities related to virtual assets.

## Chapter 4:

# The Crypto Ban Debate: Weighing up the Benefits and Drawbacks

While some countries have embraced digital assets and others have imposed restrictions or outright bans, China and Egypt have responded to cryptocurrencies with particularly stringent measures.

China has always exhibited a complex relationship with cryptocurrencies. While recognizing the transformative potential of digital assets, the Chinese government took a significant step by banning crypto transactions to protect its citizens and maintain stability in its financial system. Despite this ban, China continues to influence the digital asset realm, striving for a balance between innovation and security.

Egypt's perspective on crypto is distinctive, shaped by religious and economic considerations. Economic considerations involve balancing the potential benefits of embracing crypto for financial inclusion and innovation against the risks associated with speculative trading and potential illicit activities.

This dual lens contributes to a nuanced and cautious approach as Egypt navigates the complex landscape of cryptocurrency regulation.

# China

## China's regulatory history

### 2013 - Bitcoin is defined as a virtual commodity

The People's Bank of China (PBoC) and five other government departments jointly issued the Notice on Precautions Against the Risks of Bitcoins which defined Bitcoin as a virtual commodity, rather than a currency. This notice prohibited financial institutions from participating in Bitcoin-related businesses. You can read an English article about the notice [here](#).

### 2017 - ICOs are banned

China took further action by banning Initial Coin Offerings (ICOs) — a method by which new cryptocurrency projects raise funds. The PBoC declared ICOs illegal and required the discontinuation of all related fundraising activity.

### 2021 - Cryptocurrencies like Bitcoin, Ethereum, and Tether are not recognized as legal tender

In September 2021 the PBOC and other authorities issued the Circular on Further Preventing and Handling the Risk of Speculation in Virtual Currency Transactions. Cryptocurrencies like Bitcoin, Ethereum, and Tether are not recognized as legal tender in China. All activities associated with virtual coins and crypto assets, such as creation, use, circulation, public offerings, trading, and speculation, are prohibited in China. On the same day, the National Development and Reform Commission (NDRC) and 10 other authorities issued another circular to local governments on how to wind down cryptocurrency mining activities in their areas.

## Legal Framework

China has consistently positioned cryptocurrencies as a risk to the traditional financial system. Bans are often issued as joint statements from multiple regulatory bodies including the PBoC, the Ministry of Industry and Information Technology, and other finance and tech-related government agencies.

## Why did China ban crypto?

### Financial stability

China's authorities are concerned that the speculative nature of cryptocurrencies could lead to financial instability. Without central oversight, sharp fluctuations in crypto values can affect retail investors and lead to systemic risks

### Illegal activities

Virtual currency hype was linked to several illicit activities, including money laundering, fraud, pyramid schemes, and other criminal actions, which jeopardized the financial security of citizens.

### Non-Recognition as legal tender

The Chinese authorities clarified that virtual currencies, such as Bitcoin and Ethereum, including so-called stablecoins, do not have the same legal status as traditional currency. Thus, they cannot be circulated in the market as legitimate currency.

### Prohibition of virtual currency-related businesses

Activities like virtual currency exchange, buying and selling virtual currency through a central counterparty, providing matching services for such transactions, and virtual currency derivatives transactions were defined as illegal financial activities and were strictly prohibited.

### Central Bank Digital Currency (CBDC)

With the development of the Digital Yuan, China aims to establish its own sovereign digital currency. A controlled CBDC rollout might be hampered by the presence of decentralized cryptocurrencies.

# Egypt

## Egypt's regulatory history

### 2018 - The Central Bank of Egypt (CBE) officially banned cryptocurrencies

The Central Bank of Egypt (CBE) officially banned licensed banks and financial institutions from dealing in cryptocurrencies. This ban came shortly after religious edicts (fatwas) were issued by prominent Islamic scholars in the country against trading in cryptocurrencies.

### 2020 - CBE issued regulatory instructions warning against the trading and usage of cryptocurrencies

The ban was further emphasized when the CBE issued regulatory instructions warning against the trading and usage of cryptocurrencies. The Egyptian Banking Law No. 194 of 2020 (Article 206 thereof) prohibits issuing, promoting or trading in cryptocurrencies as well as setting up and operating cryptocurrency platforms, unless the approval of the CBE has been obtained in accordance with the requirements to be issued thereby. English readers can find reference to the law in the Financial Action Task Force's (FATF) mutual evaluation report on Egypt here at Criterion 15.3 (c).

### 2022 - CBE issued a second warning reiterating the prohibition to issue and deal in cryptocurrencies

In September 2022, the CBE issued a second warning reiterating the prohibition to issue and deal in cryptocurrencies and limited dealings within the Arab Republic of Egypt to the official currencies approved by the CBE which does not include cryptocurrencies.

### 2023 - CBE renewed its warning against trading in cryptocurrencies

In March 2023 the CBE issued the fourth warning statement on cryptocurrencies. The statement, referencing Law No. 194 of 2020, reinforces the CBE's standing warnings against engaging with any form of cryptocurrencies through various mediums such as individuals, companies, and digital platforms.



Emphasizing the high risks associated with cryptocurrencies, including significant price volatility, financial crimes, and electronic piracy, the CBE stresses that no licenses have been issued for cryptocurrency trading activities within the country.

## Legal Framework

Egypt's regulatory approach to the crypto industry is influenced by both financial regulatory actions undertaken by the Central Bank of Egypt (CBE) and religious directives issued by the country's leading Islamic scholars. This confluence of religious and economic considerations makes Egypt's approach to crypto regulation unique.

### Why did Egypt ban crypto?

Egypt's reasons for banning cryptocurrency can be summarized as follows:

#### Religious concerns

Initially, the Egyptian Dar al-Ifta, the main Islamic legislative body, declared that trading in cryptocurrencies was prohibited under Islamic law, citing their potential to fund terrorism.

#### Lack of regulation

Without a robust regulatory framework, the Egyptian government may have viewed a ban as the safest immediate option. Cryptocurrencies are not issued by any central bank or official central issuing authority. This means that there's no central body that can be held accountable in case of any financial irregularities or issues.

#### Concern over financial stability

CBE cites significant concerns over the high fluctuations and price volatility of cryptocurrencies, which pose immense risks to the stability of the financial system and its traders.

#### Potential for financial crimes

The CBE underscores the use of cryptocurrencies in financial crimes and electronic piracy. These decentralized digital currencies can be misused for illicit activities, presenting risks not only to individual users but also potentially facilitating broader financial criminal activities.

#### Unauthorized trading platforms

The CBE noted the rise of platforms that have been operating without the necessary permissions and misleading the public.

#### Limitation to official currencies

The CBE states explicitly that trading within Egypt is restricted to the official currencies that are recognized and approved by the CBE. By this, the central bank seeks to standardize and regulate the currencies in circulation, ensuring their stability and reliability.

## Chapter 5:

# Crystal's Regulatory Prediction: What Lies Ahead for the Industry

Currently, the cryptocurrency industry is impacted by rapidly shifting regulatory frameworks and innovative technologies. Based on worldwide observations, the direction of the industry largely depends on a few critical turning points:

- **Balancing consumer protection with innovation**  
As seen with the SEC's approach in the U.S., regulators are tasked with a fine balancing act. The emphasis will increasingly lean towards robust risk management and thorough compliance structures. While nurturing innovation is crucial, the protection of investors and the broader financial ecosystem will remain paramount.
- **Working towards transparency and market integrity**  
The EU's MiCA and the UK's Travel Rule both demonstrate an overarching theme: the thrust towards transparency, consumer protection, and market integrity. While regional regulations may vary, a global ethos upholds foundational principles.
- **Active engagement with the crypto industry**  
The proactive stance of countries like Australia, engaging in comprehensive cryptocurrency assessments, indicates a future where regulators will not merely set rules but actively participate in shaping the industry's evolution.

Such consultative approaches will pave the way to more informed, collaborative, and effective regulatory frameworks.

## Disparity in regulatory environments

Countries in the APAC region, particularly Singapore and Hong Kong, are emerging as thought leaders and trailblazers. By providing regulatory clarity and demonstrating adaptability, they are setting benchmarks that many will aspire to emulate.

As the UAE showcases, by proactively implementing comprehensive regulatory structures, it makes the jurisdiction a hub for trust and innovation, thereby attracting industry growth.

The response of the industry to the sweeping bans, as witnessed in China and Egypt, is a testament to its resilience. Such events highlight the importance of global collaboration and showcase the industry's inherent capability to adapt and evolve.

The disparity in regulatory environments worldwide emphasizes the need for harmonization. The goal should be to create an ecosystem in which cryptocurrencies can operate seamlessly across borders, aided by a cohesive global regulatory foundation.

## What does the future hold?

The landscape of cryptocurrency regulation has undergone a remarkable transformation on a global scale. From the early days of skepticism and uncertainty surrounding digital currencies, they have now gained recognition as a legitimate asset class in many parts of the world. Regulators across the globe have undertaken diverse approaches to providing clarity and protection for participants in the crypto space.

Regulators must strike a decisive balance between fostering innovation and mitigating the risks associated with cryptocurrencies. They face the daunting challenge of protecting investors, ensuring financial stability, and preventing illicit activities, while navigating the complex regulatory landscape.

To crystallize the vision for the future of the industry, it must establish an environment where cryptocurrencies and blockchain technologies seamlessly integrate with traditional financial systems. This integration will be facilitated by globally aligned yet regionally nuanced regulations that prioritize consumer protection, transparency, and market integrity.

The road to the future is paved with innovation, challenges, and transformative potential. It's up to industry players and regulators to collaborate and shape a future that's both inclusive and secure, while also fostering growth.

“

**“Regulators must strike a decisive balance between fostering innovation and mitigating the risks associated with cryptocurrencies.”**



## Work with Crystal

This report landscape delivers a comprehensive overview of global cryptocurrency regulation, shedding light on the various approaches taken by governments and financial authorities worldwide. Understanding these dynamic and varied regulatory approaches is crucial for crypto enthusiasts, investors, and industry participants.

As a compliance-focused organization, we understand the importance of staying ahead of the curve when it comes to regulatory compliance.

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