INTERNATIONAL BLOCKCHAIN & DIGITAL ASSETS REVIEW

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Contents

FOREWORD

Tokenization of Real-World Problems

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BIO

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CGAP

Tokenization may become one of the most important infrastructural shifts in digital finance, but it may take more effort than some believe. Tokenization is exceptionally good at reducing coordination and transaction costs in digital systems. It is less effective at solving structural problems rooted in the physical world — such as weak identity systems, poor legal enforcement, or concentrated market power.

> Tokenization primarily solves coordination problems inside digital systems. It does not automatically solve problems originating in the physical world.

Disclosures first. I originally started writing this article with a bold statement in mind: "*tokenization will change everything as we move deeper into a hyper-digitized reality where much of our professional and personal lives depend on digital infrastructure.*" I started drafting, then reconsidered the statement, and then reconsidered it again. What follows is therefore an invitation to a more measured discussion of a topic that tends to attract both uncritical enthusiasm and uninformed skepticism.

Definition second. In this article, tokenization refers to blockchain-based systems in which ownership claims, rights, or assets are represented digitally on shared programmable ledgers. Tokenized systems can enable direct transfer, automated execution through smart contracts, and interoperability across applications without relying on a central coordinating intermediary. Programmability allows rules, ownership transfers, and economic logic to be executed automatically across shared infrastructure. This creates possibilities not only for lower-cost transactions but also for entirely new forms of coordination between market participants.

For instance, stablecoins backed by high-quality liquid assets can reduce dependence on traditional correspondent banking for settlement and transfer in cross-border payments. Buying and selling a house on tokenized infrastructure could become faster, cheaper, and operationally simpler, with fewer intermediaries involved (e.g., deed transfer, escrow, and transaction coordination). Issuing a song as a token with licensing terms embedded in a smart contract could allow artists and producers to regain greater control over revenue streams and reshape parts of the music industry.

But how can tokenization help solve some of the hardest real-world problems, such as financial exclusion? Today, 1.3 billion adults remain financially excluded, often due to the high cost of financial services and missing documentation. Informal micro and small enterprises in developing markets continue to face a $2.5 trillion financing gap. Can tokenization materially change this reality?

The answer is more ambivalent than many might hope for three reasons: (1) tokenization does not directly address structural challenges that originate in the physical world, (2) lower transaction costs do not necessarily translate into affordability for end users, and (3) incumbents may resist solutions that threaten their market positions.

The first challenge is the most difficult to address. Consider the persistent problem of missing documentation as a barrier to financial inclusion. According to the World Bank, 850 million people lack proof of identity, making them effectively ineligible for formal financial services. What these individuals need is a reliable identity — whether in the form of a government-issued ID card, a verified SIM registration, or a tokenized credential stored in a crypto wallet. Some of these systems may be functionally superior to others, but the underlying challenge remains the same: identifying someone who often lives in a remote or conflict-affected area with limited reliable information recognized by financial institutions.

This illustrates a broader point: tokenization primarily solves coordination problems inside digital systems. It does not automatically solve problems originating in the physical world. Further, many tokenization projects underestimate the importance of legal enforceability. A token may digitally represent ownership of an asset, but unless courts, registries, and regulatory systems recognize that claim, the token alone has limited real-world meaning. In practice, tokenization often works best when integrated into existing institutional frameworks rather than attempting to replace them entirely.

The second challenge is familiar to many financial inclusion practitioners. The cost of designing and delivering financial services can decline significantly without those savings being passed on to consumers – and this applies to traditional finance as much as it applies to tokenized finance. Efficiency gains may instead be reinvested, captured by intermediaries, or distributed to shareholders. Whether lower costs translate into broader affordability is ultimately a business and market-structure question, not a purely technological one.

The third challenge concerns disintermediation and market power. Tokenization can reconfigure or replace existing systems. Stablecoins, for example, reduce reliance on parts of the correspondent banking system in cross-border payments. If adoption continues to scale, some incumbents whose business models are affected will inevitably resist change. For instance, through control of distribution channels or restricted access to infrastructure. This is where policymakers will need to play an active role in maintaining competitive neutrality and ensuring that regulation does not unintentionally entrench existing market structures.

For the first two challenges – structural challenges originating in the physical world and non-passthrough of cost savings – tokenization primarily expands the range of available tools rather than fundamentally changing the underlying constraints. In some cases, that may still be enough to create viable new business models — for example, ecosystems where tokenized assets are used as collateral in agricultural finance. But the deeper structural problems often still require public infrastructure investment, institutional capacity, and government support. The third challenge — incumbent inertia — can be addressed through regulatory intervention, similarly to the way regulators have required large banks to share customer data under open finance regimes.

There is no shortage of examples where financial innovation has promised to expand access to underserved populations but ultimately ended up primarily benefiting those who were already well served. Usually, one of the three constraints outlined above was part of the explanation. Tokenization already shows signs of facing similar dynamics. Rather than the technology itself, the financial inclusion outcome depends on the distribution channels, investor protection, and regulatory frameworks built around it. The decisions made today and in the coming years — by technologists, policymakers, development practitioners, and financial institutions — will shape whether tokenization merely creates more sophisticated financial infrastructure for those already served, or contributes to building a better, inclusive financial system.

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Whether lower costs translate into broader affordability is ultimately a business and market-structure question, not a purely technological one.

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The way financial assets are issued, recorded, settled and used as collateral is undergoing a profound transformation. While markets today are highly sophisticated and efficient, they also rely on multiple closed-loop systems that require costly reconciliations. Throughout the lifecycle of a transaction, many different proprietary systems intervene. In cross-border transactions, the need to reconcile and agree on the state of an asset across multiple parties becomes even more demanding. Blockchain and tokenization can help alleviate these frictions by offering a shared record of ownership, reducing the need for reconciliation and making the lifecycle of a transaction more efficient through smart contracts and atomic settlement, ensuring that all conditional legs of a transaction are executed together—or not at all.

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> Tokenized markets will only scale safely if they rest on robust infrastructure, safe settlement assets anchored in central bank money, and clear legal and regulatory frameworks.

Yet tokenization has not expanded as rapidly and at the scale that many anticipated, for two main reasons. One concerns harmonized legal and regulatory clarity recognizing tokenized assets, on-chain issuance and settlement; the other relates to the availability of safe and risk-free settlement assets. The importance of this second point becomes clear when we consider how transactions settle today.

Today, citizens access commercial bank money through bank deposits, while transfers between different banks ultimately settle in risk-free central bank money through accounts held at the central bank. This risk-free foundation gives the system credibility and stability. In a tokenized world, new kind of settlement assets appear, and still an equivalent risk-free settlement asset is essential for preserving financial stability and is a precondition for the broader development of tokenized finance.

The main types of settlement assets on chain are tokenized central bank reserves, tokenized deposits, and stablecoins. Each of these assets offers a different balance between transferability, safety and integration with the existing financial system.

At one end of the spectrum, stablecoins are on-chain bearer instruments – whoever holds them owns them – and they can be transferred peer-to-peer independently of the issuer. In cross-border transactions, they can significantly reduce the time and cost associated with correspondent banking and remittances by shortening long chains of intermediaries. However, unlike deposits, stablecoins are not necessarily obligations of regulated banks and therefore carry the issuer’s default risk. For this reason, while stablecoins offer important advantages in certain use cases, they are generally not well suited as settlement assets for interbank or wholesale markets.

Tokenized deposits take a different approach. They replicate a bank’s liability on-chain, with clients holding a claim on the issuing bank. Because the bank remains responsible for knowing its customers, transfers cannot be as unrestricted as with bearer instruments. When a client of Bank A pays a client of Bank B using tokenized deposits, there must be a mechanism to clear those payments and a settlement asset to settle the resulting interbank flows. Initiatives such as that of The Clearing House (TCH), involving a group of major U.S. banks, have significant potential because they seek to make tokenized deposits safely usable for payments by enabling clearing among participating banks while connecting to traditional payment systems for off-chain settlement in central bank money.

At the other end of the spectrum, tokenized central bank reserves, where available, would provide the on-chain equivalent of risk-free central bank money and the whole transaction would happen on-chain. Where tokenized central bank reserves are not available, another option is to connect tokenized environments to existing payment rails, building a bridge between on-chain and off-chain ledgers. This is a valid approach with trade-offs. It allows market participants to rely on payment infrastructure they already know and trust, while creating a bridge between on-chain assets and off-chain settlement in central bank money. However, because money and financial instruments remain on separate systems, this architecture limits atomicity and programmability, reducing some of the core advantages of using blockchain.

Tokenized markets may take different forms, but their ability to scale will depend on the same foundations that support today’s financial markets: robust infrastructure, safe settlement assets anchored in central bank money, and clear legal and regulatory frameworks. Public authorities have a central role in ensuring that innovation preserves trust, safety, and stability. The real question is not whether tokenized markets will continue to develop, but whether they will be built to scale safely.

AUSTRIA

Key Developments and the Latest Trends in Austria under MiCA: A Boom Driven by Prudence

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Key Developments and the Latest Trends in Austria under MiCA: A Boom Driven by Prudence

Over recent years, from 2020 to the present, Austria's digital assets landscape has undergone a profound transformation. Once regarded as a comparatively cautious jurisdiction – characterised by regulatory conservatism and, at times, the "gold-plating" of European Union (EU) standards – Austria has gradually positioned itself as one of the most credible and attractive entry points into the EU market for digital asset activities. This shift has been driven to a significant extent by the introduction and operationalisation of the Markets in Crypto-Assets Regulation (Regulation (EU) 2023/1114 – "**MiCA**"), which established a comprehensive and harmonised legal framework for crypto-assets across the EU. While MiCA aims at uniformity, its practical application continues to reveal jurisdictional differences shaped by regulatory culture, supervisory approach and institutional practice.

> "Austria has repositioned itself as one of the more credible and attractive entry points into the EU market for digital asset activities.

Austria occupies a distinct position in this context. Its regulatory environment is characterised by clarity, structure and institutional credibility, all of which have gained particular relevance under MiCA. The Austrian Financial Market Authority (FMA) has translated this foundation into a predictable and well-structured licensing environment. At the same time, the FMA has adopted a forward-looking and accessible supervisory approach, supporting market participants through detailed guidance, transparent engagement and a practice that accommodates English documentation, thereby facilitating the market entrance for international applicants. In addition, the availability of a regulatory sandbox environment allows certain innovative business models to be tested in close interaction with the regulator and within clearly defined supervisory parameters.

These factors are increasingly reflected in market practice, with a growing number of crypto-asset businesses establishing their European headquarters in Austria or relocating operations to benefit from regulatory clarity and direct access to the EU market. This development is closely linked to the institutional and legal framework governing the application of MiCA at national level.

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The Legal Classification of Crypto-Assets under MiCA

Under MiCA, "crypto-assets" are defined in a uniform and legally binding manner across the EU, thereby addressing a long-standing lack of consistency in their legal treatment across Member States. The framework distinguishes between asset-referenced tokens (ARTs), e-money tokens (EMTs) and other crypto-assets, each subject to a differentiated regulatory regime reflecting their economic function and associated risks.

Issuers are generally required to prepare and publish a white paper containing detailed information on the project, the rights attached to the crypto-asset and the underlying technology. More stringent requirements apply to ARTs and EMTs, including prior authorisation or approval by the competent authority. These enhanced rules are intended to address risks to financial stability and consumer protection, particularly where tokens are designed to function as a means of payment or store of value.

At the same time, MiCA does not operate as a standalone regime but coexists with existing financial services legislation. Where a crypto-asset qualifies as a financial instrument, such as in the case of certain security tokens or tokenised securities, MiCA does not apply, and the relevant provisions of MiFID II, the EU Prospectus Regulation and national capital markets law remain applicable. This overlap gives rise to a boundary issue of considerable practical importance. The classification of a given token therefore constitutes a central structuring question, as it determines not only the applicable regulatory framework but also licensing requirements, disclosure obligations and the overall compliance burden for market participants.

Beyond MiCA: A Broader Regulatory Landscape

The Austrian regulatory environment for digital assets extends well beyond MiCA and is characterised by a high degree of interconnection between different areas of financial regulation. While the Austrian MiCA implementation statute (MiCA-Verordnung-Vollzugsgesetz – "**MiCA-VVG**") provides the national framework for the implementation of MiCA, it operates alongside a range of complementary legal regimes that collectively shape the regulatory landscape for digital asset activities.

These include, in particular, anti-money laundering requirements under the Austrian Financial Markets Anti-Money Laundering Act (FM-GwG), which impose comprehensive obligations relating to customer due diligence, transaction monitoring and reporting. In addition, sector-specific frameworks such as the Alternative Investment Fund Managers Act (AIFMG) and the Investment Funds Act (InvFG) may become relevant where crypto-assets are integrated into fund structures or investment products, thereby linking the digital asset ecosystem to traditional asset management regulation.

Further layers of regulation arise at EU level. The Digital Operational Resilience Act (DORA) introduces stringent requirements concerning ICT risk management and operational resilience, while the Transfer of Funds Regulation enhances transparency in crypto-asset transfers through the implementation of the so-called "travel rule". In parallel, the evolving EU anti-money laundering framework and the DAC8 Directive extend reporting and transparency obligations, particularly in relation to tax compliance and cross-border activities.

The tax treatment of crypto-assets has also been significantly clarified in Austria. Section 27b of the Austrian Income Tax Act (EStG) provides a dedicated framework for their classification and taxation, contributing to greater legal certainty in an area that was previously marked by fragmentation and interpretative uncertainty. As a result, a wide range of activities, including mining, staking, investment through fund structures and cross-border transfers, are now embedded within a comparatively comprehensive and interconnected legal framework. This reflects a broader regulatory trend: digital assets are no longer treated as a separate or experimental category but are increasingly integrated into the existing financial regulatory architecture.

Supervisory Practice and Regulatory Coordination under MiCA

While MiCA provides the harmonised regulatory framework at EU level, the supervisory application of these rules in Austria is shaped by the MiCA-VVG, which complements the regulation with national provisions on supervisory powers, enforcement measures and procedural matters. The Austrian framework is designed to facilitate effective and consistent supervision while ensuring close coordination between national authorities and the European supervisory architecture established under MiCA. The supervisory toolkit available to the FMA is extensive and covers the full range of regulatory intervention. It includes the authority to request information and documentation, conduct on-site inspections, suspend or prohibit crypto-asset services and require amendments to white papers and marketing communications, as well as the power to impose sanctions and corrective measures. In cases of market abuse or risks to market integrity, the FMA may rely on investigative tools such as access to relevant data, asset freezes and temporary professional prohibitions.

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In Austria, digital assets are no longer treated as a separate or experimental category but are increasingly integrated into the existing financial regulatory architecture.

At the same time, supervisory practice is not defined by enforcement alone. In practice, the FMA places emphasis on predictability in the licensing process and maintains a dialogue with applicants, particularly in relation to governance structures, documentation requirements and the scope of regulated activities. This is complemented by guidance and the availability of a supervised testing environment for innovative business models.

Recent supervisory practice also illustrates a willingness to intervene where core compliance requirements are no longer met. In one case, a licensed Crypto-Asset Service Provider was prohibited from conducting new business shortly after commencing operations following deficiencies in its internal organisation, particularly in relation to anti-money laundering and sanctions compliance functions. The measure was limited in scope and applied until the relevant deficiencies had been remedied. Beyond its national role, the FMA contributes to the broader European discussion on the application of MiCA, including efforts to promote greater harmonisation and consistency in supervisory practice across Member States.

Emerging Market Trends and Practical Implications

Beyond the regulatory framework itself, recent developments in Austria point to a number of market trends that shape the practical application of MiCA.

A central development is the increasing relevance of tokenisation as a structuring tool, particularly in the context of real estate projects. Tokenisation is increasingly used to facilitate alternative financing structures and to enable fractional ownership models. In addition, tokenised representations of financial instruments and other asset classes are gaining importance. This development reinforces the practical relevance of legal classification, as the regulatory treatment of tokenised assets depends directly on their qualification under MiCA, MiFID II or other applicable regimes.

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> Austria has positioned itself as a balanced and attractive EU location for crypto-asset and tokenisation projects, combining regulatory certainty with ongoing market development.

A further key trend is the growing institutionalisation of the digital asset market. Traditional financial institutions are increasingly entering the space, often in combination with regulated crypto-asset services such as custody, brokerage or trading infrastructure. This contributes to a convergence between traditional financial markets and blockchain-based systems and reflects a shift towards more infrastructure-driven and regulated service models. At the same time, certain segments of the market remain only partially addressed by the current framework. Decentralised finance (DeFi), in particular, continues to raise complex questions regarding governance, accountability and supervisory reach. As regulatory discussions at both EU and international level continue to evolve, further clarification may be expected in areas where traditional concepts of regulation and supervision are difficult to apply to decentralised structures.

Concluding observations

The Austrian experience demonstrates that the success of MiCA will depend not only on the existence of a harmonised regulatory framework but also on how that framework is applied in practice. While MiCA has established a common set of rules across the European Union, differences in supervisory culture, regulatory accessibility and market conditions continue to influence the attractiveness of individual jurisdictions and the practical experience of market participants.

Against this background, Austria has positioned itself as a market in which regulatory certainty, supervisory engagement and ongoing market development interact in a relatively balanced manner. The combination of a clear legal framework, an increasingly established supervisory practice and a growing ecosystem of market participants has contributed to Austria’s emerging role as a location for crypto-asset and tokenisation projects within the European Union. Alongside regulatory implementation and supervisory activity, various private initiatives, industry organisations and market networks continue to support the development of the sector and facilitate exchange between market participants.

At the same time, the development of the market illustrates that digital assets are becoming increasingly integrated into the broader financial and economic landscape. The growing use of tokenisation structures, the participation of traditional financial institutions and the interaction of MiCA with adjacent regulatory frameworks demonstrate that digital assets can no longer be viewed in isolation from established financial regulation and market practice.

Looking ahead, the practical application of MiCA is likely to remain a key factor in shaping the next phase of the European digital asset market. Equally important will be the ongoing evolution of the regulatory landscape, particularly in areas that are only partially addressed by the current framework, such as decentralised finance and emerging tokenisation models. In this respect, Austria provides an example of how innovation, market development and regulatory oversight can coexist within a harmonised European framework while continuing to adapt to a rapidly evolving sector.

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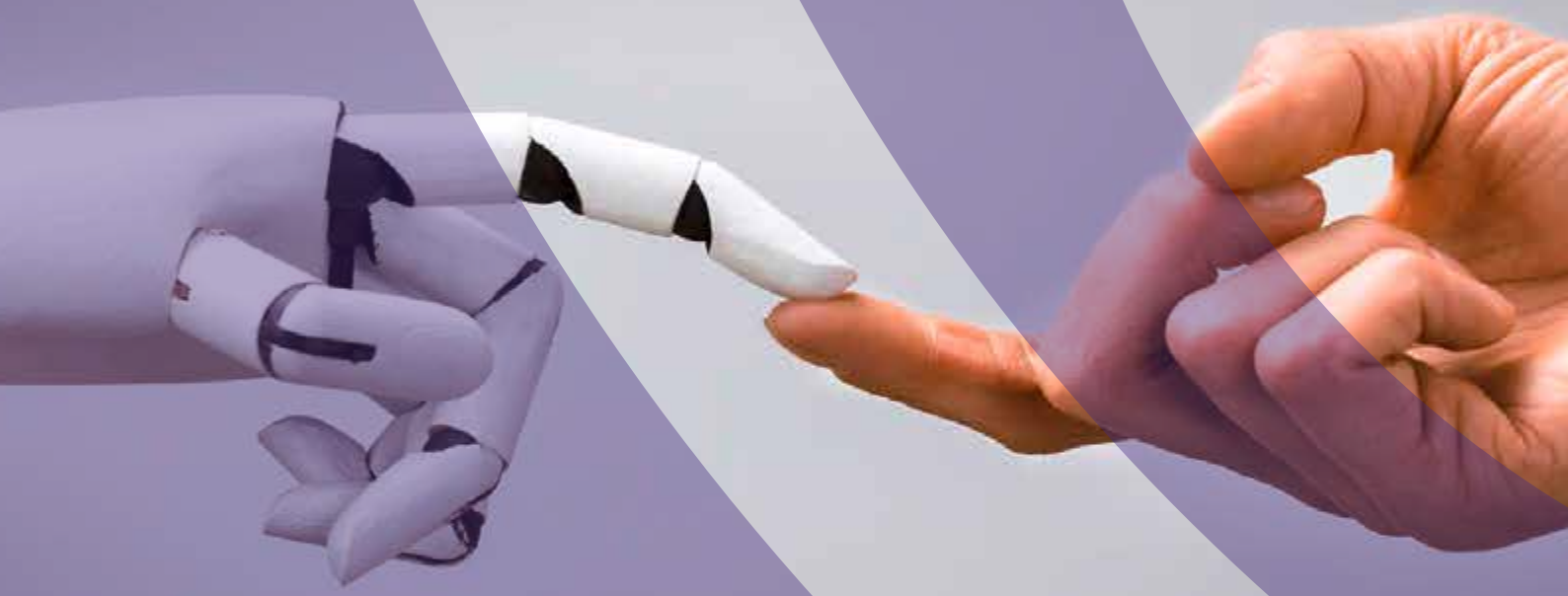

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BRAZIL

Key Developments and the Latest Trends in Brazil — From a Legal Perspective: the new Central Bank framework for virtual asset service providers in Brazil

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Key Developments and the Latest Trends in Brazil — From a Legal Perspective: the new Central Bank framework for virtual asset service providers in Brazil

Paiva Gomes Advogados advises on legal and tax matters involving cryptocurrencies, digital assets, and digital law more broadly, supporting clients in structuring operations and navigating evolving regulatory frameworks. The firm is particularly active in mandates requiring precise tax treatment of digital transactions, combining legal and economic analysis in a rapidly developing space.

Introduction

> A foreign entity may not serve the Brazilian market from abroad.

Law No. 14,478/2022 is the Legal Framework for Virtual Assets in Brazil. It set out the core definitions and designated a regulator, but left the operational rules to be written, and for years the statute remained without the regulation needed to give it practical effect. That gap has now been closed: in November 2025, nearly three years after the law was enacted, the Central Bank of Brazil (Banco Central do Brasil, the "BCB") published Resolutions No. 519, 520 and 521 of 2025, which govern the provision of virtual asset services and lay down every requirement for obtaining a license. A defining feature of the new regime is its territorial reach: a foreign entity may not serve the Brazilian market from abroad; to offer virtual asset services to Brazilian clients, it must do so through a Brazilian-incorporated, BCB-authorised entity, which means establishing a local presence.

The framework entered into force on 2 February 2026. Companies already in operation before that date – Brazilian or foreign – were granted a grace period: a transitional window that lets them keep operating until their authorization request is decided, provided they file it by 29 October 2026 (new entrants, by contrast, must be authorized before they may begin).

What gives that window its force is Article 91 of Resolution 520: from 30 October 2026, financial institutions, payment institutions and other institutions authorised to operate by the BCB may no longer carry out or enable virtual asset operations whose counterparty is a provider that is neither authorized nor in the process of authorization in Brazil.

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This makes the filing deadline a window of opportunity, not a mere cut-off. Filing in time preserves the right to keep operating while the request is examined; missing it does not bar a later application, but it forfeits that right – the provider must then wait until its license/ authorization is actually granted before it can operate.

What the law regulates and who may provide the services

Under Law No. 14,478/2022, a virtual asset is a digital representation of value that can be traded or transferred electronically and used for payment or investment purposes — expressly excluding national and foreign currency, electronic money, and instruments already qualified as securities or financial assets.

Resolution 520 adopts a closed-perimeter model: only the activities expressly listed may be performed, and anything outside the list is presumed impermissible absent a positive act of the BCB. Each pillar is broader than it first appears. **Intermediation** reaches well beyond buying and selling: it also covers exchanging virtual assets, managing portfolios, acting as a fiduciary agent, staking and providing virtual asset services in the foreign-exchange market. **Custody** is not merely holding a private key; it extends to keeping each client's position up to date and reconciled against the underlying ledger, executing the holder's transfer instructions, and handling the on-chain events that affect the asset. On this basis, Resolution 520 is built around three regulated profiles: the intermediary, the custodian and the broker, which combines both. These activities may be carried out only by an authorised provider, and "provider" here is itself a category worth unpacking.

A virtual asset service provider — "PSAV" in the Brazilian acronym, a VASP in the international vocabulary — is therefore a genus, not a single type of entity. It comprises two species, each with its own route into the regime.

The first species is the already-authorised institution: a bank, foreign-exchange broker, securities dealer (DTVM) or securities broker (CTVM) that wishes to add virtual asset services to its existing business. Its route is different, not easier: instead of a fresh authorisation proceeding, it files a communication to the BCB together with a technical certification. That certification is demanding in its own right – it consolidates a long list of technical, operational and control requirements – and is far from a formality. And the timing turns on whether the institution already provides virtual asset services: one that already offers them keeps operating, whereas one that is not yet active in virtual assets is, in effect, frozen for ninety days – it may begin the new activities only ninety days after its formal communication to the BCB.

The second species is the VASP company (the *SPSAV – sociedade prestadora de serviços de ativos virtuais*). Its route depends on whether it was already operating when the resolutions took effect. A new entrant must be authorised before it may begin: it files a complete application and may start only once the BCB grants the licence.

A VASP company **already in activity** follows a transitional, two-phase route, and this is precisely what delivers the grace period. In **Phase 1**, filed by 29 October 2026, it proves it was operating on the reference date and must already evidence substantive compliance with the core prudential rules: risk management, cybersecurity and incident response, AML and targeted-sanctions controls, and the accounting and audit standards applicable to BCB-regulated institutions. Phase 2, filed within 60 days of a favourable Phase 1 decision, raises the bar further: the provider must demonstrate compliance with Resolution 520 in its entirety and submit the documents required by the regulation.

For a foreign entity, this two-species structure is also a menu. Since it can reach Brazilian clients only through a Brazilian-incorporated provider, it must choose its vehicle: it may operate through an already-authorized institution that offers virtual asset services, or it may set up an SPSAV of its own. Each path carries a different cost, timeline and degree of control, and the choice is one of the first strategic decisions for any group entering the market.

Prudential parity and the segregation of client assets

A central policy choice of the framework is parity. The BCB set out to impose on virtual asset service providers the same anti-money-laundering, compliance and prudential duties already required of authorised institutions (banks, foreign-exchange brokers, securities dealers (DTVMs) and securities brokers (CTVMs). In practice this means AML/CFT programmes and know-your-customer procedures, a cybersecurity policy with an incident-response plan, structured risk management, a recovery plan, and governance anchored in a designated responsible director.

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> Resolution 520 adopts a closed-perimeter model: only the activities expressly listed may be performed.

Of all these duties, the segregation of client assets is the one that best illustrates how the regulation adapts traditional prudential thinking to a crypto-native environment. The underlying principle is orthodox and familiar from banking and securities law: a provider's own assets must never be commingled with those of its clients, so that client property remains identifiable and recoverable even if the provider fails. What is distinctive is how that principle is applied, because client value sits in two very different forms — fiat and virtual assets — that do not behave the same way.

For funds held in national currency, Resolution 520 takes the conventional route: it requires fiduciary segregation through an individualised payment account for each client. For the virtual assets themselves the regulation is more flexible given that it permits the use of an omnibus wallet – a single wallet aggregating multiple clients' holdings – as long as the provider keeps the internal records and controls needed to attribute the assets to each client at all times.

The Relevant Service Providers

No provider performs every function in-house, and Resolution 520 anticipates this through a defined figure: the **relevant service provider**. The concept is specific: it is any party whose service affects the provider's performance of its activities or the full exercise of its clients' rights, and the regulation pairs it with an open, exemplificative list: custodians, liquidity providers, market makers, electronic-money issuers and providers of technology specifically related to virtual asset services.

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> This is the principal lawful channel through which a foreign group entity can keep participating in the Brazilian market without being authorised in its own right.

Two features matter most for an international readership. First, a relevant service provider **may be located in Brazil or abroad and does not itself require a licence**: it operates business-to-business, under contract with the licensed provider, which remains fully and inescapably liable for its acts. This is the principal lawful channel through which a foreign group entity can keep participating in the Brazilian market without being authorised in its own right.

Second, while a baseline applies to every relevant service provider, some of the enumerated examples carry extra, activity-specific requirements. Custody abroad is one such case: a Brazilian provider may use a foreign custodian only on additional conditions, such as compliance with Brazilian law and regulation, a representative in Brazil, and enforceable guarantees.

Resolution 521: virtual assets enter the FX market for reporting purposes

Resolution 521 produced one of the most misunderstood features of the framework. It brought certain virtual asset services into the foreign-exchange market, but it is essential to be precise about what that means. It is not the settlement of an exchange operation, and it does not, by itself, trigger the financial-transaction tax on FX (IOF-câmbio). It is the inclusion of these services within the FX market for informational and reporting purposes, so that the BCB can monitor cross-border virtual asset flows with the same transparency it applies to traditional foreign exchange.

Four categories of operation are caught: (I) international payment or transfer with virtual assets; (II) transfers of virtual assets to or from a provider's client to settle an obligation arising from the international use of a card or other electronic means of payment; (III) transfers of virtual assets to or from a self-custody wallet that do not themselves involve an international payment or transfer; and (IV) the purchase, sale or exchange of fiat-referenced virtual assets (stablecoins).

For the first of these (international payments and transfers) the framework sets per-operation limits where the counterparty is not an institution authorised to operate in the foreign-exchange market, and these limits differ by entity type, which forces product-structuring decisions. A VASP company (SPSAV) is subject to a limit of USD 100,000, while a securities broker or dealer (CTVM/DTVM) or a foreign-exchange broker may operate up to USD 500,000. A bank has no such ceiling, but only if it is also a VASP. These thresholds mean that the choice of operating entity is not a back-office detail: it shapes which products, and which ticket sizes, are commercially viable.

Paiva Gomes
ADVOGADOS

Stablecoins are permitted

A frequent question from abroad is whether Brazil has restricted stablecoins. It has not. **Stablecoins are not prohibited**. The position is more subtle: neither Law No. 14,478/2022 nor the 2025 resolutions regulate the issuance of stablecoins. Resolution 520 establishes only the concept without setting any parameters for issuance. Issuance is therefore permitted but unregulated. The gap is the subject of Bill No. 4,308, currently under discussion in the Chamber of Deputies, which would bring stablecoin issuance expressly within the legal framework.

The absence of an issuance regime does not mean stablecoins sit in a legal vacuum on the use side. They may be freely used in Brazil, in both domestic and cross-border operations: a client may buy, sell, exchange or hold them, and a licensed provider may intermediate those operations, in each case under the ordinary VASP rules (and, where an operation crosses the border, under the foreign-exchange reporting and limits described above). What remains unregulated are the conditions of issuance, not whether stablecoins may circulate and be transacted, which they plainly may.

The tax dimension: consumption-tax reform and DeCripto

The regulatory picture is incomplete without its tax counterpart, and two developments stand out.

The first is Brazil's **consumption-tax reform**. Constitutional Amendment No. 132/2023, regulated by Complementary Law No. 214/2025, replaces the existing consumption taxes with a dual value-added tax: the IBS (*Imposto sobre Bens e Serviços*, a tax on goods and services levied at state and municipal level) and the CBS (*Contribuição sobre Bens e Serviços*, the equivalent federal social contribution on goods and services). It places the provision of virtual asset services within the specific regime for financial services. The practical challenge will be to delimit, pragmatically, which virtual asset services fall within that specific regime, in light of the products actually offered by each provider and their legal-regulatory qualification. The classification of a given product will drive its tax treatment, so the regulatory and tax analyses cannot be conducted in isolation from one another.

The second is DeCripto, the new crypto-asset reporting declaration introduced by Normative Instruction RFB No. 2,291/2025, with monthly reporting beginning in July 2026. DeCripto marks Brazil's convergence with the OECD's Crypto-Asset Reporting Framework (CARF), the global standard for the automatic exchange of crypto-asset tax information. Its most consequential feature for international players is its reach: the obligation extends to providers domiciled *abroad* that meet the criteria for "providing a crypto-asset service in Brazil", that is, using a ".br" domain; contracting with a local entity to receive funds from Brazilian residents; directing the service to Brazilian residents (including through local payment means such as Pix); or advertising clearly aimed at the Brazilian public. A foreign provider that touches the Brazilian market through any of these nexuses falls within the Brazilian reporting net, regardless of where it is incorporated.

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> Resolution 521 brings certain virtual asset services into the FX market for informational and reporting purposes only.

Conclusion

The 2025 resolutions are a watershed for the Brazilian virtual asset market. They are also demanding. Providers face minimum capital requirements calibrated by modality under a new cost-plus-activities methodology, and a continuous compliance burden modelled on that of regulated financial institutions, alongside the structuring choices imposed by the foreign-exchange and tax regimes. None of this is trivial, and for some incumbents the bar will be high.

Yet the direction of travel is clear and, on balance, positive. By bringing virtual asset service providers within a coherent prudential, foreign-exchange and tax perimeter, Brazil has given the market legal certainty, and institutional legitimacy. The requirements are challenging, but the regulation is an important, and constructive, step in the maturation of the Brazilian market.

FRANCE

Sovereignty by Design? Stablecoin Policy in France and the European Union

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MELINON AVOCAT

Sovereignty by Design? Stablecoin Policy in France and the European Union

A pioneer that became a bystander

France can claim a peculiar distinction in the regulation of digital money. It legislated early, it legislated with teeth, and it watched others reap the rewards. The Loi PACTE of 22 May 2019 created the *prestataire de services sur actifs numériques* regime, under which registration by the Autorité des marchés financiers, on the conforming opinion of the Autorité de contrôle prudentiel et de résolution, is mandatory for the four core services, namely custody, purchase or sale against legal tender, exchange of digital assets, and the operation of a trading venue. Carrying on any of those services without that registration is prohibited by Article L. 54-10-4 of the Code monétaire et financier and punishable under Article L. 572-23 by two years of imprisonment and a fine of EUR 30 000, and falsely holding oneself out as registered is a further offence under Article L. 572-26.[1] Only the enhanced *agrément* sat above that mandatory floor as an optional tier. France then drove the push for Union legislation at a time when several member states were markedly more permissive and Switzerland was openly courting the industry, and that posture shaped the Markets in Crypto-Assets Regulation, Regulation (EU) 2023/1114, adopted on 31 May 2023.[2]

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> The Union that wrote the world’s first comprehensive crypto rulebook has produced, by its own design, a stablecoin desert.

Yet two years into MiCA, the euro is almost invisible in the one corner of digital finance that now matters most for payments. Speaking in May 2026, President Lagarde observed that nearly 98 per cent of stablecoins are denominated in dollars, that two issuers, Tether and Circle, control close to 90 per cent of the market, and that the sector had grown from under USD 10 billion six years earlier to more than USD 300 billion.[3] Euro-denominated tokens are a rounding error, together worth around USD 910 million, about 0.3 per cent of a market that by mid-2026 exceeded USD 320 billion. The Union that wrote the world’s first comprehensive crypto rulebook has produced, by its own design, a stablecoin desert. This chapter argues that the paradox is not accidental. It is the predictable consequence of a policy built more to contain a foreign instrument than to cultivate a domestic one, and France sits at the heart of every contradiction the strategy contains.

The architecture of containment

MiCA does not regulate stablecoins by that name. It divides them into electronic money tokens, which reference a single official currency, and asset-referenced tokens, which reference a basket or any other value.[4] The provisions on both became applicable on 30 June 2024.[5] The regime is genuinely demanding. Issuers must back the token at par on a 1:1 basis, reserves must be liquid and segregated, redemption at face value must be available at any time, and algorithmic designs without tangible backing cannot meet these requirements.[6]

1. Loi n° 2019-486 du 22 mai 2019 relative à la croissance et la transformation des entreprises (PACTE), JORF n° 0119, 23 May 2019, arts L 54-10-1 ff of the Code monétaire et financier. Article L 54-10-4 prohibits any unregistered person from carrying on the profession of providing the services listed at 1° to 4° of art L 54-10-2 (custody, purchase or sale against legal tender, exchange, operation of a trading venue), registration being granted by the AMF on the conforming opinion of the ACPR (art L 54-10-3). Article L 572-23 punishes breach of the art L 54-10-4 prohibitions by two years of imprisonment and a fine of EUR 30 000, and failure to make the art L 54-10-3 declaration by one year and EUR 15 000. Falsely holding oneself out as registered or authorised is an offence under art L 572-26. See Autorité des marchés financiers, communication on candidates for PSAN registration and authorisation (AMF, November 2025).
2. Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets [2023] OJ L150/40 (MiCA).
3. Christine Lagarde, ‘Stablecoins and the future of money: separating functions from instruments’ (speech, Banco de España LatAm Economic Forum, Roda de Bará, 8 May 2026), stating that nearly 98 per cent of stablecoins are dollar-denominated, that Tether and Circle control close to 90 per cent of the market, and that the sector had grown from under USD 10 billion to more than USD 300 billion. The total market exceeded USD 320 billion by mid-2026 (DefiLlama, reported in ‘Stablecoin Market Cap Hits Record $323B as USDT Dominates’ (Bitcoin Foundation, May 2026)). The euro-denominated segment stood at about USD 910 million, around 0.3 per cent of the total (CoinGecko EUR-stablecoin category, June 2026), consistent with an estimated 0.35 per cent of DeFi stablecoin supply (crypto.news, March 2026).
4. ibid n° 2, titles III and IV, arts 3, 48 ff.
5. ibid n° 2, art 149 (Titles III and IV applicable from 30 June 2024). See European Securities and Markets Authority, statement on non-MiCA-compliant asset-referenced and e-money tokens (ESMA, 17 January 2025).
6. ibid n° 2, arts 36 and 39 (reserve and redemption for asset-referenced tokens) and arts 49 and 54 (redemption and safeguarding for e-money tokens).

Two features reveal the instrument's deeper purpose. The first is the prohibition on paying interest to holders, which defends retail bank deposits against tokenised competition.[7] The second, and more openly political, is the restriction in Article 23. For an electronic money token denominated in a non-Union currency, in practice a dollar token, used widely as a means of exchange, the issuer must stop issuing once the estimated quarterly average of such transactions within a single currency area exceeds, per day, 1 million transactions and EUR 200 million in value.[8] No equivalent ceiling constrains a euro token. Its defenders cast the cap as a prudential shield for monetary sovereignty and for the transmission of monetary policy, on the view that a foreign token used at scale for euro-area payments would let foreign monetary conditions seep into the bloc.[9] The concern is genuine, yet the asymmetry is the tell. A measure that bites only on non-Union currencies is, in effect and by its acknowledged negotiating aim, a tool to limit dollar penetration of European payment markets.

The rationale runs deeper than payments. Dollar stablecoins are backed overwhelmingly by short-term United States government debt, and the GENIUS Act of July 2025 turned that practice into a legal mandate by requiring payment tokens to hold reserves in Treasury bills and dollar equivalents[10]. Tether alone reported around USD 141 billion of Treasury exposure at the end of the first quarter of 2026, more than the United States Treasury holdings of several sovereign states, including Germany[11]. Every European who holds a dollar token therefore lends, indirectly, to the United States Treasury, and President Lagarde has noted that the GENIUS Act itself frames stablecoin expansion as a way to sustain demand for those Treasuries. The more such tokens circulate on the continent, the more European savings finance the American deficit rather than European investment. Containment of the dollar token is, at bottom, a refusal to underwrite a foreign government's borrowing through the back door of a payment instrument.

The cost of suppression without substitution

The containment worked in the narrow sense that it suppressed the most liquid instrument. Tether chose not to seek MiCA authorisation, and European venues progressively delisted USDT or restricted it to professional clients[12]. The difficulty is that suppression of the dollar token has not produced a euro one of comparable scale. Liquidity, not compliance, is the binding constraint, and no regulation can manufacture liquidity by prohibition.

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The clearest illustration is French. Société Générale-FORGE issued EUR CoinVertible in April 2023, obtained an electronic money institution licence from the ACPR effective 1 July 2024, and restructured the token as a fully MiCA-compliant electronic money token, among the first in Europe[13]. By early 2026 it had been deployed on Ethereum, Solana, the XRP Ledger and Stellar, integrated into the SWIFT network for bond settlement in January 2026, and joined by a dollar sibling, USD CoinVertible, launched in June 2025[14]. Its compliance is impeccable and its credibility, anchored to a systemic balance sheet, is real. As at 14 June 2026 its circulating supply was around 119 million tokens, a market value near EUR 119 million, set against Circle's USDC at about USD 77 billion and Tether's USDT at about USD 185 billion. The problem of EURCV is not its rulebook. It is that almost no one trades it.

7. ibid n° 2, arts 40 and 50 (prohibition on interest).
8. ibid n° 2, art 23, applied to e-money tokens denominated in a non-EU currency by art 58, together with the European Banking Authority's technical standards. The restriction applies where the estimated quarterly average of transactions used as a means of exchange within a single currency area exceeds 1 million transactions and EUR 200 million per day.
9. On the cap's stated rationale, namely the protection of monetary sovereignty and of monetary policy transmission against currency substitution, see ibid n° 2 recitals and the European Banking Authority's reporting standards for tokens denominated in a non-EU currency. On its function as a limit on dollar-stablecoin penetration of EU payment markets, see 'MiCA Explained: EU's Crypto Regulation' (Eco, 2026).
10. Guiding and Establishing National Innovation for US Stablecoins Act of 2025 (GENIUS Act), signed into United States law on 18 July 2025, requiring payment-stablecoin reserves to be held in short-term US Treasury bills and dollar equivalents.
11. Tether, Consolidated Reserves Report for the first quarter of 2026 (BDO, 1 May 2026), reporting approximately USD 141 billion in US Treasury exposure, more than the US Treasury holdings of several sovereign states including Germany. On the GENIUS Act framing stablecoin growth as support for Treasury demand, see ibid n° 3.
12. On Tether's decision not to seek MiCA authorisation and the resulting EU delistings, see 'MiCA in Action: Navigating the New EU Stablecoin Regulations and Compliance' (Exmon Academy, April 2026).
13. White & Case, 'White & Case advises SG-Forge on transformative updates to EUR CoinVertible stablecoin under European MiCA Regulation' (White & Case, 3 July 2024), confirming the ACPR electronic money institution licence effective 1 July 2024.
14. Société Générale-FORGE, EUR CoinVertible and USD CoinVertible product materials, on deployment across Ethereum, Solana, the XRP Ledger and Stellar, the SWIFT bond-settlement integration of January 2026 and the launch of USD CoinVertible on 25 June 2025. On a circulating supply of around 119 million tokens and a market value near EUR 119 million as at 14 June 2026, see CoinMarketCap and CoinGecko (EUR CoinVertible coin pages). CoinGecko's EUR-stablecoin category page shows a lower figure of about USD 93 million. For comparison, USDT stood at about USD 185 billion and USDC at about USD 77 billion in mid-2026 (DefiLlama, and Cointelegraph, 10 March 2026).

By rendering the European market inhospitable to the most liquid dollar token without first having a euro substitute, the Union changed the brand of the dollar's dominance rather than ending it. Kaiko data show that USDT trading volume on EU venues fell by more than 70 per cent between the fourth quarter of 2024 and the second quarter of 2025, while USDC volume on the same venues nearly doubled[15]. The displaced liquidity flowed to a compliant dollar token, not to a euro one, and USDT itself remained freely available to Europeans through decentralised exchanges and self-custodied wallets beyond the reach of MiCA's conduct rules. A policy that suppresses one dollar instrument only to watch another take its place, while its preferred euro instrument stays liquidity-starved, has not secured monetary sovereignty. It has rebranded the dependence it set out to cure.

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The French dimension and its internal tension

France embodies the Union's ambivalence with unusual intensity, because it hosts both the most ambitious private euro experiment and the loudest demands for public control. Alongside SG-FORGE, Circle obtained an electronic money institution licence in France in July 2024, making the country a primary European base for the world's leading compliant dollar issuer[16]. Wholesale settlement in central bank money, meanwhile, is being built by the Eurosystem through its Pontes and Appia tracks, an effort in which the Banque de France, having contributed its own settlement platform, DL3S, to the underlying trials, is closely involved[17].

The tension surfaces in the public positions of the Governor of the Banque de France. At the ACPR-AMF Fintech Forum in Paris on 9 October 2025, François Villeroy de Galhau urged the development of euro stablecoins while calling for MiCA to be tightened, in particular by regulating far more strictly the multi-issuance of a single stablecoin from inside and outside the Union, and, together with the Chair of the AMF, by entrusting the supervision of pan-European crypto-asset service providers to the European Securities and Markets Authority[18]. The same address that encouraged private euro tokens also advocated centralising the power to constrain them. A regulator who recalls that Europe fell behind partly because of the caution of figures such as himself is admirably candid, but the candour does not resolve the contradiction[19]. France wants a euro stablecoin and France wants to hold the leash. It is not obvious that one can have both at scale.

The multi-issuance fault line

If one fault line will define European policy in the coming years, it is multi-issuance, and here the Union's institutions are openly divided. MiCA regulates the joint issuance of a fungible token by several Union entities, but it does not address schemes in which a Union issuer and a third-country issuer jointly issue an interchangeable token[20]. That silence produced divergence among national competent authorities, some treating such schemes as permitted, others as not[21].

15. On the shift in EU trading volumes, Kaiko market data reported that USDT volume on EU venues fell by more than 70 per cent between the fourth quarter of 2024 and the second quarter of 2025 while USDC volume nearly doubled, see 'Why USDT Is Restricted in EU' (Eco, 2026). EU users may still hold and transact USDT through self-custodied wallets and decentralised exchanges, outside the perimeter of MiCA Title V, see 'EU Stablecoin Regulation Under MiCA' (Scorechain, May 2026).
16. On Circle's electronic money institution licence in France in July 2024, see 'SocGen Forge awarded e-money license for EURCV stablecoin' (Ledger Insights, July 2024), noting that Circle was likewise licensed by the ACPR.
17. European Central Bank, 'ECB commits to distributed ledger technology settlement plans with dual-track strategy' (press release, 1 July 2025), establishing the Pontes and Appia tracks, with a Pontes pilot from the third quarter of 2026. On the Banque de France's involvement, see n° 18.
18. François Villeroy de Galhau, address at the ACPR-AMF Fintech Forum (Banque de France, Paris, 9 October 2025).
19. On the Governor's evolving position, see 'MiCA: The Bank of France wants to regain control over crypto regulation' (Cointribune, 10 October 2025).
20. European Systemic Risk Board, Recommendation of 25 September 2025 on third-country multi-issuer stablecoin schemes (ESRB/2025/9) [2025] OJ C 2025/6342.
21. ibid n° 20, recording diverging approaches among national competent authorities.

On 25 September 2025 the European Systemic Risk Board recommended that such third-country multi-issuer schemes not be treated as permitted under MiCA, or else be made subject to a dedicated set of safeguards, supported by an ECB non-paper arguing that the legislators likely intended to confine multi-issuance to Union issuers[22]. The danger is precise. Where a fungible token is issued jointly in the Union and abroad, the safeguards of MiCA reach only the European issuer, yet in a run, holders redeem where protection is strongest and where MiCA forbids redemption fees, namely in the Union, while the reserves needed to honour those redemptions may sit beyond European reach[23]. The institutions have not converged on a remedy. The supervisors urged restriction, while the European Commission signalled in October 2025 that it did not share their concerns, and the question remained unresolved as at mid-2026[24]. The resulting uncertainty is itself a cost, because the longer the ambiguity persists, the more the run risk it describes accumulates.

The sovereignty wager and the slowest weapon

Confronted with a dollar that dominates and a euro that does not, the Union is hedging across three instruments without choosing among them, and the hedge has a timing problem. The first is the private euro stablecoin, exemplified by EURCV. The second is a bank-led alternative, the Qivalis consortium, announced by 9 banks in September 2025, incorporated in Amsterdam in December 2025 with 12 founding members including BNP Paribas, and expanded to 37 institutions across 15 countries by May 2026, targeting a MiCA-compliant launch in the second half of 2026 under the supervision of De Nederlandsche Bank[25]. The third is the public option, the digital euro, on which the ECB Governing Council decided on 29 October 2025 to move to the next phase, with a pilot possible from 2027 and a potential first issuance during 2029, conditional on the co-legislators adopting the enabling Regulation in the course of 2026[26].

The ECB's leadership has made its preference plain. President Lagarde has argued that stablecoins are not an efficient way to strengthen the euro's international role, and that the better course is deeper capital market integration and a genuine euro safe asset rather than privately issued euro stablecoins[27]. Executive Board member Isabel Schnabel, drawing lessons from the history of money market funds, has warned that dollar tokens could entrench the dollar's international dominance, while ECB research has found that a large migration of deposits into stablecoins would weaken bank lending and the transmission of monetary policy, an effect more pronounced in bank-based economies like the euro area[28]. The intuition is sound. The strategic flaw is sequencing. The Union's most sovereign instrument, the central bank digital currency, is also its slowest, while the United States moved in the opposite direction with the GENIUS Act of July 2025, accelerating the expansion of dollar stablecoins[29]. During the years before a digital euro arrives, the dollar token entrenches network effects that, once entrenched, are not easily dislodged. A further contradiction sits inside the public option, because commercial banks fear that a freely held digital euro would drain retail deposits, which is why holding limits have been so central to the negotiation and why the banking sector simultaneously builds its own consortium token[30].

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> The Union's most sovereign instrument, the central bank digital currency, is also its slowest, while the United States moved in the opposite direction… accelerating the expansion of dollar stablecoins.

22. ibid n° 20. See also European Central Bank, non-paper on EU and third-country stablecoin multi-issuance (2025), published on the Council of the European Union's website.
23. ibid n° 3, on the redemption asymmetry of multi-issuer schemes.
24. On the European Commission's signal in October 2025 that it did not share the concerns of the ECB and the ESRB, see Reed Smith, 'EU and third-country stablecoin multi-issuance schemes under MiCAR' (Reed Smith, November 2025).
25. Qivalis and CaixaBank, 'Qivalis, joint venture of a European banking consortium, to launch euro stablecoin in the second half of 2026' (December 2025), recording the nine-bank announcement of 25 September 2025, incorporation in Amsterdam with twelve founding members including BNP Paribas, and the pursuit of De Nederlandsche Bank authorisation. On the expansion to 37 institutions across 15 countries on 20 May 2026, see 'Qivalis expands euro stablecoin consortium to 37 banks' (The Block, May 2026).
26. European Central Bank, 'Eurosystem moving to next phase of digital euro project' (press release, 30 October 2025), recording the Governing Council decision of 29 October 2025, a possible pilot from 2027 and a potential first issuance during 2029, subject to adoption of the Regulation in 2026.
27. ibid n° 3.
28. Isabel Schnabel, 'From money market funds to stablecoins: lessons for central banks' (speech, European Central Bank, 1 June 2026). See C Altavilla, M Boucinha, L Burlon, R Adalid, R Fortes and F Maruhn, 'Stablecoins and monetary policy transmission' (ECB Working Paper No 3199, 2026), and M Ferrari Minesso and D Siena, 'Private money and public debt. US stablecoins and the global safe asset channel' (ECB Working Paper No 3174, January 2026).
29. ibid n° 10.
30. On bank concerns over deposit flight and the centrality of holding limits in the digital euro negotiation, see ibid n° 3.

A critical assessment

MiCA is a serious and, in prudential terms, admirable piece of law. The criticism is not that it regulates too much, but that it confuses two distinct projects and serves neither completely. As a code of conduct for issuers, it protects holders and disciplines reserves. As an instrument of sovereignty, it penalises the dollar without empowering the euro, it demands sovereignty while deferring its most sovereign tool to the end of the decade, and it leaves multi-issuance suspended in institutional disagreement. France crystallises every strand, pioneering the model, hosting the leading compliant issuers of both currencies, and pressing hardest for centralised control.

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> Sovereignty, in digital money as elsewhere, is built. It cannot be decreed.

The deeper lesson, most relevant to readers concerned with developing economies, is that sovereignty in digital money is unlikely to be won defensively. A token achieves systemic relevance through adoption, and adoption follows liquidity, utility and trust, not prohibition. For jurisdictions with weaker monetary credibility the danger is not abstract, because residents facing inflation or capital controls may simply hold dollar tokens, producing a digital dollarisation that no domestic rulebook can reverse after the fact[31].

A path forward

If the diagnosis is that Europe regulates faster than it innovates, the remedy is not to regulate less but to build deliberately while it constrains. Several steps follow from the analysis.

First, sequencing must be corrected. Prohibition without substitution has failed, so the priority is euro liquidity. The Eurosystem's wholesale settlement track, Pontes, in which the Banque de France is closely involved, is due to pilot in the third quarter of 2026 and can give tokenised markets a euro settlement asset in central bank money years before any retail digital euro of 2029, and without draining bank deposits[32].

Second, the Treasury-financing logic should be inverted rather than merely feared. A regulated euro stablecoin whose reserves are invested in euro-area sovereign and high-quality liquid assets would channel savings into European debt and the Capital Markets Union, turning the very mechanism that now finances Washington into one that finances Europe. Defensive containment thereby becomes constructive industrial policy.

Third, multi-issuance should be resolved by structure, not by slogan. Rather than an outright ban that fragments access, the Union could require that the reserves backing any token circulating within it be held and ring-fenced inside the Union, neutralising the redemption asymmetry while preserving interoperability with foreign issuers[33].

Fourth, supervision should be unified. The proposal advanced by the Governor of the Banque de France with the Chair of the AMF, to place pan-European crypto-asset service providers under direct ESMA supervision, would end the divergence among national authorities that arbitrage now exploits[34].

None of these measures suffices alone. Together they describe a coherent posture, an open market disciplined by common rules, served by a credible public settlement asset, and financed in euro for Europe. Sovereignty, in digital money as elsewhere, is built. It cannot be decreed.

31. On currency substitution and digital dollarisation risk in jurisdictions with weaker monetary credibility, see ibid n° 28.
32. ibid n° 17, on the Pontes pilot from the third quarter of 2026.
33. ibid n° 20, contemplating dedicated safeguards as an alternative to treating such schemes as permitted.
34. ibid n° 18.

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MiCAR Implementation, eWpG Practice and the Regulation of DeFi and DAOs

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MiCAR Implementation, eWpG Practice and the Regulation of DeFi and DAOs

Overview

Germany's digital assets regime in 2026/27 is built upon three pillars: EU harmonisation through MiCAR and related regulations; national financial regulatory law applied functionally to token-based models; and corporate and civil law innovations enabling tokenised issuance and governance, most notably the eWpG. Together, these create a clear, if demanding, perimeter for centralised crypto-asset activities and tokenised securities. This framework is paired with a deliberately cautious approach to decentralised finance ("**DeFi**")-financial services built on public blockchain infrastructure that operate through smart contracts with reduced or absent centralised intermediation- and Decentralised Autonomous Organisations ("**DAOs**")-blockchain-based organisational structures governed by rules encoded in smart contracts and typically administered through token-holder voting. Market development remains robust in the tokenisation of real-world assets and institutional custody, whilst retail-facing activities are increasingly channelled through licensed entities subject to stricter marketing and disclosure controls.

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> Germany's 2026/27 digital assets regime creates a clear, if demanding, perimeter for centralised crypto-asset activities and tokenised securities, while maintaining a deliberately cautious approach to DeFi and DAOs.

MiCAR in practice: authorisation, disclosure and ongoing supervision

By 2026, MiCAR's regime for CASPs is fully operational. In Germany, BaFin and the Deutsche Bundesbank coordinate prudential, conduct and operational risk oversight for banks and CASPs within their respective remits. To obtain authorisation, CASPs must demonstrate effective governance, safeguarding of clients' crypto-assets, segregation and reconciliation controls, prudential own funds commensurate with operational risk, and outsourcing frameworks with clear responsibility retention. Conflicts of interest-particularly in vertically integrated models that combine exchange, custody, proprietary trading and market-making functions-remain a central supervisory theme, with structural separation or robust controls required to address them.

White paper obligations for public offerings and admissions to trading require detailed risk disclosures covering protocol risks, governance risks, legal enforceability, custody, key management, liquidity, and market manipulation risks. Liability for misleading or incomplete disclosures attaches to issuers and, where applicable, to platform operators facilitating admissions to trading. For ARTs and EMTs, supervisors scrutinise redeemability, reserve composition, investment rules, and disclosure frequency. Reserve assets must be high-quality and liquid, and conflicts of interest in reserve management must be avoided. Significant tokens-those designated by the EBA as posing heightened risks to financial stability, monetary policy or consumer protection due to their scale or interconnectedness-face enhanced oversight and potentially tighter restrictions on non-bank issuers.

NFTs and utility tokens: MiCAR exclusions and supervisory approach

MiCAR excludes certain categories of crypto-assets from its scope, notably non-fungible tokens ("**NFTs**") and utility tokens providing access to specific goods or services. For NFTs, the exclusion depends on genuine non-fungibility; tokens issued in large series or collections, or those that are effectively interchangeable, may not qualify and could fall within MiCAR's perimeter. BaFin applies a substance-over-form approach, examining whether an NFT functions as a unique digital collectible or whether it is, in economic reality, a fractionalised investment, payment instrument, or means of capital-raising. Where NFTs confer rights to underlying assets, revenue streams, or governance participation, they may be recharacterised as crypto-assets, securities, or financial instruments and subjected to the applicable regulatory frameworks.

Utility tokens granting access to a product or service supplied by the issuer benefit from a lighter-touch regime under MiCAR, with reduced white paper requirements and no authorisation obligation, provided the token is accepted only by the issuer or a limited network. However, this exclusion is narrowly construed: tokens tradable on secondary markets, those conferring speculative or investment characteristics, or those marketed with an expectation of profit may lose their utility token status. In Germany, BaFin's functional analysis also considers whether a utility token might constitute an e-money instrument, payment service, or financial instrument depending on its features and use cases. Issuers must therefore undertake careful legal analysis prior to launch, and ongoing monitoring is advisable where token functionality or market dynamics evolve post-issuance.

ESG and sustainability disclosures

MiCAR requires crypto-asset white papers to include information on the principal adverse environmental and climate-related impacts of the consensus mechanism used to validate transactions. For crypto-assets relying on proof-of-work or other energy-intensive validation methods, this disclosure obligation is material and may influence investor and institutional appetite. The European Securities and Markets Authority ("**ESMA**") has developed regulatory technical standards specifying the content, format and presentation of sustainability disclosures, including quantitative indicators where available. In Germany, institutional investors subject to sustainable finance disclosure requirements under the SFDR and related frameworks increasingly factor the environmental profile of crypto-assets into portfolio construction and due diligence, particularly for funds with ESG mandates or sustainability labels.

Beyond mandatory disclosure, market pressure and reputational considerations are driving adoption of more sustainable blockchain infrastructures. Proof-of-stake and other low-energy consensus mechanisms are increasingly preferred for new tokenised issuances, and some institutional custodians have adopted policies limiting exposure to assets validated through high-energy protocols. For tokenised securities under the eWpG, the choice of underlying DLT infrastructure is often influenced by sustainability considerations alongside performance, scalability and regulatory acceptance. As the regulatory landscape evolves, further integration of sustainability metrics into ongoing reporting and supervisory expectations is anticipated.

eWpG and tokenised securities: issuance, registries and lifecycle

The eWpG's legal foundation for electronic securities has scaled materially. Issuers may choose between central electronic registers (maintained by a central securities depository or other authorised entity) and crypto-securities registers maintained on distributed ledger technology ("**DLT**"). The latter requires a registered crypto-securities register keeper, subject to regulatory authorisation and ongoing supervision, with statutory duties regarding the accuracy, integrity, and availability of the register. Legal equivalence between electronic and paper-form securities allows corporate actions, collateralisation, and transfer of title to proceed on-chain with certainty. Conflict-of-law rules clarify the applicable law based on the situs of the register and the governing law specified by the issuer.

> "Legal equivalence between electronic and paper-form securities allows corporate actions, collateralisation, and transfer of title to proceed on-chain with certainty.

In practice, German issuers leverage private, permissioned DLTs for control and performance, with interoperability solutions enabling interface with custodians, central securities depositories ("**CSDs**") operating under the DLT Pilot Regime, and traditional settlement systems. Liability allocation between the issuer, registrar, and technology providers is delineated both contractually and statutorily, with insurance and indemnities being standard for operational errors. As shares and fund units increasingly fall within the eWpG's scope, corporate law matters-such as voting, meeting formalities, and shareholder rights-are being operationalised through smart-contract-enabled registries, with careful mapping to German corporate law requirements.

Market integrity and surveillance

Germany applies market abuse principles to tokenised securities and expects platforms authorised under MiCAR to emulate the surveillance controls of traditional markets, adapted for on-chain idiosyncrasies such as cross-venue fragmentation, pseudonymous activity, and on-chain information asymmetries. Inside information policies must account for on-chain governance proposals, protocol upgrades, and decisions affecting a token's supply or utility. Surveillance tooling must detect wash trading (the practice of simultaneously buying and selling the same asset to create misleading market activity), spoofing (placing orders with the intent to cancel before execution to manipulate prices), and cross-venue manipulation across both centralised and decentralised liquidity pools. Whistleblowing frameworks and incident escalation pathways are an emerging supervisory focus as more activity migrates on-chain.

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> BaFin has indicated that decentralisation is not a safe harbour; regulatory characterisation is determined by factual control and economic function.

AML/CFT and the crypto travel rule

The integration of the travel rule-the requirement under the TFR for information on originators and beneficiaries to accompany crypto-asset transfers-into German practice has standardised data collection and transmission for crypto-asset transfers. CASPs must screen inbound and outbound transfers for incomplete originator/beneficiary information, manage transfers involving unhosted wallets (also known as self-custodied wallets, where private keys are held directly by the user rather than by a CASP or other intermediary) through risk-based measures, and suspend or reject transfers lacking sufficient information. Banks offering crypto services have harmonised their sanctions screening and transaction monitoring for on-chain activity with existing payment rails, including customer risk-scoring that incorporates wallet heuristics, protocol risks, and typologies such as ransomware, darknet marketplaces, and mixing services (services that pool and redistribute crypto-assets to obscure their transactional history). Whilst cross-border coordination has improved, residual frictions remain with non-EU virtual asset service providers (“VASPs”) not aligned to EU standards.

DeFi: supervisory posture and perimeter issues

No German statute specifically regulates DeFi as such; instead, the supervisory approach is functional and activity-based. Where a protocol or its human promoters perform activities constituting regulated services-deposit-taking, lending, custody, operating a multilateral trading facility (“MTF”, a system bringing together multiple buying and selling interests in financial instruments), portfolio management or placing-licensing and conduct obligations can attach regardless of technological form. If tokens issued or traded through a protocol qualify as securities or financial instruments, prospectus, MiFID II conduct and market abuse regimes may apply. For stablecoin-like instruments deployed via DeFi, MiCAR's ART or EMT rules are implicated where an identifiable issuer exists or where a third party offers the token to the public or seeks admission to trading.

Key supervisory questions include: who exercises control or influence over the protocol; whether front-end operators, governance token holders, or core developers perform regulated intermediation; and whether custody or client asset control is effectively centralised through admin keys, liquid staking (a mechanism whereby users stake crypto-assets through a protocol and receive a transferable token representing their staked position), or vault strategies. BaFin has indicated that decentralisation is not a safe harbour; regulatory characterisation is determined by factual control and economic function. German AML/CFT law can capture DeFi front-ends and facilitators where they act as obliged entities, and MiCAR's CASP perimeter may extend to interfaces that intermediate client orders, safeguard private keys, or charge fees for execution services.

In practice, compliant DeFi models in Germany are moving toward permissioned or semi-permissioned architectures featuring whitelisting, embedded know-your-customer (“KYC”) verification at the interface layer, and governance structures separating protocol parameter-setting from client intermediation. Institutional participation hinges on clarity over liability, the auditability of smart contracts, oracle risk mitigation (oracles being external data feeds supplying off-chain information to smart contracts), and alignment with outsourcing and ICT risk standards under DORA.

DAOs: Corporate law, liability and supervision

DAOs lack an express corporate form under German law. Consequently, they risk being treated as unincorporated associations (*nicht-rechtsfähige Vereine*) or partnerships (*Gesellschaften bürgerlichen Rechts*), with potential joint and several liability for active participants or promoters. Where DAOs issue tokens with economic or governance rights, securities and prospectus considerations arise; where DAOs operate protocols facilitating regulated activities, the individuals who effectively manage or benefit from such activities may be viewed as responsible persons for licensing and compliance purposes. The use of foreign wrappers (e.g., foundations or limited liability companies) to house DAOs does not preclude German regulatory reach where activities target German users or are performed in Germany.

A pragmatic path for DAOs engaging with German markets involves adopting a legal wrapper for limited liability, appointing accountable persons for regulatory interfaces, and segregating protocol governance from client-facing intermediation. Governance tokens offered to the public should be assessed for securities or other financial instrument characteristics, with appropriate disclosures and, where necessary, a prospectus or white paper. AML obligations can attach to the DAO's operational entities, and tax, employment, and consumer protection issues also arise where DAOs remunerate contributors or market services to retail users.

Insolvency and creditor protection

The treatment of crypto-assets in insolvency proceedings has attracted increasing attention as the market has matured and, in some cases, experienced failures. Under German insolvency law (*Insolvenzordnung*), the characterisation of crypto-assets as either assets of the insolvent estate or property held on behalf of clients is determinative of creditor outcomes. Where a CASP or custodian holds crypto-assets on a segregated basis for clients, those assets should in principle be subject to a right of separation (*Aussonderungsrecht*) and not fall into the insolvency estate, provided the segregation is both legally and operationally effective. This requires clear contractual arrangements, technical segregation of wallets and keys, accurate record-keeping, and compliance with MiCAR's safeguarding requirements. Where segregation is deficient or commingling has occurred, clients may instead rank as unsecured creditors with claims against the estate, substantially diminishing recovery prospects.

Recent insolvency cases involving crypto-asset service providers—both in Germany and internationally—have underscored the importance of robust custody arrangements and transparent disclosure of client asset treatment. German courts and insolvency administrators have grappled with practical challenges including tracing on-chain assets, enforceability of multi-signature arrangements, the status of staked or lent assets, and valuation of volatile holdings for distribution purposes. For tokenised securities issued under the eWpG, the register's integrity and the issuer's solvency interact to determine investor protection; the statutory framework provides for the register to serve as evidence of title, but investors remain exposed to issuer credit risk unless additional collateralisation or guarantee structures are in place. Market practice is evolving toward enhanced disclosure of insolvency treatment in client agreements, insurance coverage for custodial failures, and contractual safeguards anticipating administrator scenarios.

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Technology risk, audits and assurance

Smart contract audits, formal verification and continuous monitoring are now expected for material protocols and tokenised issuance infrastructure. Change management around protocol upgrades and key rotations is increasingly supervised, with requirements for multi-signature controls (requiring multiple private key holders to authorise transactions), emergency pause procedures (balanced against decentralisation claims), and disclosure of known vulnerabilities and mitigation strategies. Custody models must evidence segregation, key ceremony controls (the formal procedures for generating, distributing and managing cryptographic keys), hardware security module (“**HSM**”) usage, and robust disaster recovery. Insurance markets for smart contract and custody risks have deepened, though coverage remains carefully circumscribed and contingent on security posture and governance quality.

Institutional custody and Spezialfonds developments

Germany's institutional custody market for crypto-assets has expanded significantly, underpinned by regulatory clarity and the entry of established financial institutions. Banks holding crypto custody licences under Section 1(1a) sentence 2 no. 6 of the German Banking Act (*Kreditwesengesetz*) compete alongside specialist digital asset custodians and international players establishing German-regulated subsidiaries. Institutional demand is driven by asset managers, insurance companies, pension funds and family offices seeking regulated access to digital assets within familiar operational and compliance frameworks. The extension of Spezialfonds—Germany's principal vehicle for institutional investment—to permit allocations to crypto-assets (up to 20 per cent of fund assets under certain conditions) has been a significant catalyst, enabling institutional investors to gain exposure without direct custody or operational complexity.

> "The extension of Spezialfonds to permit allocations to crypto-assets (up to 20 per cent of fund assets under certain conditions) has been a significant catalyst for institutional investment in digital assets."

Custodians are differentiating on the basis of security architecture, insurance coverage, asset breadth, staking and yield services, and integration with traditional securities infrastructure. Interoperability with CSDs operating under the DLT Pilot Regime, connectivity to institutional trading venues, and support for tokenised securities alongside native crypto-assets are increasingly important considerations. Operational due diligence by institutional investors focuses on key management practices, disaster recovery, regulatory standing, and the custodian's financial resilience. As the market matures, consolidation among custodians is anticipated, alongside continued innovation in custody technology, reporting capabilities, and value-added services such as collateral management and on-chain corporate actions processing.

Consumer and investor protection

Retail-facing activities attract heightened scrutiny. Risk warnings must be prominent and specific, fees must be transparent, and marketing materials must be consistent with white papers or prospectuses. Staking, yield products and lending services require careful articulation of risks, including counterparty risk, rehypothecation (the practice of using client assets as collateral for the service provider's own purposes), protocol risks and potential loss of principal. Product governance requires identifying target markets, stress-testing for liquidity and redemption shocks, and implementing distribution controls, particularly for complex or leveraged exposures. Complaints handling and redress mechanisms are relevant both under MiCAR and under general consumer protection law.

Intersections with payments, e-money and tokenised deposits

Banks and electronic money institutions ("**EMIs**") exploring tokenised payment instruments must map carefully between e-money, deposit and crypto-asset categories. Tokenised deposits remain deposits in substance and are supervised accordingly; EMTs issued by non-banks must meet redeemability and safeguarding rules; and privately issued payment tokens may fall within MiCAR, with restrictions on scale for significant tokens and additional obligations if used widely for payments. Interoperability with the Single Euro Payments Area ("**SEPA.**") and card networks raises additional scheme compliance and chargeback considerations. Programmable payments linked to tokenised assets, escrow and conditional settlement continue to be piloted under bank supervision, often leveraging permissioned DLT for compliance and performance.

Cross border and third country issues

MiCAR's passportability-the ability for a CASP authorised in one EU Member State to provide services across the EU without separate authorisation in each jurisdiction-simplifies intra-EU operations. However, third-country firms cannot directly serve EU clients without establishing an EU-authorised entity, barring limited reverse solicitation (where a client independently initiates contact with the service provider without prior marketing or solicitation). Germany applies these restrictions strictly. Outsourcing to third-country service providers-whether for custody technology, cloud services, key management or market surveillance-must satisfy oversight, data protection and exit requirements. For DeFi and DAOs, geofencing (using technical measures to restrict access based on geographic location) and interface-level controls are common approaches to managing EU user exposure where no EU authorisation exists. Cooperation with foreign supervisors on enforcement, sanctions and AML matters has intensified, with cross-border information exchange becoming a growing feature of investigations.

> "Third-country firms cannot directly serve EU clients without establishing an EU-authorised entity, barring limited reverse solicitation.

Outlook: policy and market trajectory for 2026/27

Continued convergence between tokenised securities infrastructure and traditional market infrastructures is expected, alongside broader application of the eWpG to equity and fund instruments at scale, and the crystallisation of MiCAR supervisory practice through enforcement and Level 2 technical standards (the detailed implementing and regulatory technical standards adopted by the European Commission on the basis of drafts prepared by the European Supervisory Authorities). DeFi-facing policy is likely to evolve through guidance, consultations and targeted enforcement rather than statute, focusing on custody, intermediation, disclosures and AML/CFT, with potential future revisions to MiCAR informally referred to as "MiCAR 2". For DAOs, the legal wrapper trend will persist, alongside governance professionalisation and clearer accountability lines. Germany's competitive position will rest on its ability to combine legal certainty with operational scalability-areas where banks and regulated fintechs jointly advancing tokenised issuance, custody and payments appear well placed.

GHANA

THE LEGAL AND REGULATORY FRAMEWORK FOR CRYPTOCURRENCY AND DIGITAL ASSETS IN GHANA: DEVELOPMENTS, CHALLENGES, AND EMERGING TRENDS

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BIO

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Before joining SUSTINERI ATTORNEYS PRUC, he worked with other leading Ghanaian law firms, which helped him gain valuable experience, insights, and a strong foundation in corporate and company law and practice in Ghana.

He advises startups, SMEs, local and multinational companies on regulatory compliance issues relating to incorporation, licensing/ registration with industry regulators, business operations, products, and services, and exit strategies.

Harold is also an avid writer and a regular contributor to the Business and Financial Times (B&FT), Ghana's leading business newspaper. His passion and interest for startups, fintech and innovation has led him to undertake related courses to improve his knowledge and expertise in these new and emerging practice areas. Outside the practice, he serves as the Deputy Director - Legal of the Association of Ghana Startups ecosystem, the leading association representing startups in Ghana.

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THE LEGAL AND REGULATORY FRAMEWORK FOR CRYPTOCURRENCY AND DIGITAL ASSETS IN GHANA: DEVELOPMENTS, CHALLENGES, AND EMERGING TRENDS

SUSTINERI
ATTORNEYS
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Ghana's digital asset ecosystem has evolved rapidly over the past five years, transitioning from informal experimentation to structured regulatory attention. What began as a fringe activity among retail users and online traders has matured into a conversation at the heart of the country's financial policy. The Bank of Ghana (BoG), Securities and Exchange Commission (SEC), Financial Intelligence Centre (FIC), and other agencies are now laying the foundations for a coherent legal and regulatory regime for virtual assets.

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> The new law marks Ghana's transition from simply warning the public about cryptocurrencies to actively regulating and supervising the sector through a structured legal regime.

This evolution has been driven by several local realities. Ghana has one of Africa's highest rates of mobile money usage and digital financial inclusion. Millions of Ghanaians now interact daily with digital payment systems, and the youth-driven appetite for innovation has made the country fertile ground for blockchain-based services, token investments, and cryptocurrency remittances.

The growing presence of local and offshore exchanges, peer-to-peer trading networks, and stablecoin use in remittance flows have pushed the regulatory discussion from caution to constructive engagement.

For years, Ghana's official position on cryptocurrencies was one of warning rather than prohibition. The BoG consistently reminded the public that digital assets were not legal tender and carried significant risks. Yet, behind the caution, regulators understood that crypto and blockchain technology were not disappearing. Informal use continued to rise, prompting a recognition that structured oversight, rather than outright restriction, was the only viable path forward.

In response, the BoG began a phased approach toward regulation: first, through public notices and stakeholder consultations, then through formal drafts. By mid-2024, the Bank issued its *Draft Guidelines on Digital Assets*, marking the most comprehensive attempt yet to bring digital assets into Ghana's financial regulatory framework.

The regulatory shift reached a major milestone in December 2025 when Parliament passed the Virtual Asset Service Providers Act, 2025 (Act 1154), giving Ghana its first dedicated legal framework for virtual assets and digital asset service providers. The new law marks Ghana's transition from simply warning the public about cryptocurrencies to actively regulating and supervising the sector through a structured legal regime.

The transition reflects a broader trend across Africa: governments moving from uncertainty to structured engagement with digital assets. For Ghana, the goal is clear - balance innovation with financial stability, protect consumers, and maintain the integrity of its financial system while positioning itself as a credible jurisdiction for responsible digital finance.

HISTORY AND EVOLUTION OF CRYPTOCURRENCY REGULATION IN GHANA

Ghana's engagement with cryptocurrencies has followed a pragmatic path shaped by the country's broader fintech journey. In the early 2010s, digital payments revolved around mobile money and electronic transfers. The BoG's focus was on licensing and supervising payment service providers under what eventually became the Payment Systems and Services Act, 2019 (Act 987).

At the time, crypto-assets operated in a legal vacuum. There were no clear rules on exchanges, wallet services, or token issuance. The BoG issued repeated cautions that cryptocurrencies were not recognized as legal tender and that trading in them was at the user's own risk. The SEC also warned investors against unregulated investment schemes involving digital coins and token offerings that mimicked securities.

Despite these warnings, usage continued to grow. Crypto became a parallel financial ecosystem used by freelancers receiving payments, small businesses accepting stablecoin transfers, and traders engaging in speculative investment. By 2022, several Ghanaian startups and foreign platforms had begun offering wallet services, exchange platforms, and token-related investment products.

It was at this point that regulators began to shift from skepticism to structured oversight. In 2023, the BoG and FIC started working on a national approach to virtual assets, focusing on anti-money laundering and counter-terrorism financing (AML/CFT) risks. This collaboration laid the groundwork for the 2024 *Draft Guidelines on Digital Assets*, the most detailed regulatory blueprint yet for the Ghanaian crypto market.

By 2025, the BoG had signaled a policy pivot: regulation, not prohibition. The Bank began a registration drive for Virtual Asset Service Providers (VASPs), paving the way for formal licensing under a forthcoming statute. This moment marks Ghana's entry into the next phase of financial innovation, one that recognizes the permanence of digital assets and the need to anchor them within law and supervision.

Many of the key principles introduced in the Draft Guidelines were ultimately incorporated into the Virtual Asset Service Providers Act, 2025 (Act 1154), including licensing requirements for VASPs, AML/CFT compliance obligations, governance and fit-and-proper standards, consumer protection measures, cybersecurity requirements, and ongoing supervisory obligations.

Ultimately, Ghana's evolving regulatory approach reflects the growing recognition that digital assets and blockchain technology are now an increasingly important part of the future global financial system.

REGULATORY ARCHITECTURE AND PRINCIPAL ACTORS

a. Bank of Ghana (BoG)

The Bank of Ghana remains the central pillar of Ghana's financial regulatory framework and is expected to play the dominant role in the supervision of virtual asset activities under Act 1154.

With the enactment of the VASP Act, the BoG's role has now expanded significantly into the regulation and supervision of virtual assets and digital asset service providers.

Under Act 1154, the BoG is empowered to supervise categories of Virtual Asset Service Providers ("VASPs") whose operations involve payment services, exchange services, settlement functions, digital transfer infrastructure, custodial wallet services, and other financial intermediation activities connected to virtual assets. The Bank is also expected to issue prudential standards, operational directives, licensing requirements, cybersecurity controls, and compliance obligations applicable to VASPs operating within Ghana.

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This moment marks Ghana's entry into the next phase of financial innovation, one that recognizes the permanence of digital assets and the need to anchor them within law and supervision.

The BoG's primary regulatory objectives within the virtual asset ecosystem include:

1. Preserving financial stability;
2. Protecting consumers and users of digital asset services;
3. Preventing illicit financial flows and money laundering;
4. Ensuring operational and cybersecurity resilience;
5. Promoting responsible innovation; and
6. Maintaining confidence in Ghana's digital financial ecosystem.

Importantly, following the passage of Act 1154, the Bank of Ghana established the Virtual Assets Regulatory Office ("VARO"), a specialized regulatory office dedicated specifically to the supervision and oversight of virtual asset activities and VASPs.

The establishment of VARO represents one of the most significant institutional developments within Ghana's digital finance regulatory landscape. The Office is expected to serve as the BoG's primary coordinating body for virtual asset licensing, regulatory supervision, compliance monitoring, policy development, stakeholder engagement, enforcement coordination, and technological oversight.

The creation of a dedicated regulatory office is particularly significant because it demonstrates the BoG's recognition that virtual assets present highly specialized technological, prudential, operational, cybersecurity, and cross-border regulatory challenges that require focused institutional expertise beyond traditional banking supervision.

VARO is also expected to coordinate closely with other state institutions involved in virtual asset regulation, including the Securities and Exchange Commission, the Financial Intelligence Centre, the Cyber Security Authority, the Data Protection Commission, and the Ghana Revenue Authority.

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The establishment of VARO therefore signals Ghana's movement toward a more sophisticated and institutionalized model of digital asset supervision comparable to emerging international best practices.

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b. Securities and Exchange Commission (SEC)

The SEC's role arises where digital tokens qualify as securities or investment contracts. Tokens used for fundraising, investment, or offering profit participation rights fall within its jurisdiction under the Securities Industry Act, 2016 (Act 929). The SEC collaborates with the BoG to distinguish between payment-related digital assets (regulated by the BoG) and investment-type tokens (regulated by the SEC).

c. Financial Intelligence Centre (FIC)

The FIC oversees Ghana's compliance with the Anti-Money Laundering Act, 2020 (Act 1044). Under the emerging framework, VASPs will be classified as "accountable institutions," making them subject to customer due diligence, transaction monitoring, and suspicious activity reporting obligations.

d. Data Protection Commission (DPC)

As crypto and blockchain systems process large volumes of personal and financial data, the DPC ensures compliance with the Data Protection Act, 2012 (Act 843). VASPs must maintain data integrity, limit cross-border data transfers to approved jurisdictions, and implement safeguards for user privacy.

e. Other Supporting Agencies

Other regulators including the Ghana Revenue Authority (GRA), National Communications Authority (NCA), and Cyber Security Authority (CSA) also have emerging roles. The GRA is focused on taxation of crypto transactions and income from digital asset trading, while the CSA and NCA oversee cybersecurity and network integrity.

KEY LEGISLATION AND INSTRUMENTS GOVERNING DIGITAL ASSETS

Ghana's developing digital asset regime draws upon existing financial, data, and anti-crime statutes, which now form the building blocks of its crypto regulation:

1. **The Virtual Asset Service Providers Act, 2025** (Act 1154) - The VASP Act represents Ghana's first dedicated legislation specifically enacted to regulate virtual assets and Virtual Asset Service Providers ("VASPs"). The Act establishes the legal basis for licensing, supervision, regulation, operational oversight, compliance enforcement, and institutional coordination within Ghana's digital asset ecosystem.

2. **Payment Systems and Services Act, 2019 (Act 987)** - Governs electronic payments, licensing of payment service providers, and consumer protection in digital finance.

3. **Securities Industry Act, 2016 (Act 929)** - Applies where tokens resemble securities or are used to raise capital.

4. **Anti-Money Laundering Act, 2020 (Act 1044)** - Extends AML/CFT obligations to new financial technologies and will now capture VASPs under the accountable institutions list.

5. Data Protection Act, 2012 (Act 843) - Governs data collection, processing, and privacy obligations for digital service providers.

6. Cybersecurity Act, 2020 (Act 1038) - Establishes obligations for critical information infrastructure, cyber incident reporting, and system resilience.

7. Companies Act, 2019 (Act 992) - Sets out corporate governance and compliance obligations for all companies operating in Ghana, including fintech and digital asset firms.

8. August 2024 Bank of Ghana Draft Guidelines on Digital Assets

9. Current Bank of Ghana policy statements, directives, and regulatory guidance on Virtual Asset Service Providers (VASPs) and fintech innovation.

10. Other relevant legislation and regulatory materials and public policy pronouncements of the BoG as of the date of this opinion.

These instruments provide the scaffolding for the soon-to-be-enacted Virtual Asset Service Providers Bill, which will introduce a specific licensing framework for virtual assets related businesses.

LICENSING AND OPERATIONAL REQUIREMENTS UNDER ACT 1154

The passage of the Virtual Asset Service Providers Act, 2025 (Act 1154) ("VASP Act") represents only the first phase of Ghana's broader transition toward a fully regulated digital asset ecosystem. Since the enactment of the legislation, Ghanaian regulators have increasingly shifted their focus toward operationalization, implementation, institutional coordination, and supervisory enforcement.

Both the Bank of Ghana ("BoG") and the Securities and Exchange Commission ("SEC") have publicly confirmed that additional directives, regulatory instruments, licensing procedures, prudential requirements, and compliance frameworks are being developed to support the implementation of Act 1154.

The VASP Act establishes the legal foundation for the registration, licensing, supervision, and regulation of Virtual Asset Service Providers ("VASPs") operating in or from Ghana. According to the Bank of Ghana, the framework is intended to strengthen anti-money laundering compliance, promote responsible innovation, address cybersecurity risks, enhance domestic regulatory coordination, and improve oversight within the digital asset ecosystem.

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> The passage of the Virtual Asset Service Providers Act, 2025 (Act 1154) represents only the first phase of Ghana's broader transition toward a fully regulated digital asset ecosystem.

The framework applies broadly to various categories of virtual asset services, including:

1. Virtual asset exchanges and trading platforms;
2. Virtual asset issuance activities;
3. Virtual asset tokenization services;
4. Virtual asset brokerage and advisory services;
5. Custodial wallet services;
6. Virtual asset management activities; and
7. Certain blockchain-based securities and investment services.

Act 1154 also provides for the introduction of a regulatory sandbox framework specifically for VASPs operating under Act 1154. The sandbox framework is intended to provide a controlled regulatory environment within which innovative digital asset products and services may be tested under regulatory supervision before full licensing and commercial deployment,

CONSUMER PROTECTION, CYBERSECURITY, AND MARKET INTEGRITY

Consumer protection remains central to Ghana's digital-asset policy. Regulators recognize that retail participation in virtual-asset trading can only be sustained where trust and transparency exist.

1. Consumer Disclosures and Fund Protection

VASPs must clearly explain the risks of digital-asset trading i.e. price volatility, lack of guaranteed returns, and differences between regulated and unregulated products in plain, accessible language. They are also required to keep client assets separate from company funds to ensure recoverability in case of insolvency, with the BoG empowered to set minimum liquidity and reserve standards.

2. Cybersecurity and Resilience

Under the Cybersecurity Act, 2020 (Act 1038) and BoG's *Cyber and Information Security Directive*, VASPs must adopt strong key management, encryption, and disaster-recovery systems. Incidents such as hacks or data breaches must be reported within 24 hours, and regulators may conduct periodic stress tests or on-site inspections to assess resilience.

3. Market Integrity and Financial Crime Controls

The BoG and the Financial Intelligence Centre will enforce strict anti-money-laundering compliance. VASPs must verify customers, maintain transaction audit trails, and observe the FATF "Travel Rule," ensuring sender and receiver details accompany all transfers, a measure designed to enhance traceability and combat illicit finance.

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> Ghana's approach — a hybrid model combining central-bank supervision with securities-law oversight — strikes a careful balance between innovation and control.

TAXATION AND FISCAL POLICY DIMENSIONS

The fiscal implications of digital-asset regulation are increasingly significant. With Ghana's economy digitizing at pace, the Ghana Revenue Authority (GRA) is exploring measures to capture revenue from crypto-related activities.

As Ghana's digital economy expands, the Ghana Revenue Authority (GRA) is moving to capture revenue from crypto-related activities. Profits from trading, exchange operations, or token issuance will likely be taxed under existing laws as capital gains, business income, or corporate tax depending on the nature of the transaction.

Service fees charged by exchanges and wallet providers may attract VAT, while cross-border transactions could trigger withholding tax obligations. The GRA is expected to issue further guidance as the framework matures.

Beyond revenue mobilization, taxation also supports broader fiscal oversight. By formalizing the crypto market, regulators can better track cross-border flows, manage foreign-exchange impacts, and strengthen overall economic governance.

COMPARATIVE CONTEXT AND EMERGING TRENDS

Ghana's trajectory aligns with a broader shift across Africa toward pragmatic regulation of virtual assets. Nigeria, Kenya, and South Africa have all taken similar steps to bring digital-asset activity within existing legal frameworks.

South Africa treats crypto assets as financial products subject to licensing under its Financial Advisory and Intermediary Services regime. Nigeria has now recognized virtual assets and digital assets as securities under their Investment and Securities Act (ISA) 2025 and has since introduced its very own virtual-asset guidelines, the New Rules on Issuance, Offering, and Custody of Digital Assets (the "Digital Assets Rules"). Kenya has also just recently passed its Virtual Assets Service Provider Act to regulate digital assets including cryptocurrencies, in a bid to capitalize on potential investments in the country. Ghana's approach - a hybrid model combining central-bank supervision with securities-law oversight, strikes a careful balance between innovation and control.

Regionally, Ghana's regulatory posture positions it as a credible hub for compliant digital-asset operations in West Africa. The enactment of Act 1154, the BoG's current regulatory sandbox for fintechs and the ongoing e-Cedi pilot already demonstrate its openness to responsible innovation.

Globally, Ghana's direction reflects adherence to Financial Action Task Force (FATF) recommendations and the standards of international bodies such as IOSCO and the Financial Stability Board (FSB). This alignment will not only attract legitimate investment but also strengthen Ghana's reputation within global financial governance circles.

THE ROAD AHEAD: POLICY DIRECTION AND FUTURE OUTLOOK

The next few years will be decisive for Ghana's digital-asset landscape. The move from draft guidelines to enacted legislation will bring clarity to both innovators and investors. Several trends are already emerging:

1. **Formalization of the Market** – Registration and licensing will filter out non-compliant operators, leaving a smaller but more credible pool of VASPs.
2. **Integration with Traditional Finance** – Partnerships between banks, fintechs, and VASPs will deepen, enabling smoother fiat-to-crypto channels and compliant remittance solutions.
3. **RegTech and SupTech Adoption** – Regulators are expected to deploy technological tools for real-time monitoring, blockchain analytics, and risk assessment.
4. **Increased Institutional Participation** – With clear rules in place, institutional investors, insurers, and asset managers are likely to enter the market, adding liquidity and legitimacy.
5. **Cross-Border Collaboration** – Ghana's participation in regional initiatives like the Pan-African Payment and Settlement System (PAPSS) and ECOWAS digital-finance projects will extend regulatory harmonization beyond its borders.

Ultimately, Ghana's goal is not simply to regulate cryptocurrencies but to create a trustworthy digital-asset economy anchored in law, governance, and innovation.

CONCLUSION

Ghana's journey toward regulating cryptocurrencies and digital assets captures the delicate balance between innovation and control that defines modern financial governance. The country's regulators have moved steadily from caution to construction, developing a framework that recognizes digital assets as a permanent feature of global finance while safeguarding the public interest.

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The emerging VASP regime, together with the BoG's guidelines and the SEC's complementary oversight, will transform Ghana's crypto ecosystem from a largely informal space into a structured, supervised industry. It is a pivotal moment that will determine how the next decade of digital finance unfolds.

If successfully implemented, Ghana will not only protect its financial system but also position itself as a regional leader in responsible crypto innovation proving that with foresight, pragmatism, and collaboration, regulation can be an enabler, not a barrier, to progress.

INDIA

Blockchain and Digital Assets in India

PWC

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BIO

Rajesh Dhuddu is a prominent figure in the field of Emerging Technologies, particularly known for his work in Blockchain, Metaverse, AI and Cybersecurity.

He currently leads Emerging Tech Practice at PwC and a member of the leadership team at iDAC (Intelligent Data, Analytics and Cloud) responsible for shaping the thought leadership & Go To The Market initiatives in these technologies.

Prior to joining PwC, he was SVP and Global Head of Emerging Tech Practice at Tech Mahindra. In that role, he was responsible for leading initiatives in blockchain technology, web 3.0, cybersecurity cognitive tech & metaverse, focusing on creating business use cases and ecosystems around these technologies.

Before joining Tech Mahindra, Rajesh founded a payment processing company at Quatrro (promoted by Serial Entrepreneur Raman Roy) that integrated with major financial networks like Mastercard, Visa & NPCI. This venture marked the beginning of his deep involvement in the fintech and blockchain space.

Dhuddu has been recognized globally for his contributions to Emerging Technology. He is listed among the top 100 blockchain influencers by Lattice80 and has been part of the World Economic Forum's Expert Network on both cybersecurity and blockchain. He has been awarded CXO Innovator of the Year, Most Inspiring Web 3 leader, Top 200 Technology Leaders in Asia and featured 3 times in a row in Forbes Blockchain 50 companies.

Additionally, he played a significant role in industry groups and educational initiatives, such as the Blockchain Special Interest Group at Nasscom and advisory roles at institutions like IIM Ahmedabad. Overall, Rajesh Dhuddu's work focuses on leveraging emerging technologies to drive digital transformation and solve real-world problems across various industries.

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BIO

Pramod Mishra is a Director at PwC India and leads Tokenisation and Programmable Money initiatives within the Emerging Technologies practice. He is one of the country's leading practitioners in trusted digital infrastructure, blockchain, digital assets, Digital Public Infrastructure (DPI), and emerging technologies.

Over the past 16 years, he has worked at the intersection of technology, policy, and institutional transformation, helping governments, regulators, financial institutions, and global enterprises design systems that enable trusted, transparent, and resilient exchange of value.

In 2017, he co-founded and established PwC India's blockchain lab, leading its evolution into one of the firm's flagship cross-sector innovation practices. His work spans multiple jurisdictions, including India, the United Kingdom, Europe, the Middle East, Japan, Australia, and North America, where he has contributed to initiatives in digital assets, tokenisation, central bank digital currencies (CBDCs), regulated settlement networks, digital identity, sustainability, and public digital infrastructure.

Pramod has played a key role in architecting blockchain-enabled initiatives for India's carbon market, designing digital asset and custody solutions for global financial institutions, establishing a Digital Asset Centre of Excellence for a leading UK bank, and delivering first-of-their-kind solutions across financial services, sustainability, supply chains, trade finance, citizen services, healthcare, digital provenance, and public sector transformation. His work has consistently focused on translating emerging technologies into scalable, trusted, and measurable outcomes.

His perspective has been shaped by working across diverse sectors, institutions, and cultures, reinforcing a simple belief: technology alone does not transform systems — trust does. He believes the next decade of innovation will be defined by the convergence of Digital Public Infrastructure, digital assets, AI, and programmable financial systems, enabling economies that are more transparent, resilient, and inclusive.

A frequent speaker, advisor, and contributor to national and global initiatives, Pramod is passionate about architecting technologies that create lasting public value. His philosophy is captured in a principle that continues to guide his work: "Trust cannot be claimed. It must be architected."

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BIO

Arjun comes with over a decade of experience working in various sectors in the startup space including sports management, peripheral education and public funding. He has been involved in the Web3 ecosystem, over the last 6 years. His experience is primarily in Business Development, Account Management, Sales Strategy and Operations.

Currently Arjun works as an Associate Director in the Emerging Tech team at PwC, responsible for GTM, BD, Ecosystem & Partnerships.

Prior to joining PwC, Arjun was the Head of BD & Marketing at RocketX Exchange, driving the B2B business for the company. He was successful in strategizing the GTM plan for the new products launched for the B2B business. He successfully onboarded major blockchains such as Ava Labs, Polygon, Sui Protocol and others, and other Web3 projects such as Buk.com, Liminal, CoinDCX and many more to the RocketX platform.

Arjun also comes with expertise in evaluating and helping startups access grants and funding from the European Union and from private investors in the European market.

Arjun holds a PGDM degree from the Indian School of Business (ISB), Hyderabad and is a Computer Applications Graduate from Bangalore University. He actively contributes and participates in the Blockchain and AI, Tech and Consulting SIG's at ISB.

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Blockchain and digital assets have moved from a peripheral innovation theme to a core policy and market-infrastructure agenda for central banks, regulators and financial institutions. By the end of 2025, stablecoins had reached a market capitalization of roughly USD 305.4 billion, underscoring why they now feature in mainstream financial-stability discussions. Tokenized real-world assets are projected to reach USD 30 trillion by 2034. Nearly every major central bank is in advanced stages of designing or piloting a Central Bank Digital Currency (CBDC). Against this backdrop, India occupies a position that is both remarkable and unresolved.

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> India may become the first large economy to operationalize programmable public finance at population scale.

Chainalysis ranked India first in its 2025 Global Crypto Adoption Index, signalling that grassroots usage remains significant even under a restrictive domestic policy stance . The Indian crypto market is valued at USD 3.98 billion in 2025 and projected to reach USD 15 billion by 2035. India’s Web3 developer community is already the second largest globally, comprising approximately 11.8% of all crypto developers worldwide, and is expected to become the largest by 2028. More than 1,000 Web3 startups are active across the country. Global equity markets are USD 100 trillion, bonds USD 120 trillion, and real estate approximately USD 300 trillion - tokenizing even a fraction of these markets represents an opportunity that India cannot afford to cede to competing jurisdictions.

Yet India entered 2026 without a dedicated, comprehensive digital-asset statute; instead, the current perimeter is assembled through tax, AML and reporting rules rather than a single market-conduct framework. The regulatory architecture remains contested, with the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), and the Finance Ministry yet to converge on a unified framework. The country’s extraordinary technology base and user adoption are running ahead of the governance structures required to channel them productively. This chapter examines India’s digital asset landscape across three dimensions - technology and infrastructure, regulatory architecture, and risk management - and assesses what the next phase must look like.

The Digital Rupee: From Pilot to Programmable Finance

India’s most consequential public-sector digital-asset initiative is the Reserve Bank of India’s Central Bank Digital Currency, the e₹. Launched in November 2022 for wholesale markets and December 2022 for retail, the e₹ has progressed with the methodical rigor one would expect of a sovereign monetary experiment. The e₹ pilot has scaled steadily since its 2022 launch. As at end-March 2025, the retail pilot covered 17 banks and 60 lakh users; by November 2025, government materials reported 82 lakh users and 11 lakh merchants, and the RBI’s April 2026 FAQ states that 19 banks currently offer e₹ wallets. What differentiates the Indian e₹ pilot is the RBI’s explicit focus on programmability: funds can be conditioned by parameters such as expiry date, geo-location, merchant category and designated counterparty. The e₹ is not being designed merely as a digital version of the Rupee, it is being engineered as a platform for purpose-driven, condition-bound, smart-contract-enabled money. Publicly available RBI material confirms that programmability is being explored across DBT schemes, interest-subvention schemes, lending and purpose-bound allowances. If you wish to retain state-level examples, they should be individually sourced; otherwise, use the verified Digital Food Currency pilot announced in February 2026 as the concrete illustration. These are not pilots in the academic sense - they are live, operational deployments of programmable sovereign money at scale. India may become the first large economy to operationalize programmable public finance at population scale.

On the wholesale side, the October 2025 launch of deposit tokenization via the Unified Markets Interface (UMI) marks a qualitative leap. The UMI is the RBI’s next-generation financial market infrastructure - a platform to tokenize financial assets including certificates of deposit (CDs), government securities and eventually bonds, with settlement occurring in wholesale CBDC. Early results from the inaugural CD issuance pilot, as noted by RBI Governor Sanjay Malhotra at the Global Fintech Fest 2025, demonstrate measurable improvements in settlement efficiency and counterparty risk reduction. Cross-border dimensions are also material, but the chapter should distinguish between them carefully: Project Nexus is a BIS-led initiative to connect domestic instant payment systems, not a CBDC pilot, while any separate CBDC-linked bilateral experiments should be explicitly sourced or omitted.

Tokenization: Building the Institutional Stack

Beyond the CBDC, India's tokenization landscape is beginning to acquire institutional depth. In financial markets, the Indian Banks' Digital Infrastructure Company (IBDIC) has deployed a live, production-grade blockchain platform that tokenizes MSME supplier invoices, enabling participating banks to extend affordable supply chain credit. This platform exited the RBI's regulatory sandbox in 2025 and is now operational — a landmark that demonstrates India's capacity to move from proof-of-concept to production in blockchain-enabled finance.

Market infrastructure players are actively exploring DLT-based issuance and settlement. The National Stock Exchange (NSE), National Securities Depository Limited (NSDL), Central Depository Services Limited (CDSL), Clearing Corporation of India Limited (CCIL), and IBDIC are each evaluating distributed ledger approaches to securities issuance, settlement and collateral management. The International Financial Services Centres Authority (IFSCA) at GIFT City, India's international financial hub, is advancing tokenization through its regulatory sandbox and as a member of the Global Financial Innovation Network (GFIN), with real estate tokenization and digital securities issuance as priority areas. The National Payments Corporation of India (NPCI) is assessing programmable money and DLT integration with UPI and existing payment rails.

In non-financial markets, the ambitions are even larger. The Maharashtra government has announced plans to tokenise up to ₹50 trillion in dormant real estate assets, a programme that would, if implemented successfully it could redefine how emerging economies unlock dormant public and private assets through blockchain based ,asset tokenization . India's carbon market, established under the Energy Conservation (Amendment) Bill 2022 following COP26 commitments, is being actively shaped by the Bureau of Energy Efficiency, the Ministry of Power, NTPC, and the Power Exchange India Limited (PXIL) as a framework suited to blockchain-enabled tokenization of carbon credits. India's asset tokenization market is estimated at USD 122 million in 2025 and projected to reach USD 222 million by 2032 at an 8.9% CAGR, though these figures likely understate the medium-term scale given the Maharashtra programme alone.

Undergirding all of this is India's extraordinary Digital Public Infrastructure (DPI) stack: Aadhaar for identity, UPI for payments (processing 20 billion transactions and ₹25 trillion monthly as of August 2025), Digi Locker for document management, and the Account Aggregator framework for data portability. This DPI layer provides a compliance-grade, scalable foundation for tokenization that few other jurisdictions can match. Card tokenization has already reached 910 million tokens created by December 2024, with over 3.2 billion transactions processed since launch - a demonstration of India's capacity to execute token-based financial infrastructure at population scale.

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> India's Digital Public Infrastructure provides a compliance-grade, scalable foundation for tokenization that few other jurisdictions can match.

The broader resilience of India's financial system provides an important foundation for future tokenized market infrastructure. The RBI's June 2026 Financial Stability Report highlights strong capitalisation, improving asset quality and robust liquidity across banks and non-bank financial institutions, reinforcing the conditions necessary for the safe adoption of emerging digital asset and tokenization models.

REGULATORY ARCHITECTURE: STRUCTURED AMBIGUITY

The Current Perimeter

India's regulatory framework for digital assets is best described as structured ambiguity - a set of targeted interventions through tax, anti-money laundering, and reporting frameworks that define compliance obligations without providing the comprehensive legal clarity that markets require. Unlike the EU's Markets in Crypto-Assets Regulation (MiCAR), which became fully applicable in December 2024, or Singapore's Payment Services Act which provides a licensing framework for digital payment tokens, India has not enacted dedicated digital asset legislation.

Three pillars define the current perimeter. First, classification: crypto assets and NFTs are classified as Virtual Digital Assets (VDAs) under Section 2(47A) of the Income Tax Act 1961, as introduced by the Finance Act 2022, with the Finance Bill 2025 expanding this definition to include all crypto-assets broadly, effective April 2026. Second, AML and countering the financing of terrorism (CFT): under the Prevention of Money Laundering Act 2002, VDA service providers are designated as Reporting Entities subject to FIU-IND oversight. As of 2025, 49 VASPs are registered, with cumulative penalties of approximately INR 28 crore issued for non-compliance. India has also implemented FATF Recommendation 16 (the Travel Rule), requiring VASPs to collect and transmit originator and beneficiary information on transactions. Third, tax and reporting: a 30% flat tax on VDA gains with no loss set-off or carry-forward, a 1% tax deducted at source on transfers exceeding INR 10,000, and from April 2026, mandatory crypto transaction reporting under the new Section 285BAA with penalties of INR 200 per day for late filing and INR 50,000 for incorrect reporting.

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> India is increasingly an outlier in failing to resolve the regulatory impasse on digital assets.

Global regulatory priorities continue to evolve toward implementation and supervision of digital asset frameworks. The RBI's June 2026 Financial Stability Report notes that international standard-setting bodies have advanced work on digital assets as part of broader financial stability and resilience initiatives, reflecting the continued mainstreaming of digital assets within regulatory agendas worldwide.

The Regulatory Impasse and the Path Forward

The defining challenge of India's regulatory moment is the impasse between the Finance Ministry and the RBI. SEBI has proposed a multi-regulatory framework in which it serves as the primary supervisor for crypto exchanges, with the RBI retaining jurisdiction over cross-border transactions, foreign exchange implications and monetary dimensions. The Finance Ministry has been engaged in preparatory consultations ahead of Union Budget 2026-27. The RBI, however, remains institutionally opposed to comprehensive crypto regulation, on the grounds that doing so confers undue legitimacy on private crypto assets. A government document reported by Reuters in September 2025 reflected this view, noting that Indian investors held approximately USD 4.5 billion in digital assets but that this level of exposure did not yet pose systemic risks.

The consequences of this impasse are visible and measurable. A long-awaited discussion paper from the Department of Economic Affairs (DEA) on crypto regulation - promised publicly at least five times between 2024 and early 2026 - remains unpublished as of April 2026. The Supreme Court has expressed dissatisfaction with the regulatory vacuum, warning that the absence of legislation has enabled financial misconduct and flows resembling hawala. The Delhi High Court, in January 2025, sought formal responses from the RBI, SEBI and the Ministry of Finance on VDA regulation following a public interest petition - a signal that judicial pressure on the executive is mounting.

India is not alone in navigating this complexity, but it is increasingly an outlier in failing to resolve it. The PwC and Citi 'Digital Dollars' report (2025) characterizes stablecoins as experiencing a 'ChatGPT moment' - a point at which the technology crosses from niche interest to board-level strategic agenda. The report notes that the capital markets use case - stablecoins as settlement instruments - holds significant, largely unexplored potential. For India, with its massive remittance flows, its UPI-anchored payments ecosystem, and its stated INR internationalization ambitions, the strategic case for a clearly articulated stablecoin policy is not merely compelling - it is urgent.

The Economic Survey 2025-26 hinted at regulatory backing for stablecoins. Commerce Minister Piyush Goyal publicly noted in 2025 that India would introduce a digital currency "somewhat like the stablecoins the USA has announced". Finance Minister Nirmala Sitharaman has acknowledged that stablecoins are rapidly transforming global finance. These signals suggest political will exists at the executive level; what remains missing is regulatory alignment. India is among 52 countries adopting the OECD's Crypto-Asset Reporting Framework (CARF) by 2027, which will substantially expand data-sharing and compliance obligations regardless of whether domestic legislation is enacted. International pressure, if not domestic political will, may ultimately force resolution.

RISK MANAGEMENT: NAVIGATING INDIA'S SPECIFIC EXPOSURES

Cybersecurity and Custody Risk

The most visceral risk event in India's digital asset history occurred in July 2024, when WazirX - one of the country's largest cryptocurrency exchanges by trading volume - suffered a cyberattack resulting in losses exceeding USD 200 million, the largest exchange breach in Indian history. The attacker exploited vulnerabilities in WazirX's multi-signature wallet infrastructure, draining assets across multiple token classes. The episode exposed a structural gap that characterizes much of India's digital asset market: exchanges operating without mandatory cybersecurity standards, cold storage requirements, client asset segregation rules, or insurance mechanisms of any kind.

The aftermath was as instructive as the breach itself. WazirX, incorporated in Singapore, proposed a restructuring plan before Singapore courts - a plan that Indian investors challenged through domestic litigation, creating a multi-jurisdictional enforcement tangle that remains unresolved. The RBI, when asked by the Delhi High Court for its position on VDA regulation in the context of this and similar risks, declined to assert regulatory authority over VDA platforms. The court's observation that this was "unfortunate" given the systemic risk exposure is a fair assessment.

For institutional players entering or considering India exposure, the WazirX case functions as a definitive data point on operational risk in an unregulated custody environment. The risk management implication is clear: until India enacts mandatory custodial standards - encompassing cold storage minimums, proof-of-reserve obligations, client asset ring-fencing, and insurance requirements - institutional exposure should be routed through regulated entities with explicit custody frameworks, such as those operating under IFSCA's GIFT City framework.

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> The WazirX cyberattack — with losses exceeding USD 200 million — exposed critical gaps in India's digital asset custody and cybersecurity standards.

The increasing digitisation of financial services is expanding cybersecurity vulnerabilities across the financial system. RBI's June 2026 Financial Stability Report identifies cyber risk as an emerging source of financial instability, with AI-enabled cyberattacks and third-party technology dependencies presenting significant concerns for regulated institutions. As digital asset ecosystems become more interconnected and infrastructure-intensive, operational resilience, cyber controls, and technology governance are likely to become critical pillars of institutional digital asset adoption.

Market and Systemic Risk

India's punitive tax framework has materially reshaped its domestic digital asset market - and not entirely in the direction regulators intended. The 30% flat tax rate and 1% TDS introduced in 2022 reduced on-exchange trading volumes dramatically, with monthly volumes stabilizing at USD 1.5 to 2 billion, a fraction of pre-tax highs. The unintended consequence is that significant activity has migrated to offshore exchanges, peer-to-peer platforms, and OTC channels that are less visible to domestic regulators and more exposed to manipulation, fraud, and money laundering. The Income Tax Department's issuance of over 44,000 tax notices to individuals in 2025 for unreported VDA transactions is evidence that the migration is occurring at scale.

The prohibition on SEBI-regulated funds from digital asset exposure creates a parallel systemic risk: it prevents the development of an institutional-grade, regulated investment market in India, while India's retail investors remain exposed to unregulated exchange risk. The absence of regulated custody, fund structures, and market-making in digital assets means that Indian markets lack the liquidity depth, price discovery mechanisms, and investor protection infrastructure that comparable jurisdictions - Singapore, Hong Kong, the UAE - are actively building.

Legal and Operational Risk

> India is uniquely positioned to participate in and shape the global transformation of blockchain and digital assets.

India's legal system has not yet produced authoritative guidance on several questions that are foundational to institutional digital asset activity. The enforceability of smart contracts under the Indian Contract Act 1872 has not been tested before a superior court. The treatment of tokenized securities under the Securities Contracts (Regulation) Act and SEBI regulations is unresolved. The legal character of a tokenized real estate title under the Transfer of Property Act or the Registration Act is uncertain. For enterprises deploying blockchain in supply chain, trade finance, or treasury applications, this legal uncertainty translates directly into unquantifiable contract risk and limits the scale of deployment that risk-averse institutions are willing to authorize.

Cross-jurisdictional operational risk is also elevated, as the WazirX case demonstrates. India's AML framework applies extraterritorially in principle - FIU-IND has issued notices to offshore exchanges serving Indian residents - but enforcement against entities without Indian registration remains practically limited. Compliance officers at multinational banks with Indian operations should treat India's digital asset regulatory environment as a 'watch and prepare' jurisdiction: building internal frameworks now in anticipation of a regulatory inflection point that appears increasingly imminent.

PWC INDIA'S PERSPECTIVE

Blockchain and digital assets in India are transitioning from a phase of experimentation to becoming a foundational element of the country's next-generation financial infrastructure. As tokenization gains momentum globally - driven by increasing institutional participation, evolving market infrastructure, and the digitization of real-world assets - India is uniquely positioned to participate in and shape this transformation. The country's success in building population-scale digital platforms has created a strong foundation for extending innovation beyond digital payments to programmable money, tokenized assets, and new models of value exchange.

A key differentiator in India's journey is the strength of its Digital Public Infrastructure (DPI) ecosystem, which provides trusted digital identity, real-time payments, and secure data-sharing capabilities at unprecedented scale. These foundational layers create the conditions for an interoperable and sovereign digital asset ecosystem where tokenized instruments, programmable financial products, and regulated settlement mechanisms can coexist seamlessly. Emerging initiatives such as NPCI's open-source Drunix framework further reinforce this direction by enabling scalable distributed ledger infrastructure aligned with India's public-digital-infrastructure philosophy. Together, these developments have the potential to accelerate the adoption of production-grade tokenization use cases across the financial sector.

Looking ahead, the realization of this opportunity will depend on the continued alignment of technology innovation, regulatory clarity, governance frameworks, and risk management practices. Institutions that can successfully navigate these dimensions while leveraging India's digital foundations will be best positioned to unlock value from blockchain and digital assets, helping drive a more efficient, inclusive, and resilient financial ecosystem.

PWC INDIA – EMERGING TECHNOLOGY PRACTICE

PwC India's Emerging Technology practice within the Cloud Engineering and Data Analytics (CEDA) division clients on blockchain, digital assets and adjacent technologies through work spanning strategy, operating-model design, compliance transformation, tokenization readiness and implementation support. In the India context, the most relevant capabilities are CBDC readiness, digital-asset governance, control design, regulatory-operating-model alignment and enterprise DLT deployment. Our multidisciplinary team brings together technology architects, regulatory strategists, risk advisors and deal specialists to help clients navigate the digital asset landscape - from enterprise DLT deployment and CBDC readiness to VDA compliance frameworks, tokenization strategy, and Digital Assets Centre of Excellence design and build. PwC has supported leading global financial institutions in designing 2030 digital asset strategies, building DA CoE capabilities, and deploying production-grade blockchain infrastructure for trade finance, FX liquidity management, and cross-border settlement.

INDONESIA

Key Development and Trends of Digital Financial Asset Industry in Indonesia

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BIO

Abi's practice covers a broad range of corporate and commercial areas, including mergers & acquisitions, restructuring, joint ventures, and foreign investment. He has been involved in numerous cross-border acquisitions and investments in companies from various industries including banking, financial services, manufacturing, information technology, e-commerce, and financial technology (Fintech). He also advises foreign investors on operations, corporate governance, and legal compliance, advising, whether at the outset of their investment or in connection with the compliant functioning of their ongoing businesses.

Abi is recognized for his in-depth knowledge of financial services and information technology sectors, having advised local and multinational financial institutions (multi-finance, insurance, and venture capital companies), tech players, and investors in investing and consolidating operations in Indonesia. He advises clients across the Fintech ecosystem from start-ups to large technology companies, tech investors, financial institutions as well as industry associations. Abi also counsels clients on Data Protection and Privacy, Blockchain technology, and Cryptocurrency.

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Yoga specializes in advising on tech-related legal matters. While he handles a variety of areas of legal practice, Yoga mainly focuses his practice on representing Indonesian and multinational clients in merger and acquisition transactions, personal data protection/data privacy, technology, fintech and payment system, e-commerce, and general corporate legal matters.

He has an in-depth understanding of regulatory frameworks as well as extensive industry best-practice knowledge in the field of personal data protection and tech-industry.

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Andrew specializes in personal data protection/data privacy compliance, fintech, payment services, e-commerce regulations, and other tech related legal matters. Andrew also has experience in advising clients on employment, anti-bribery/corruption, and general corporate compliance issues as well as assisting multinational clients in conducting internal investigations and cross-border M&A.

Prior to joining ATD Law, Andrew previously assisted as an intern at one of the reputable law firms in Indonesia that specializes in dispute and arbitration matters. Andrew holds a bachelor's degree in law (S.H.) from Universitas Prasetiya Mulya. Andrew is fluent in both English and Bahasa Indonesia.

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Key Development and Trends of Digital Financial Asset Industry in Indonesia

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1. The Reform of Indonesia's Digital Financial Asset Regulatory Framework and Recent Market Developments

Indonesia's digital financial asset market began as a commodity-style trading ecosystem. Digital financial assets were supervised by the Commodity Futures Trading Regulatory Agency (*Badan Pengawas Perdagangan Berjangka Komoditi* "**Bappebti**") under the Ministry of Trade and the market was designed around licensed trading, a central exchange, clearing, and custody infrastructure rather than around securities issuance or payment use.

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> Consumer accounts reached 21.37 million in March 2026, while monthly spot crypto transactions reached Rp22.24 trillion and digital financial asset derivative transactions reached Rp5.80 trillion.

That architecture underwent a reform in substance when the Financial Sector Development and Strengthening Law (as lastly amended by Law No. 4 of 2026) provided the mandate to transfer regulatory and supervisory authority over digital financial assets, including crypto assets and their derivatives, from Bappebti to the Financial Services Authority (Otoritas Jasa Keuangan "**OJK**"). Implemented through Government Regulation No. 49 of 2024, Bappebti formally transferred regulatory and supervisory authority to OJK on 10 January 2025. The transition was intended to apply the principle of "same activities, same risks, same regulation," deepen integrated financial markets, and preserve consumer confidence.

The result is not a simple rebranding of crypto from "commodity" to "finance," but a more deliberate institutionalisation of the market to align with financial services practices. Crypto assets remain "assets" rather than legal tender or privately issued money, but the shift under OJK imports financial-sector discipline and compliance into digital asset activity. The supervision under OJK introduces items such as fit-and-proper governance, market conduct, consumer asset segregation, consumer protection, personal data protection, cyber and operational resilience, AML/CFT/CPF controls, and a more capital-markets-like division between exchange, clearing, custody, and trading intermediaries into the digital financial asset market.

Indonesia's digital financial asset market is not experimental in scale and has grown significantly. OJK reported that, as of March 2026, 1,464 crypto assets and 77 digital financial asset derivatives were tradeable in Indonesia. OJK had approved 31 entities in the crypto trading ecosystem: two exchanges, two clearing and settlement guarantee institutions, two custodians, and 25 digital financial asset traders. Consumer accounts reached 21.37 million in March 2026, while monthly spot crypto transactions reached Rp22.24 trillion and digital financial asset derivative transactions reached Rp5.80 trillion.

A significant structural development occurred in January 2026, when OJK granted PT Fortuna Integritas Mandiri, operating as ICEx, a business licence as a digital financial asset exchange effective 5 January 2026. ICEx operates within ICEx Group, a vertically integrated ecosystem comprising the exchange itself, Crypto Asset Clearing International (CACI) for clearing/settlement, and International Crypto Custodian (ICC) for digital financial asset custody and management, each independently licensed by OJK. ICEx Group was established by a consortium of eleven of Indonesia's largest licensed digital financial asset traders, which raised approximately IDR 1 trillion (approximately USD 70 million) to build such infrastructure. This model creates a vertically coordinated infrastructure group within the digital financial asset market: exchange, clearing and custodian under a common ecosystem, though each function remains separately licensed and supervised.

Tax policy has also shifted in a more financial-market direction. In July 2025, the Ministry of Finance and Directorate General of Taxes announced PMK 50/2025, PMK 53/2025, and PMK 54/2025, effective 1 August 2025. The tax authorities explained that crypto assets had moved from commodity status to digital financial asset status under the P2SK Law and were now treated as assets equivalent to securities, meaning that crypto asset transfers were no longer subject to VAT. However, income from crypto asset transactions remains subject to final Article 22 income tax, with rates of 0.21% for transactions through domestic electronic trading system operators and 1% for transactions through foreign operators. This reform reduces one source of domestic cost friction, although offshore leakage will remain a live issue while unlicensed platforms offer lower explicit fees or broader markets.

2. Regulatory Framework and Market Infrastructure

Indonesia's current framework on digital financial asset industry is anchored by OJK Regulation No. 27 of 2024 on the Organization of Digital Financial Asset Trade Including Crypto Assets ("**POJK 27/2024**"), amended by OJK Regulation No. 23 of 2025 ("**POJK 23/2025**"), with OJK Circular Letter No. 20 of 2024 ("**SEOJK 20/2024**") and OJK Circular Letter No. 34 of 2025 ("**SEOJK 34/2025**") providing implementation detail on notifications, asset-list evaluations, fit-and-proper processes, business plans and reporting obligations. OJK stated that POJK 23/2025 was introduced because digital financial assets had developed as investment instruments and because new products resembling conventional financial instruments, including digital financial asset derivatives, required stronger scope and role definition for market operators.

Additionally, OJK Regulation No. 3 of 2024 on Organization of Technology Innovation in Financial Services, which regulates the broader financial sector technology innovation framework, also includes digital financial services within its regulatory scope. This means that innovation in digital financial asset activities can be routed through OJK's regulatory sandbox process where appropriate.

The abovementioned regulatory framework deliberately separates the digital financial asset market into layers. There are three back-end layers (consisting of the exchange, clearing and settlement guarantee institution, and custodians) and a single retail-facing layer (the digital financial asset traders).

The exchange provides the trading platform, supervises trading, maintains the list of tradeable digital financial assets and may take action to secure transactions or prevent manipulation. The exchange must be a limited liability company established by at least 11 unaffiliated limited liability company shareholders (with the majority of such companies having engaged in digital financial asset activities for at least 3 years), and it must have paid-up capital of at least Rp1 trillion. Shareholding is dispersed: each shareholder is generally capped at 20%, while a company with foreign shareholding is capped at 10%, with aggregate foreign-owned company shareholding limited to 40%.

The clearing and settlement guarantee institution is the second layer. It provides settlement guarantee and clearing infrastructure and must have paid-up capital of at least Rp500 billion. Its system must be accurate, secure, online, real-time, and compatible with the systems of the exchange, custodian, and traders. Foreign-linked ownership is also constrained, with each foreign-shareholding company limited to 10% and aggregate foreign-linked shareholding limited to 40%.

The custodian layer (wallet providers) is intended to make digital asset safekeeping independent from trading activity. A custodian must maintain layered security infrastructure, segregated storage for each trader, records that support audit by OJK, the exchange, and the clearing institution, and risk mitigation mechanisms to ensure asset safety. The custodian is also responsible for any loss of digital financial assets it stores.

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The retail-facing layer is the digital financial asset trader. Traders are the entities through which consumers buy, sell, exchange, store and transfer digital financial assets. They must have paid-up capital of at least Rp100 billion and must maintain organisational, technology, legal, complaint-handling, client support and finance functions. Their permitted activities include exchange between digital financial assets and rupiah, exchange among digital financial assets, storage of consumer assets and transfers between wallets; they may also facilitate digital financial asset derivative transactions on an approved exchange under the amended rules.

OJK has complemented this licensing structure with a public whitelist. In December 2025, it released a list of licensed or acknowledged traders and prospective traders, urging the public to transact only through listed entities and warning that unlisted platforms are unlicensed and outside OJK supervision.

3. Trading Mechanics Practices

Indonesia does not adopt a purely open digital financial asset listing model. The exchange determines the list of digital financial assets that may be traded, and operators are prohibited from trading assets outside the exchange list. SEOJK 20/2024 requires periodic evaluation of the digital financial asset list and reporting of evaluation results to OJK, while traders must notify OJK before commencing or ceasing trading in a particular crypto asset. This creates a curated market, with the exchange performing a quasi-gatekeeping role and OJK retaining a regulatory backstop.

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Customer onboarding is similarly controlled. POJK 27/2024 allows both individuals and legal entities to become trader customers, but legal entities must be domiciled in Indonesia and may trade only for investment purposes, not as a means of payment settlement or fund transfer. Traders must have an online customer onboarding system which can guarantee the confidentiality of customer data. Traders may open only one account per customer after identification, KYC process, and verification. The identity verification process must use regulatory technology, including facial recognition with liveness features integrated with biometric data. Traders must also be connected to population administration data maintained by the Ministry of Home Affairs. Strict rules are also applicable to the customer onboarding process itself. Customers are required to fill their data by themselves. Traders are not allowed to fill in the customer onboarding process and must provide information to prospective customers regarding the risk of price fluctuations, system failure, as well as other risks which entails crypto asset trading. OJK has the authority to audit each trader’s onboarding system.

4. AML/CFT and Consumer Protection Governance

OJK’s framework places AML/CFT/CPF compliance at the centre of market legitimacy. Traders must apply AML, counter-terrorism financing and counter-proliferation financing programmes, and digital asset transfers are subject to travel rule obligations. POJK 27/2024 requires traders, for transfers equal to or exceeding the rupiah equivalent of USD1,000, to obtain and transmit specified originator and beneficiary information (travel rule). Before accepting asset placement from a consumer wallet or third party wallets, traders must conduct due diligence on such wallets to confirm wallet identity and not sourced from money laundering/terrorism activities. This brings Indonesian crypto transfer practice closer to the expectations applied to other supervised financial channels.

Consumer protection operates on several levels. At the trading layer, traders must keep accurate records of consumer digital financial assets, ensure that customer orders are executed in real time according to customer instructions, provide slippage alerts for significant price movements, and segregate consumer assets from trader assets. At the market-conduct layer, the broader consumer protection framework requires financial services providers to observe principles of adequate financial literacy education, transparency, fair treatment, responsible business conduct, asset, privacy and data protection, effective complaint handling, compliance enforcement and fair competition.

Personal data protection is becoming increasingly important. Traders collect specific personal data, biometric, wallet, and transaction data. The digital financial asset industry players must adhere to the Indonesian Personal Data Protection Law and the more specific rules applicable under OJK Regulation No. 23 of 2023 on Consumer Protection in the Financial Services Sector (“**OJK Consumer Protection Law**”). Digital financial asset industry players must define lawful bases for processing, limit use of personal data to specified purposes, protect personal data security, manage processors and vendors, and be ready for breach response. Specifically, under the OJK Consumer Protection Law, the exchange of customer personal data can only be conducted based on consent. In the digital asset context, personal data governance is inseparable from AML compliance, because the same infrastructure that verifies identity and monitors suspicious transfers must also preserve privacy and prevent data misuse.

OJK has already shown willingness to enforce. In April 2026, it imposed administrative sanctions on two digital financial asset operators: one written warning and one temporary suspension of part of business activity.

5. Development and Outlook

The next phase is likely to move beyond secondary-market trading. OJK is preparing a draft regulation on digital financial asset offerings, including tokenised assets, backed crypto assets and unbacked crypto assets. If adopted, this would be a major step: Indonesia would begin regulating not only where digital financial assets trade, but how they are originated, disclosed and distributed—completing the regulatory lifecycle from issuance through trading to custody. The commercial opportunity is evident: tokenised real-world assets may broaden access to investment products, while Rupiah-linked or asset-backed tokens could improve settlement and treasury use cases.

Separately, Bank Indonesia is also pursuing a digital currency initiative through Project Garuda. Bank Indonesia completed a proof of concept for the wholesale Digital Rupiah cash ledger in December 2024, testing distributed ledger technology platforms for issuance, redemption, and transfer functions. The Digital Rupiah can only be issued by Bank Indonesia. It will complement rather than replace existing rupiah and is expressly distinguished from crypto assets or stablecoins. Bank Indonesia has outlined two forms: a wholesale Digital Rupiah for interbank transactions and monetary operations, and a retail Digital Rupiah accessible to the general public for everyday transactions. The Digital Rupiah forms part of Bank Indonesia's 2030 Blueprint for Indonesia's Payment System.

The likely Indonesian trajectory is therefore dual track. OJK will regulate private digital financial assets, tokenised instruments, crypto derivatives and market intermediaries. Bank Indonesia will continue to explore sovereign digital money and settlement infrastructure. The policy challenge will be interoperability without confusion: private assets may innovate, but monetary sovereignty remains centralised.

On the technology layer, Indonesia does not yet have a standalone blockchain regulatory framework. However, Government Regulation No. 28 of 2025 on Risk-Based Business Licensing has formally recognised blockchain technology development as a classified business activity, enabling blockchain businesses to obtain a Business Identification Number (*Nomor Induk Berusaha*) and Standard Certificate as formal legal requirements. This recognition, alongside the use of distributed ledger technology as a foundational criterion for tradeable digital financial assets under POJK 27/2024, signals the government's commitment to providing a legal foundation for blockchain innovation beyond the digital financial asset context.

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> The Bappebti era created a commodity-style trading base; the OJK era is turning that base into a financial-market architecture.

6. Key Takeaways

Indonesia's digital financial asset market has entered a new phase. The Bappebti era created a commodity-style trading base; the OJK era is turning that base into a financial-market architecture. The model is capital-intensive and institution-heavy, but it provides a clearer foundation for consumer protection, AML discipline, tax collection and institutional confidence.

The principal commercial challenge is no longer whether Indonesia can license a crypto market. It is whether the licensed market can compete with offshore platforms on cost, liquidity, product range and execution quality. The entry of ICEx and tax reform and derivative growth all point to a more competitive domestic phase.

The medium-term opportunity lies in regulated product expansion. If OJK's offering framework, tokenisation policy and stablecoin-related rules are calibrated well, Indonesia could evolve from a retail crypto trading market into a broader digital financial asset hub. The essential condition is balance: enough supervisory structure to sustain trust, enough market flexibility to keep liquidity at home.

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IRELAND

Key Developments & the Latest Trends in Ireland

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Nicola is the Fintech & Payments Leader for PwC Ireland and leads tokenisation initiatives for the firm. Nicola is currently actively engaged with many asset managers and asset servicers on fund tokenisation initiatives, considering legal, regulatory and tax implications as well as operating model impact.

Nicola is closely engaged with Irish Funds, the leading funds industry association in Ireland, on working groups focused on Exchange Traded Funds and Digital Assets, collaborating with the asset management and digital assets ecosystem on fund tokenisation and other digital asset initiatives.

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1. Introduction - Ireland's Unique Position at the Intersection of Finance and Technology

As one of the world's largest fund domiciles, Ireland accounts for 6.8% of global fund assets, with total assets reaching €5.5 trillion.[1] This, coupled with its role as the European hub for major global technology firms, gives Ireland a unique standing in the international fintech landscape. Ireland's blend of financial services and technology strengths makes it particularly well placed to benefit as blockchain and digital assets migrate from the margins to the mainstream of global finance. Particularly as this shift accelerates, Ireland stands to benefit from an established talent pool that brings together experience in working in regulated businesses with a depth of knowledge in navigating key regulatory considerations, providing a solid foundation to deliver the skills and expertise needed to develop new products and capabilities.

> "As of early 2026, the CBI has granted 12 MiCA licences, establishing Ireland as one of the top 5 EU jurisdictions for crypto-asset service provision.

In June 2025, the "Update to Ireland for Finance" action plan released by the Government of Ireland set out five key themes for the 2026 strategy. Among these, fintech and digital finance features prominently, with collaboration to explore the opportunities presented by tokenisation and digital assets identified as one of 15 specific action measures demonstrating that Ireland's ambition in digital finance is matched by a clear and deliberate policy framework.

2. The Irish Regulatory and Policy Landscape

The Central Bank of Ireland ("CBI") has adopted a proactive and forward-looking approach to digital assets and blockchain innovation, while remaining attentive to the risks and challenges these developments present. This builds on the broader regulatory direction set by the Irish Government, through the Department of Finance ("DoF"), which, in its Funds Review 2030 published in 2024, outlined a clear pathway towards the adoption of tokenisation through structured industry engagement.

The CBI has been a prominent contributor at European level to the development and implementation of the Markets in Crypto-Assets Regulation (MiCAR) and serves as the competent authority for Ireland's MiCAR authorisations.

Senior members of the CBI's policy, supervisory and authorisations teams have consistently articulated a unified regulatory stance. The CBI views its role as implementing MiCAR in a manner that supports the successful delivery of its core regulatory objectives: a well-functioning financial system that serves consumers, users, and the wider economy. Central to this vision is a financial system that is trusted to operate in customers' interests, that demonstrates resilience, and that is safeguarded against financial crime and money laundering. To that end, the CBI's authorisation process is underpinned by principles of clarity, transparency, flexibility, and predictability for firms seeking authorisation.

The CBI has also launched an Innovation Sandbox Programme centred on the theme of "innovation in payments". The programme is designed to provide participating firms with regulatory guidance and support as they develop and refine their projects. The selected participants are working on solutions spanning tokenised digital assets and AI-powered payment services.

3. Ireland as a MiCA-Authorised Hub - Building the Next Wave

As of early 2026, the CBI has granted 12 MiCA licences, establishing Ireland as one of the top 5 EU jurisdictions for crypto-asset service provision. The licensee base represents a mix of global platforms and specialised providers, signalling that Ireland is attracting both scale and technical depth. This pattern mirrors what Ireland has already achieved in payments and e-money: providing a credible, well-regulated EU gateway for non-EU firms (particularly US-based) seeking regulatory authorisation with passporting rights across all EU Member States.

1. https://www.irishfunds.ie/facts-figures/industry-statistics/total-irish-domiciled-funds/

The CBI carries out thorough reviews prior to granting MiCA licenses. Firms must demonstrate genuine substance and governance, not merely compliance on paper. This approach strengthens Ireland's position as a credible, trusted, and investor-focused jurisdiction. For market participants, this creates a clear value proposition: authorisation in Ireland signals to investors that a firm meets high standards of integrity and resilience. In a sector where credibility is critical, the CBI's rigorous approach becomes a strategic asset for the firms that choose to obtain their licence in Ireland.

As the industry moves towards tokenisation as a future proofing strategy, Ireland has the potential to foster a hub of digital asset capability by combining a growing base of authorised CASPs with its established €5.5 trillion funds ecosystem and robust technology infrastructure.

4. The Central Bank's Discussion Paper 12 - Ireland's Blueprint for Tokenisation

In March 2026, the CBI published Discussion Paper 12 ("DP12"), titled "Distributed Ledger Technology ("DLT") and Tokenisation in Financial Services" designed to stimulate dialogue within the Irish and European financial ecosystem. This is consistent with a consultative approach taken by the CBI for other sectors (e.g. ETFs), engaging with the industry on the key opportunities and the primary risks.

In this publication, the CBI has conveyed its commitment to the development of tokenisation while seeking input from the industry. DP12 examines how tokenisation could deliver significant benefits, including near-instant settlement, reduced operational costs, fractional ownership of assets and greater transparency.

5. Tokenisation and the Irish Funds Ecosystem

The global growth trajectory of tokenisation is striking. According to PwC's "Asset and wealth management revolution 2025" report tokenised fund assets under management are projected to grow to $715 billion by 2030 from about $90 billion in 2024. Per the report more than 40% of managers view tokenisation as their most important product innovation.

DP12 indicates that, over the preceding 18 months, Irish authorised funds and their managers have actively engaged with the CBI to explore how tokenisation could be incorporated into both existing and newly designed fund offerings. This engagement has focused not only on digital-twin representations of fund units, but also on digitally native structures, with asset managers approaching the CBI to understand how fully on-chain issuance models might operate within the Irish regulatory framework. This momentum is particularly significant given Ireland's dominant position in the global money market fund ("MMF") and Exchange Traded Fund ("ETF") markets, where operational efficiency, liquidity management, and distribution scalability are critical competitive factors.

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> Firms must demonstrate genuine substance and governance, not merely compliance on paper.

The DoF is also actively engaged in assessing the need for legislative change to provide the necessary legal certainty to key aspects of tokenised fund structures, such as the unilateral authority of a DLT based share register. This will provide welcome clarity for asset managers considering tokenisation of their Irish fund structures.

Industry engagement is fundamental as Ireland embarks on its tokenisation journey. Various industry bodies across the ecosystem are collaborating to ensure that Ireland is well positioned to capitalise on its unique position at the intersection of the finance and technology spheres.

6. Payments, Settlement and Money - What It Means for Ireland

To realise the full benefits of tokenisation and blockchain technology, alternative payment methods that allow for instant settlement must be considered. Stablecoins represent perhaps the most developed of these alternatives. Unlike crypto-assets, which fluctuate in value, stablecoins are typically pegged to a fiat currency or commodity to maintain price stability. In Ireland, several MiCAR-authorised firms are actively engaged in stablecoin-related activity, positioning these instruments within the institutional settlement landscape rather than as merely speculative tools.

The CBI acknowledges in DP12 the potential for operational efficiencies whilst also recognising the disruptive capacity of such instruments. The CBI is also actively participating in the European Central Bank's exploration of a digital euro.

Ireland's National Payments Strategy, published in October 2024, sets out a vision for a resilient payments ecosystem by 2030 and explicitly considers the costs and benefits of future alternative payment forms for Irish consumers and businesses.

7. Key regulatory considerations

DORA, Cybersecurity and Operational Resilience — The Irish Technology Sector Dimension

DORA became applicable in January 2025 with its five pillars of ICT risk management, ICT-related incident management, classification and reporting, Digital operational resilience testing, ICT third-party risk management and information-sharing arrangements. DORA is particularly significant for Ireland & the EU more broadly, given the concentration of global financial entities and global technology firms. The CBI has been clear that operational resilience is a critical precondition for scalable tokenisation.

DORA is designed around an entity-centric model, under which regulated financial firms retain clear ownership, accountability, and oversight of their ICT environment and third-party dependencies. This is part of their operational resilience framework. DORA will apply to CASPs authorised under MiCAR and will govern their ICT risk management and operational resilience. However, DORA does not regulate the resilience of underlying public blockchain infrastructure itself, such as decentralised protocols, validators, or node networks, except where those elements form part of a regulated entity's ICT environment or third-party dependency arrangements. MiCAR complements DORA by creating a harmonised EU framework for crypto-assets and crypto-asset service providers, but it does not by itself bring all underlying DLT infrastructure directly within scope.

Anti-Money Laundering ("AML") considerations

AML and financial crime controls represent an equally critical dimension of Ireland's digital asset landscape and remain one of the biggest challenges in the space. The Criminal Justice (Money Laundering and Terrorist Financing) Act 2010, as amended, implements EU AML/CFT rules into Irish law and was amended in 2021 to include a registration requirement for Virtual Asset Service Providers ("VASPs"). As MiCAR replaces the VASP regime, firms must navigate the transition from a registration-based AML framework to the full CASP authorisation regime, with the CBI expecting robust KYC processes, transaction monitoring and suspicious activity reporting across all crypto-asset activities. AML considerations will remain high on the agenda for tokenisation of fund structures and "white listing" of wallets will become a critical part of customer onboarding.

8. AI and Ireland - Where Digital Assets Meets Artificial Intelligence

Generative AI redefined how digital assets are created, managed, and traded across global financial markets. Generative models are now capable of synthesising vast quantities of market data, identifying complex patterns, and producing novel trading strategies with minimal human intervention. This shift carries profound implications not only for market participants but also for the regulatory and tax frameworks that govern digital asset transactions. The future sees a move to Agentic AI with capabilities to execute transactions and interact with other digital entities with limited to no human intervention. In this model, Agentic AI provides the decision-making intelligence, whilst blockchain serves as the secure layer for execution, record-keeping, and transaction settlement.

Ireland has recognised the unprecedented pace and scale of these technological developments, acknowledging both the significant opportunities and the challenges they present across the economy and society. Ireland's National Digital & AI Strategy 2030 positions the country as a global hub for applied AI innovation, with fintech, including regtech, insurtech, and payments, identified as a high-growth area for applied AI. The Strategy also highlights the establishment of the AI Office of Ireland as a central coordinating authority for the EU AI Act, providing clarity and regulatory certainty for enterprise. The AI Office will host an AI Regulatory Sandbox, offering a safe, supervised environment for innovators to test new digital and AI solutions in partnership with compliance experts, thereby accelerating responsible development while identifying regulatory gaps at an early stage.

The CBI's DP 12 also considers how advances in agentic AI could enable autonomous agents to initiate, authorise, and complete financial transactions on behalf of users, with the potential to transform aspects of commerce from Irish-domiciled platforms. This reflects a broader recognition by the CBI that programmable smart contracts, combined with AI-driven decision-making, could give rise to entirely new categories of financial services.

9. Conclusion - Ireland's Moment

Ireland stands at a pivotal moment in the evolution of digital finance. The convergence of its deep-rooted funds ecosystem, its established position as a European base for global technology firms, and a regulatory environment that is both rigorous and forward-looking places the country in an exceptionally strong position to lead the next chapter of blockchain and digital asset adoption in the European Union.

Ireland has demonstrated that it can attract a diverse cohort of crypto-asset service providers, from large-scale global platforms to specialist operators. The CBI's publication of DP12 signals a genuine willingness to engage with the transformative potential of tokenisation whilst maintaining the supervisory standards that have earned Ireland the trust of international market participants. The regulatory stance taken by the CBI instills trust in investors which is critical for the long-term success of a digital assets business.

The broader policy environment further reinforces this momentum. The "Update to Ireland for Finance" action plan, the National Payments Strategy and Ireland's National Digital & AI Strategy 2030 collectively articulate a coherent vision in which fintech and digital finance are not peripheral ambitions but central pillars of Ireland's economic strategy. The establishment of the CBI's Innovation Sandbox Programme and the AI Regulatory Sandbox reflects a practical commitment to fostering innovation in a supervised and responsible manner, ensuring that new technologies can be tested, refined and brought to market with appropriate safeguards in place.

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> Ireland stands at a pivotal moment in the evolution of digital finance.

Ireland's funds industry provides a powerful foundation upon which tokenisation can develop at scale. The exploration of tokenised funds as outlined in DP12, offers a tangible pathway for Ireland to extend its global leadership in fund domiciliation into the digital era.


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ISRAEL

Innovation Before Legislation - The Gradual Regulation of Stablecoins in Israel

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Avital advises on a wide range of regulatory matters relating to fintech, blockchain, digital assets, cryptocurrencies, Web 3.0 projects, smart contracts, DAOs, and privacy, and leads licensing processes in the blockchain and fintech space, both locally and globally. She represents private and public companies, investment funds, entrepreneurs, and private investors from Israel and abroad in mergers and acquisitions and investment transactions in the fintech and blockchain sectors, and provides legal counseling on matters relating to the transfer of information and information security.

In 2026, Avital was selected for Globes' 40 Under 40 list.

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Innovation Before Legislation - The Gradual Regulation of Stablecoins in Israel

At the end of April 2026, Israel marked a notable milestone in the development of its digital assets' framework- for the first time, the Capital Market, Insurance and Savings Authority (the "**CMA**") approved the distribution of a shekel-pegged stablecoin by a licensed provider of financial asset services. The approval was granted on a limited basis, within a predefined scope, under close supervision and subject to strict conditions intended to protect customer funds and preserve operational stability. Although the approval itself was limited in scope, its legal and regulatory significance is much broader. It reflects a transition from abstract policy work on digital assets toward the practical supervision of stablecoin activity in Israel.

> Israel has approved its first shekel-pegged stablecoin under strict supervision — before dedicated primary legislation is enacted.

This development is of special importance because it occurred before the enactment of dedicated primary legislation governing stablecoin issuance, although, as discussed below, a legislative memorandum has since been published for public comments. Israel is therefore entering the stablecoin space in a manner that is both cautious and strategically significant- not through immediate comprehensive codification, but through a gradual regulatory process combining policy papers, government decisions, inter-agency allocation of powers, sandbox testing, supervised market entry, and now a concrete legislative proposal. In that sense, Israel's stablecoin framework is being built through innovation before legislation, but not innovation without regulation.

Stablecoins are no longer a marginal or experimental subset of crypto markets. They have become one of the main operating infrastructures of the digital economy, supporting settlement, liquidity, payments, treasury management, and cross-border transfers. Against this global backdrop, the emergence of a supervised path for shekel-pegged stablecoin activity sends an important message - Israel does not intend merely to observe the next phase of digital money infrastructure, but to participate in shaping it within a regulated environment.

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To understand the legal significance of this moment, however, it is necessary to trace the chronology of how stablecoin regulation has developed in Israel over the past several years.

The 2022 Ministry of Finance Team Report: Functional Regulation as the Starting Point

The modern Israeli regulatory discussion of stablecoins began within the broader effort to regulate digital assets as a whole. A central starting point was the 2022 report of the team established to examine the regulation of digital assets, led by the Chief Economist at the Ministry of Finance. This report, published in November 2022, adopted a functional regulatory approach, advocating for the principle that regulation should be determined by the actual economic function performed by the activity and the risks it generates. As articulated in the report, this approach aligns with the principle of "same activity, same risk, same regulation". This principle was critical because it rejected the notion that digital assets should be regulated solely according to their technological form.

That approach had particular importance for stablecoins. The report recognized that digital assets could fulfill diverse roles - as a means of payment, a financial product, or an investment instrument. The report further highlighted that backed digital assets, which include stablecoins, carry the potential for significant risks to financial stability and monetary policy if widely adopted. Given these varied functions of digital assets and their potential systemic impacts, the report underscored the necessity of a dedicated regulatory framework for digital assets. This framework would involve a clear division of responsibilities among various financial regulators based on the nature of the activity and the risks involved. The report's emphasis on functional regulation and risk-based supervision laid the groundwork for the multi-regulator model that Israel is now implementing.

This was an important conceptual shift. It meant that digital assets, and particularly stablecoins, were no longer to be treated merely as a niche or speculative phenomenon within the broader crypto landscape. Instead, they were recognized as posing a legal and regulatory challenge requiring a more refined framework due to their potential financial functions and systemic impact. The report laid the foundation for a multi-regulator model and for later decisions distinguishing between payment-related, investment-related, and systemically significant forms of digital asset activity.

Government Decision No. 204 of February 2023

The next major step came in February 2023, when the Israeli government adopted Government Decision No. 204 on the promotion of the regulation of activity in digital assets. This decision adopted the core logic of the Ministry of Finance team's recommendations and instructed the relevant governmental authorities to advance legislative amendments, remove regulatory barriers, and formulate a comprehensive regulatory framework for digital assets.

Although Government Decision No. 204 did not definitively resolve the question of which regulator would have principal authority over stablecoins, it was nevertheless a turning point. For the first time, Israel adopted an express governmental policy that digital asset activity, including stablecoin-related activity, should be treated as part of the financial system and regulated through a dedicated framework.

This policy moved Israel toward a more strategic framework-building approach, signaling that the government was no longer merely tolerating digital asset activity at the edges of the financial system, but acknowledging that the sector required formal regulatory integration.

For stablecoins specifically, the decision was significant because it created the policy basis for immediate supervised activity alongside future legislation. That policy architecture remains visible today. Both the recent approval of a shekel-pegged stablecoin and the subsequent legislative memorandum were expressly framed as consistent with the principles set out in the government decision, enabling activity to begin even before the enactment of dedicated legislation.

The Bank of Israel's February 2023 Principles Paper on Stablecoin Activity

Also in February 2023, another important milestone was reached with the Bank of Israel's publication of its Principles Document for Stablecoin Activity for public comment. Whereas the Ministry of Finance report and the government decision addressed digital assets more broadly, the Bank of Israel's document focused specifically on stablecoin activity and proposed substantive principles for the regulation of stablecoins that may serve mainly as a means of payment.

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> Israel has adopted a multi-regulator framework for stablecoins, with the CMA as primary licensing authority and the Bank of Israel retaining oversight of systemic and payment-system risks.

The paper sets out several core requirements for stablecoin activity. These include 100% reserve coverage, the holding of reserve assets in liquid assets with low risk, repayment at any time, separation of funds, consumer protections, and rules governing the technological infrastructure, including data security, cyber, and privacy protection requirements. The paper also emphasizes transparency through a white paper and full disclosure to customers regarding risks, fees, and reserve balances.

Just as importantly, the paper proposes parallel supervisory frameworks rather than a single-regulator model. Under the proposed structure, the CMA would license stablecoin issuers from the first shekel issued, while the Banking Supervision Department would license systemic issuers of stablecoins that serve, or may become, a common means of payment. At the same time, the Payment Systems Oversight Division at the Bank of Israel would oversee any stablecoin designated as a recognized payment system, with coordination mechanisms operating between the relevant regulators.

The December 2024 Finance Minister Decision: The CMA as Primary Regulator

A further central milestone came in December 2024, when the Minister of Finance determined that the CMA would serve as the primary regulator for the licensing, supervision, and regulation of entities engaged in the issuance and offering of stablecoins.

This decision did not create a purely centralized model. On the contrary, it effectively adopted a multi-regulatory framework. The CMA was designated as the lead authority for licensing and supervision of issuers, but the Bank of Israel retained authority with respect to systemically important stablecoins and payment-system and financial-stability aspects.

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> Israel has taken its first practical step into supervised stablecoin activity, positioning itself as a regulated hub for digital money infrastructure.

This institutional allocation is one of the most important features of the Israeli stablecoin model. It confirms that Israel has rejected the idea that all stablecoins should automatically be treated the same way under a single legal category. Instead, regulation depends on the token’s function, scale, use, and risk profile.

The April 2026 Approval: From Policy to Practical Supervision

Against this background, the April 2026 approval by the CMA should be understood as the first major practical implementation of the regulatory architecture that had been gradually built since 2022.

The approval itself was limited and should not be overstated as a wholesale market opening. It was granted in a defined and restricted format to a licensed financial asset service provider, after a dedicated review process and a roughly two-year pilot conducted in a sandbox environment.

The approval also emphasized several substantive safeguards - a full 1:1 backing ratio between issued tokens and reserve assets, the holding of reserve assets in Israel in dedicated and separate accounts, liquidity management, and redemption mechanisms available at all times.

These are not incidental details. They amount to a substantive statement of the legal expectations that now define Israel’s emerging stablecoin regime, as confirmed and formalized in the subsequent legislative memorandum.

The June 2026 Legislative Memorandum

At the end of June 2026, the legislative memorandum for the Law for the Supervision of Financial Services (Issuance of Stablecoins), 5786-2026, was released for public comments. Building on the Chief Economist’s report, Government Decision No. 204, and the December 2024 designation of the CMA as the responsible regulator, it proposes for the first time to anchor in primary legislation a comprehensive framework for stablecoin issuers, designed to balance the development of the sector against the prudent management of risks to the financial system, consumers, and businesses.

At its core, the memorandum rests on a small set of substantive principles that echo, and now formalize, those already applied in the April 2026 approval. The first is a comprehensive licensing and supervisory regime - no one may engage in the issuance or offering of stablecoins without a dedicated license from the CMA, which acts as the supervisor of issuers (the “**Supervisor**”), and applicants must satisfy demanding “fit and proper”, financial-soundness, and technological and cyber-resilience standards designed to keep illegitimate actors out and safeguard the integrity of the systems. Recognizing that the local market is relatively small, the memorandum also opens a route for adequately supervised foreign issuers to obtain a license, allowing the Supervisor to rely on home-jurisdiction regulation where it affords sufficient protection to customers.

The remaining principles protect the value of the coin and the position of its holders. Each coin must be fully backed, at a ratio of no less than 100%, by low-risk and liquid reserve assets (such as cash or short-term government bonds) and held separately from the issuer's own assets. Every holder is guaranteed a fundamental right to redeem at the value of the reference asset, promptly and without fee, reinforced by a duty to publish a clear, Hebrew-language disclosure document at least 30 days before issuance. Issuers must also maintain sound corporate governance, including a board, a general manager, an external auditor, and an independent compliance officer, while being barred from paying interest, preserving the coin's character as a means of payment rather than an investment product.

Finally, the memorandum suggests a concept of proportionality. Coins that reach meaningful monetary significance or could materially affect financial stability are to be designated "significant" and subjected to heightened oversight, with the Bank of Israel setting the relevant criteria in consultation with the Supervisor and addressing them in a separate memorandum. For coins pegged to a basket of assets, the framework draws explicitly on the Asset-Referenced Token model under the European Union's MiCA regulation, situating the Israeli regime within the emerging international standard.

Although a final and binding statute remains some way off. Yet the absence of one should not obscure how far the Israeli framework has already progressed. Israel has moved from conceptual policy work to governmental endorsement, then to institutional allocation of powers, subsequently to practical supervised activity, and now to a concrete legislative proposal.

The memorandum formalizes this trajectory. It does not create stablecoin regulation from scratch. Rather, it consolidates and elevates into primary legislation a framework that had already begun to emerge through policy decisions, principles papers, and controlled supervisory action.

Israel Is Entering the Stablecoin Arena at the Right Time

From an international perspective, Israel's timing may prove advantageous. Stablecoins are no longer an experimental niche but one of the central growth engines of the digital economy. The largest stablecoins already serve as real operating infrastructure for trading, liquidity, cross-border payments, and digital settlement. Their relevance is only growing as tokenization, digital payments, and blockchain-based financial services expand.

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> Stablecoins are no longer an experimental niche but one of the central growth engines of the digital economy.

Against that backdrop, the possibility of issuing a regulated shekel-pegged stablecoin sends a clear signal to the market- Israel intends to be part of the next generation of digital money infrastructure rather than merely observe it from the sidelines.

This move also aligns well with broader international regulatory momentum, including developments in the European Union, United Kingdom and the United States. Israel is therefore not operating in a vacuum. It is converging with the direction of leading markets while creating its own distinct opportunity within a supervised, advanced, and innovation-friendly environment.

For foreign companies active in payments, fintech, and digital asset infrastructure, Israel now offers a compelling proposition - a jurisdiction that combines innovation-friendly policies with meaningful regulatory supervision, access to a technologically advanced ecosystem, and proximity to both European and Middle Eastern markets. With the regulatory framework still in its formative stages, this is an opportune moment for market participants to engage with Israeli regulators, shape emerging practices, and establish an early foothold in a jurisdiction that is positioning itself to become a significant hub for regulated stablecoin activity in the years ahead.

GORNITZKY

Fintech, Blockchain and Digital Assets

Gornitzky's unique combination of leading banking, hi-tech, M&A, investment and technology practices places the firm at the forefront of the fintech industry.

We advise major financial and technology players in the Israeli market on a broad range of legal and regulatory matters relating to financial services, blockchain and digital assets, including smart contracts, DAOs, Web 3.0 projects, taxation of digital assets, IP, licensing processes in the blockchain and fintech space, AML and KYC compliance.

Our deep understanding of financial regulation, together with extensive experience working with Israeli regulators - including the Bank of Israel, the Israel Securities Authority and the Capital Market Authority, Insurance and Savings - enables us to help clients navigate complex regulatory frameworks, manage engagement with authorities and implement cutting-edge fintech solutions.

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BIO

Ryosuke Onobori is a partner at Mori Hamada & Matsumoto who primarily works in the practice areas of financial regulations, asset management, Japanese real estate investment trusts and capital markets. He specialises in banking, security and payment regulations, and he has extensive experience in advising financial institutions such as banks, asset managers and fintech companies. From 2021 to 2023, he was seconded to the Financial Services Agency of Japan as a deputy director of the Digital and Decentralised Finance Planning Office in the Policy and Markets Bureau. During his secondment, he was actively involved in planning the Japanese regulatory framework for stablecoins, including the development of AML/CFT regulations such as the travel rule, which came into effect on 1 June 2023.

MORI HAMADA

MORI HAMADA

1. Overview

Japan was one of the first jurisdictions to establish a comprehensive legal framework for blockchain and digital assets. Following the collapse of a major crypto-asset exchange in Japan in 2014, a registration regime for crypto-asset exchange service providers was introduced under the Payment Services Act of Japan (the "PSA") in 2017, mainly for AML and customer protection purposes.

> Japan was one of the first jurisdictions to establish a comprehensive legal framework for blockchain and digital assets.

After another major hacking incident in 2018, the framework was further strengthened, particularly through stricter custody requirements introduced in 2020, including the general requirement to hold customers' crypto-assets in cold wallets. In the same year, Japan introduced a regulatory framework for security tokens under the Financial Instruments and Exchange Act of Japan (the "FIEA").

The Libra project prompted global discussions on stablecoin regulation. Japan responded by introducing a dedicated stablecoin framework in 2023, not as part of crypto-asset regulation, but within the legal framework for funds transfer services.

As a result, Japan established core frameworks for the three main categories of blockchain-based digital assets—crypto-assets, stablecoins and security tokens—at an early stage. Subsequent reforms have focused on practical issues arising under these frameworks.

More recently, in April 2026, reflecting the increasing use of crypto-assets as investment instruments rather than means of payment, the Financial Services Agency of Japan ("JFSA") submitted a bill to transfer the regulatory framework for crypto-assets from the PSA to the FIEA. Under the proposed legislation, crypto-assets would be regulated within the securities law framework from 2027 onward.

2. Crypto-assets regulations under the Payment Services Act.

(1) Definition of crypto-assets

In Japan, the PSA defines "crypto-assets" as the following two types of tokens:

(a)Type 1 crypto-assets:

- these have a proprietary value that:
  - (i) is available as a means to pay unspecified persons in exchange for the purchase or loan of goods or the receipt of services;
  - (ii) can be purchased from and sold to unspecified persons (limited to that recorded on an electronic device or other materials electronically and excluding Japanese or foreign currencies, Currency-Denominated Assets (e.g., digital money issued by banks or funds transfer service providers and fiat-pegged stablecoins), Electronic Settlement Instruments that do not fall under Currency-Denominated Assets (i.e., non fiat-pegged type stablecoins) or Electronically Recorded Transferable Securities Representation Rights (i.e., security tokens)); and
  - (iii) is transferrable through a computer network.

(b) Type 2 crypto-assets:

- these have a proprietary value that:
  - (i) is mutually exchangeable with a Type 1 Crypto-Asset against unspecified persons excluding Japanese or foreign currencies, Currency-Denominated Assets, Electronic Settlement Instruments (i.e., non-fiat type stablecoins) or Electronically Recorded Transferable Securities Representation Rights (i.e., security tokens); and
  - (ii) is transferrable through a computer network.

As discussed above, security tokens and stablecoins are excluded

from the definition of crypto-assets, and one of the distinctive features of Japan's digital asset regulatory framework is that it clearly distinguishes between crypto-assets and stablecoins by regulating them under separate legal regimes. In practice, one of the key issues is whether an NFT falls within the scope of a crypto-asset. In 2023, the JFSA amended its guideline on crypto-assets to introduce criteria, which are useful in distinguishing between regulated crypto-assets and unregulated NFTs, to clarify whether digital tokens fall within the definition of crypto-assets under the PSA. According to such criteria, if (i) the issuers of the tokens clarify that the tokens are not intended to be used to pay unspecified persons for goods and services and (ii) the price of the token per minimum unit is high (e.g., JPY1,000 or more), or the volume of tokens is limited (e.g., 1,000,000 or less), such tokens generally would not fall within the definition of crypto-assets.

(2) Definition of Crypto-Asset Exchange Services

Under the PSA, a person who engages in Crypto-Asset Exchange Services is required to be registered as a Crypto-Asset Exchange Service Provider ("CAESP"). "Crypto-Asset Exchange Services" are defined under the PSA as any of the following activities conducted in the course of business:

(a) the sale or purchase of crypto-assets or the exchange of crypto-assets for other crypto-assets;
(b) intermediation, brokerage or delegation of the acts described in (a) above;
(c) management of users' funds in conjunction with (a) or (b) above; or
(d) management of crypto-assets on behalf of any other person (except as specifically provided by other acts regarding the management in the course of business).

While the issuance of crypto-assets is not directly captured by the definition of "Crypto-Asset Exchange Services," the Guidelines state that selling or exchanging newly issued crypto-assets as a course of business is regulated as Crypto-Asset Exchange Services

Only registered CAESPs may conduct transactions related to crypto-assets that fall under the above definition.

Registered CAESPs are subject to strict customer protection and AML/CFT requirements, including information provision, segregation and cold-wallet custody of customers' crypto-assets, KYC, record-keeping, suspicious transaction reporting and the travel rule.

As of 30 April 2026, there are 27 companies registered as CAESP in Japan.

3. Stablecoin regulations under the Payment Services Act.

(1) Types of stablecoins

Japanese stablecoin framework, which was introduced in 2023, covers tokens that (i) are issued at a price linked to the value of fiat currency and (ii) promise redemption at par—these are regulated as digital-money type stablecoins. Other types of stablecoins, such as algorithmic stablecoins, are generally regulated as crypto-assets. However, the Japanese regulator has the authority to designate certain arrangements as digital-money type stablecoins if they become widely used as a means of payment. In such a case, the token would be regulated as a stablecoin under Japanese law.

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> One of the distinctive features of Japan's digital asset regulatory framework is that it clearly distinguishes between crypto-assets and stablecoins by regulating them under separate legal regimes.

In addition, the PSA defines stablecoins, which are generally permission-less type stablecoins, as "Electronic Payment Instruments" and, in practice, Electronic Payment Instruments under the PSA are categorized into three types: (i) Type 1 Electronic Payment Instruments[1], (ii) Specified Trust Beneficiary Right (Type 3 Electronic Payment Instruments), and (iii) trust-type stablecoins issued in foreign jurisdictions and crypto-asset type stablecoins designated by the FSA (Type 4 Electronic Payment Instruments). However, no crypto-asset type stablecoins have been designated to date, and only Type 1 and Type 3 Electronic Payment Instruments are currently issued in Japan.

1. Similar to Crypto-Assets, Type 2 Electronic Payment Instruments also exist under the regulatory framework. However, they are rarely issued in practice.

Under the Japanese stablecoin regime, the issuance and redemption of Electronic Payment Instruments is considered as funds transfer services and therefore the issuers of Electronic Payment Instruments are limited to those who can conduct funds transfer businesses. Theoretically, Type 1 Electronic Payment Instruments can be issued by banks and funds transfer service providers. However, according to the JFSA's current interpretation, banks are not permitted to issue Type 1 Electronic Payment Instruments (i.e., permission-less type stablecoins), and this remains an issue to be addressed[2]. Type 3 Electronic Payment Instruments, which are structured using beneficial interests in trusts, have attracted significant attention in Japan. They may be issued by trust banks and trust companies that have filed the required notification with the competent authorities. The applicable regulations require that at least 50% of the trust property be held in demand deposits, while the remaining portion may consist of eligible time deposits and government bonds, subject to an aggregate limit of 50% of the trust property.

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> As of April 2026, only one company is registered as an Electronic Payment Instrument Services Provider in Japan.

In addition to Electronic Payment Instruments issued under Japanese laws, the Japanese regulatory framework also recognizes so-called Foreign Electronic Payment Instruments, which are issued under foreign laws and regulations. Under the PSA, certain Foreign Electronic Payment Instruments may be distributed in Japan, provided that they meet the prescribed regulatory requirements mentioned below.

(2) Definition of Electronic Payment Instrument Services

Under the PSA, a person who engages in Electronic Payment Instrument Services is required to be registered as an Electronic Payment Instrument Services Provider ("EPISP"). "Electronic Payment Instrument Services" are defined under the PSA as any of the following activities conducted in the course of business:

(a) the sale or purchase of Electronic Payment Instruments or the exchange of Electronic Payment Instruments for other Electronic Payment Instruments;
(b) intermediation, brokerage or delegation of the acts described in (i) above;
(c) management of Electronic Payment Instruments on behalf of any other person (excluding certain cases specified by Cabinet Office Ordinance).

Unlike Crypto-Asset Exchange Services, the statutory definition of Electronic Payment Instrument Services does not expressly include the management of users' funds as a regulated activity. In practice, however, EPISPs may receive customers' funds in connection with their business, provided that they comply with the customer fund protection requirements under the PSA, including the obligation to safeguard such funds through a trust arrangement.

EPISPs are subject to strict regulation from the viewpoint of customer protection and AML/CFT in a manner similar to that applicable to CAESPs.

As of 30 April 2026, there is one company registered as an EPISP in Japan.

Stablecoins issued by foreign issuers licensed by overseas authorities may also be circulated in Japan. In this case, the foreign issuer is not required to obtain a Japanese license on the condition that it does not engage in solicitation in Japan. Instead, the EPISP that distributes Foreign Electronic Payment Instruments bears substantial regulatory obligations. From a customer protection perspective, if the value of Foreign Electronic Payment Instruments held in custody declines, the EPISP may be required to repurchase them from customers. In addition, the EPISP must implement safeguarding measures to ensure that sufficient funds are available to meet such repurchase obligations. Under this regime, USDC and RLUSD have been handled by a registered EPISP in Japan.

2. On the other hand, banks can issue tokenized deposits as permissioned type stablecoins under the Banking Act.

4. Security token regulations under the Financial Instruments and Exchange Act

The treatment of Security Token Offerings ("STOs"), where issuers use blockchain technology to issue security tokens and raise funds, was clarified by the 2020 amendments to the FIEA.

The FIEA classifies securities into Paragraph 1 Securities (e.g., shares, corporate bonds, and investment trust interests) and Paragraph 2 Securities (e.g., trust beneficial interests and collective investment scheme interests) according to their level of transferability. Paragraph 1 Securities, which are regarded as having a higher degree of transferability, are subject to more stringent disclosure requirements and business regulations than Paragraph 2 Securities.

Security tokens are referred to under the FIEA as "Electronically Recorded Transferable Securities Representation Rights" and are broadly categorized into: (i) tokenized Paragraph 1 Securities; (ii) tokenized Paragraph 2 Securities, known as Electronically Recorded Transferable Rights; and (iii) Excluded Electronically Recorded Transferable Rights. While category (i) continues to be treated as Paragraph 1 Securities, category (ii) is also treated as Paragraph 1 Securities in light of the enhanced transferability resulting from tokenization. By contrast, category (iii) continues to be classified as Paragraph 2 Securities.

Accordingly, both Tokenized Securities Representing Paragraph 1 Securities and Electronically Recorded Transferable Rights are treated as Paragraph 1 Securities and are, in principle, subject to the issuance disclosure and continuous disclosure requirements under the FIEA. In addition, any person engaging in the handling of such tokens must obtain a Type I Financial Instruments Business registration, which is the most stringent category of financial instruments business registration under the FIEA.

By contrast, Excluded Electronically Recorded Transferable Rights continue to be treated as Paragraph 2 Securities and are, in principle, exempt from the issuance disclosure and continuous disclosure requirements. Furthermore, the business regulations applicable to their handling are less stringent, and a Type II Financial Instruments Business registration, rather than a Type I Financial Instruments Business registration, is generally sufficient.

In Japan, security tokens have been issued in a variety of forms, including tokenized corporate bonds, tokenized beneficial interests in beneficiary certificate-issuing trusts, and tokenized silent partnership (*tokumei kumiai*) interests. In practice, however, security token offerings have been used predominantly in the context of real estate STOs.

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> In June 2026, Japan introduced a lighter licensing regime for intermediaries acting solely on behalf of registered CAESPs or EPISPs to lower barriers for ordinary companies entering the digital asset market.

5. Recent developments of digital asset regulations

Japan had established core regulatory frameworks for crypto-assets, stablecoins and security tokens by 2023. Since then, the regime has continued to evolve in response to practical issues.

For example, under the previous framework, even a person acting solely as an intermediary for crypto-asset or stablecoin transactions was required to register as a CAESP or EPISP, both of which are subject to relatively stringent requirements. This was considered a barrier for ordinary business companies entering the digital asset market.

To address this issue, the PSA was amended in June 2026 to create new intermediary business categories. Under the amended regime, a person acting solely as an intermediary for crypto-asset or stablecoin transactions on behalf of a registered CAESP or EPISP may operate under a lighter licensing regime. Such intermediaries are not subject to capital requirements and are not directly subject to AML/CFT obligations, which remain imposed on the registered CAESP or EPISP. This new framework is expected to facilitate broader business participation in the digital asset sector.

6. The Shift of Crypto-Asset Regulation from the Payment Services Act to the Financial Instruments and Exchange Act

Japan initially regulated crypto-assets under the PSA on the premise that they functioned primarily as a means of payment. However, as crypto-assets have increasingly been used as investment products, the government began reviewing around 2025 whether the primary regulatory framework should be transferred to the FIEA.

In December 2025, the JFSA's Working Group on the crypto-asset system recommended that crypto-assets be repositioned under the FIEA as a distinct category of financial instruments, while remaining separate from traditional securities. The proposal aims to strengthen investor protection by introducing a securities law-based framework, including enhanced disclosure obligations, business conduct regulations, and market abuse rules such as insider trading prohibitions, while maintaining the existing regulatory treatment of security tokens, stablecoins, and NFTs.

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> In April 2026, Japan submitted a bill to transfer crypto-asset regulation from the PSA to the FIEA, with the new framework expected to take effect in 2027.

Based on these recommendations, the government submitted a bill to amend the FIEA in April 2026. The bill would retain the existing definition of crypto-assets while incorporating it into the FIEA. It would also impose disclosure obligations on issuers of crypto-assets and CAESPs, reclassify Crypto-Asset Exchange Services as a category of Financial Instruments Business, and bring crypto-asset-related investment management and investment advisory businesses within the regulatory scope. Borrowing of crypto-assets would also become subject to licensing regulation, and a new insider trading regime for crypto-assets would be introduced. The bill was passed in July 2026.

The planned transfer to the FIEA, expected to take effect in 2027, is likely to significantly affect the future development of Japan's crypto-asset business. While the proposed framework would tighten regulation in certain respects, bringing crypto-assets within the FIEA framework may also facilitate the development of crypto-asset investment trusts and ETFs. According to the JFSA Working Group's recommendations, depending on the final legislation and related reforms, banks and insurance companies may also become able to enter certain crypto-asset businesses through subsidiaries, an area historically subject to significant restrictions. Accordingly, developments in Japan's digital asset market should be monitored from both regulatory tightening and regulatory relaxation perspectives.

Tokyo | Osaka | Nagoya | Fukuoka | Takamatsu | Sapporo | Yokohama | Kochi
New York | San Francisco Bay Area | London (opening in 2026) | Beijing | Shanghai | Singapore
Bangkok (Chandler Mori Hamada Limited) | Yangon (Myanmar Legal Mori Hamada Limited) | Ho Chi Minh City | Hanoi
Jakarta (ATD Law in association with Mori Hamada) | Manila (Tayag Ngochua & Chu, a member firm of Mori Hamada)

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BIO

Georges Bock, Co-Founder and CEO of Investre S.A., has spent his career bridging traditional finance with the digital paradigms reshaping it. Under his leadership, Investre became the first CSSF-authorised Control Agent in Luxembourg under Blockchain IV Law in 2025, enabling the compliant issuance, safekeeping and settlement of fund shares on distributed ledgers. Before founding Investre, Georges spent 27 years at KPMG Luxembourg, holding several leadership roles including Managing Partner, Head of Tax, and Global Financial Services Digital Strategy Lead Partner — building deep expertise in investment management, structured finance, and regulation. Georges also serves as a Non-Executive Director for institutions including Bank Julius Baer Europe SA, Governance.com, and UNICEF Luxembourg.

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Ala Presenti, Co-Founder and CFO of Investre S.A., is driven by a conviction that the traditional asset management industry is overdue for reinvention. At Investre, she brings the financial rigour and strategic discipline behind the firm's mission to replace outdated infrastructure with blockchain-native solutions built for the future of fund management. Before co-founding Investre, Ala was Audit Manager at KPMG Luxembourg, developing deep expertise in financial systems, structured finance, and regulation. Beyond Investre, she is the author of *Tomorrow Starts Today* and an Adjunct Lecturer at the University of Luxembourg — reflecting a long-held belief that bold, purposeful thinking is what moves industries forward.

investre

A Million EUR Around the World in 80 Seconds Phileas Fogg once wagered that he could travel around the world in eighty days. In today's capital markets, the more important wager is no longer about moving the traveller. It is about moving the asset, the cash leg and the legal record—securely, lawfully and at institutional scale.

The wager changes when infrastructure changes

> Tokenisation is not simply a smarter wrapper for old assets. It is an attempt to change the operating system underneath issuance, transfer, collateral, servicing and settlement.

Jules Verne's *Around the World in Eighty Days* captured a moment when new infrastructure was reorganising the possible. Published serially in 1872 and built around Phileas Fogg's wager that he could circle the globe in eighty days, the novel turned rail, steam and synchronised transport into a story about distance collapsing under the force of new networks. If Verne were writing for the capital markets of 2026, Phileas Fogg would not bet that he could move himself around the world in eighty days. He would bet that he could move EUR 1 million around the world in eighty seconds—and thereby prove that the decisive transformation is no longer in the movement of people, but in the movement of capital.[1]

That image works because tokenisation is easiest to misunderstand when we only look at the stopwatch. Speed is the visible feature. It is what makes headlines: T+0, instant transfer, atomic settlement, assets moving twenty-four hours a day. But the European Commission is now framing distributed ledger technology in much broader terms. In April 2026, DG FISMA wrote that DLT and tokenisation can reduce payment and settlement frictions, improve liquidity management, enable programmability and streamline reconciliation. Months earlier, Commissioner Maria Luís Albuquerque went even further, saying tokenisation is about rebuilding the machinery of finance and may become the new operating system of financial markets.[2]

That is the right frame for this moment. Tokenisation is not simply a smarter wrapper for old assets. It is an attempt to change the operating system underneath issuance, transfer, collateral, servicing and settlement. The essential question is therefore not only how fast a transaction can settle. The deeper question is whether financial markets are beginning to migrate away from a world of duplicated records, messaging layers and constant reconciliation toward a world in which the asset, its legal state and its transaction logic sit on a common digital infrastructure.[3]

Why speed is the visible feature, not the real story

A useful analogy is the shift from fixed communications to mobile networks. The first obvious benefit of mobile telephony was mobility itself: you could communicate without being tied to a place. Once mobile networks and then smartphones matured, the device stopped being "just" a telephone and became a computing platform that combined communications, software, messaging, media and payments in a single object. The infrastructure change came first. The real wave of innovation followed afterwards. That is why the right comparison for DLT is not a prettier financial product. It is a deeper change in the rails on which the system runs.[4]

Finance is at a similar threshold. The ECB now describes the promise of DLT as the creation of a shared transparent ledger on which functions that are currently spread across fragmented infrastructure can happen on the same platform. In the ECB's own language, DLT can offer a "single source of truth", reduce reconciliation, allow transactions to be automatically registered on the platform where trading and post-trading occur, and support an integrated system in which the asset, its governing rules and the settlement logic become far more tightly connected. That is why the real transformation is back-end, not cosmetic. The visible gain may be speed. The structural gain is a different architecture for record-keeping, transfer and control.[5]

1. https://www.britannica.com/topic/Around-the-World-in-Eighty-Days-by-Verne
2, 3. https://finance.ec.europa.eu/news/dlt-and-tokenisation-paving-way-internet-value-2026-04-21_en
4. https://www.britannica.com/technology/mobile-telephone
5. https://www.ecb.europa.eu/press/financial-stability-publications/macroprudential-bulletin/html/ecb.mpbu202604_02.en.html

It is also why the debate should stay grounded. The ECB estimates that tokenised assets on public blockchains were still only around EUR 38 billion in February 2026, compared with traditional financial assets measured in the hundreds of trillions. This is not yet a mature market. But the same ECB work makes the more important point: architecture choices made at small scale determine whether the market later scales on common rails or fractures into disconnected platform islands. The market is still small, but the infrastructure question is already large.[6]

Why Luxembourg matters

In Europe, legal progress has not been uniform. Switzerland brought its federal DLT Act fully into force in August 2021. Liechtenstein's Token and TT Service Provider Act entered into force in January 2020. France adapted its securities framework so that bearer financial securities can be issued and processed through DLT. Within the European Union, Luxembourg has taken one of the most deliberate routes to making blockchain records work inside mainstream financial law rather than outside it.[7]

Luxembourg matters because it is not experimenting from the margins. Luxembourg for Finance reported in March 2026 that assets under management across UCITS and AIFs had exceeded EUR 8 trillion, with alternative funds representing 35% of the total. Separately, CSSF statistics showed EUR 6.199 trillion of net assets in regulated Luxembourg investment funds at the end of 2025. In its 2024 annual report, the CSSF said that Luxembourg's four blockchain laws give the country a robust regulatory framework and that the CSSF stands ready, through its Innovation Hub and specialist teams, to accompany supervised entities with guidance and workshops. That combination of scale, law and supervisory readiness is why Luxembourg matters to this story.[8]

The first three blockchain laws are the real foundation. The CSSF's DLT white paper summarised the first two steps with unusual clarity: the 2019 law allowed securities to be maintained in distributed form and circulated by inscription in a distributed ledger, while the 2021 law allowed dematerialised securities and the securities issuance account to be maintained within or through secure electronic registration mechanisms, including DLT.

The 2023 law then implemented the EU DLT Pilot Regime in Luxembourg and clarified that financial instruments issued using DLT are recognised as financial instruments under Luxembourg financial-sector law. It also clarified that DLT-recorded financial instruments can benefit from Luxembourg's collateral framework.[9]

That point matters more than a chronological reading of the laws. Financial markets do not run on technical possibility alone. They run on enforceability. A blockchain record matters only if market participants know whether it constitutes a legally effective entry, whether transfers are recognised, whether rights can be exercised and whether collateral can be enforced. Luxembourg's first three laws therefore did not try to create a separate legal universe. They progressively removed ambiguity from the existing one. In a field where technology moves faster than doctrine, that is what real infrastructure policy looks like.[10]

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> Financial markets do not run on technical possibility alone. They run on enforceability.

The control agent is the real innovation of Blockchain Law IV

Blockchain Law IV matters because it adds a new institutional role to that legal base: the control agent. Under the consolidated law on dematerialised securities, a control agent must be an investment firm, a credit institution or a settlement organisation appointed by the issuer. Its statutory mission is threefold. It maintains the securities issuance account. It tracks, at any time, the holding chain of dematerialised securities. And it verifies that the total amount recorded in the issuance account is equal to the sum of the securities recorded in the relevant securities accounts. That is not a decorative role. It is the legal integrity layer of a DLT-native issuance model.[11]

6. https://www.ecb.europa.eu/press/financial-stability-publications/macroprudential-bulletin/html/ecb.mpbu202604_02.en.html
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The parliamentary dossier makes clear that the model was designed as an alternative to the existing two-tier holding chain between the central account keeper and secondary account keepers. The same dossier explains that the new model draws on experience accumulated with DLT and allows the control agent to use that technology fully in carrying out its control function. In plain terms, the control agent becomes the orchestrator of correct on-chain recording on behalf of the issuer, while the ledger becomes the shared infrastructure through which different participants can see and rely on the same controlled state of the security.[12]

That changes the mechanics of issuance in a very practical way. Blockchain Law IV provides that, where an issuer appoints a control agent, registered securities can be converted by the control agent updating the issuance account and crediting the converted securities to the relevant account keeper's securities account through secure electronic registration mechanisms, including distributed ledgers or databases. The law also clarifies that, in a control-agent model, the issuer discharges its distribution obligation by paying a mandated paying agent, which then pays the relevant account holders designated by the control agent. In other words, Luxembourg did not merely recognise an on-chain record. It introduced a supervised actor designed to simplify the issue-distribution-accounting chain of dematerialised securities without abandoning legal control.[13]

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> The lesson is not that tokenisation has failed. The lesson is that infrastructure changes arrive in layers: legal recognition first, then operating-model redesign, then liquidity, then scale.

In July 2025, Luxembourg for Finance announced that Investre had become the first entity to receive a control-agent licence from the CSSF under Blockchain Law IV. That matters because it shows the regime has moved from legislative design into supervised practice. In the parliamentary dossier, Luxembourg's finance ministry told lawmakers that around 280 fintechs were already established in Luxembourg and about 40 were active in blockchain. Combined with the CSSF's public commitment to support supervised entities through its Innovation Hub, that is strong evidence that Luxembourg is positioning itself for institutional-scale deployment rather than symbolic experimentation.[14]

Where tokenised funds become tangible

The fund industry is where all of this stops being theoretical. Tokenised money market funds are a particularly revealing example. In April 2026, the ECB wrote that tokenisation can enhance efficiency in money market funds by enabling faster settlement, near-24/7 availability and programmability, while opening new use cases such as using tokenised MMF shares as collateral. The same ECB analysis notes that investors can sell tokenised MMF shares directly on-chain, creating a secondary market for those shares, and that some structures already experiment with features such as intraday yield calculated in real time during transfers. This is why tokenised MMFs have become such an important test case: they sit exactly at the intersection of cash management, programmable collateral and fund distribution.[15]

But it is equally important not to romanticise the current stage. The ECB also stresses that most tokenised MMFs are not fully on-chain and that key processes often remain partly off-chain, so cut-off times, operational dependencies and liquidity risks have not disappeared. The lesson is not that tokenisation has failed. The lesson is that infrastructure changes arrive in layers: legal recognition first, then operating-model redesign, then liquidity, then scale. Luxembourg's framework is valuable precisely because it is designed for that progression. It gives the market a way to move from mirrored records to authoritative records, from token overlays to native issuance.[16]

Alternative investment funds are the second major use case, especially in a market where alternative funds account for roughly 35% of total Luxembourg fund assets. Here the honest claim is not that tokenisation magically creates liquidity. EFAMA's buy-side guide is explicit that tokenised fund shares may still face thin tradable liquidity in secondary markets, and that tokenisation can improve liquidity in illiquid markets but does not inherently create it. But tokenisation can still make a material difference by supporting fractionalisation, lowering transfer friction and easing secondary trading among existing holders. Deloitte has pointed to secondary market trading of tokenised fund units as a way to widen the attraction of traditionally less liquid funds, while EY argues that tokenisation can make entry and exit from assets such as private equity and real estate less burdensome than the legacy process. In that sense, the promise for AIFs is not synthetic liquidity. It is more orderly transferability.[17]

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Europe still lacks the cash leg it needs

If there is one bottleneck that now stands out, it is no longer the tokenised asset itself. It is the tokenised cash leg. The European Commission's own 2024 workshop on asset tokenisation framed the lack of a widely available on-chain settlement asset as one of the main reasons why secondary markets in tokenised financial instruments remain difficult to organise. The Eurosystem's 2026 payments strategy says much the same thing in more institutional language: wholesale tokenised markets should keep central bank money as the anchor, but they also need private settlement assets such as EU-governed, euro-denominated tokenised deposits and properly designed stablecoins. In practical terms, Europe still lacks a large-scale, widely accepted euro-denominated programmable settlement asset that smart-contract-based finance can use with confidence.[18]

The strategic problem is that Europe is still small on that front. In July 2025, the ECB warned that roughly 99% of global stablecoin market capitalisation was dollar-denominated, while euro-denominated stablecoins remained marginal, at less than EUR 350 million. At the same time, the United States signed the GENIUS Act into law in July 2025, creating the first federal regulatory system for stablecoins, and the U.S. Treasury moved into implementation with a proposed rule in April 2026. Put bluntly, the United States now has both scale and federal legislative direction in the part of digital money that tokenised capital markets increasingly need.[19]

Why does that matter? Because infrastructure tends to lock in around what becomes usable first. The ECB has already warned that Europe heavily depends on proprietary standards controlled by international card schemes, and that most EU countries rely on international card schemes for card payments. If Europe does not accelerate the euro settlement layer for tokenised finance, it risks repeating that pattern in a new domain: assets issued under European law, but liquidity, payment standards or settlement habits drifting toward dollar-native infrastructure. The danger is commercial andarchitectural.[20]

The race has just begun

There is still every reason for optimism. ESMA said in June 2025 that the EU DLT Pilot Regime had seen initially limited uptake but was now attracting growing interest from potential applicants, and it recommended changes that would make the regime more permanent and more attractive. The ECB's Pontes initiative is scheduled for initial launch in the third quarter of 2026 to connect DLT platforms to TARGET Services, while Appia is tasked with shaping the longer-term blueprint for a European tokenised financial ecosystem. In other words, Europe is no longer just discussing tokenisation. It is beginning to lay out the public rails around it.[21]

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> The real question is: on whose rails, in which currency, under what law, and with what degree of trust, finality and strategic independence?

That is why the next twenty-four months matter so much. This is the window in which Europe can decide whether tokenisation will remain a collection of pilots, proofs of concept and fragmented platforms, or become a coherent financial-market infrastructure built on European governance, euro-denominated settlement assets and legally effective digital records. Luxembourg has already shown what one part of that answer looks like: legal certainty first, institutional roles second, industrial fund use cases third. The task now is not to admire the framework. It is to scale it.[22]

So the modern Phileas Fogg question is not whether EUR 1 million can move around the world in eighty seconds. Increasingly, it can. The real question is: on whose rails, in which currency, under what law, and with what degree of trust, finality and strategic independence? Luxembourg has done serious groundwork to ensure that one answer can be: on regulated rails, with legally effective blockchain records, and at institutional scale. Europe should now continue, accelerate and compete for the financial-services infrastructure of the future. The race has only just started. But outcomes are often decided earlier than they seem.[23]

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MOON CLOUD
by Gaby Salazar

Mexico recognized virtual assets early, then built a perimeter to keep them at arm's length. Now, 2025–2027 reforms in AML, tax transparency and tokenization are testing that perimeter for anyone structuring a digital asset business with a Mexican nexus.

Few jurisdictions have been as quietly consequential, or as misread, as Mexico. The 2018 Fintech Law made it one of the first Latin American countries to recognize virtual assets in primary legislation, but secondary regulation then kept them at a calculated distance from the regulated financial sector.

> Mexico recognized virtual assets early, then built a perimeter to keep them at arm's length.

That tension (recognition and restraint) defines Mexico's framework. The key question is not whether virtual assets are lawful; they are. It is where a given activity falls across financial, civil, commercial, procedural and tax law, and what that classification requires. Three developments now sharpen the issue: the 2025 AML reform, Mexico's commitment to the OECD crypto tax transparency standard, and the rise of real-world asset tokenization.

Fintech Law

The starting point is definitional. Under Articles 30 to 32 of the Fintech Law, a virtual asset is an electronically recorded representation of value used as a means of payment and transferable only electronically. Three consequences follow: virtual assets are neither legal tender nor foreign currency; only CNBV authorized Financial Technology Institutions and credit institutions may operate with them; and even they need prior, specific Banxico authorization for eligible assets.

The gap between "cryptocurrency" and the statutory "virtual asset" matters. Mexican law is functional, not technological: it captures value used in payment regardless of the ledger or consensus design. Blockchain supplies integrity and auditability, but the law focuses on economic function — a point that becomes critical when the same token may fall into different legal categories.

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If the Fintech Law opens the door, Banxico's secondary regulation largely closes it through a "healthy distance" policy meant to shield the financial system from virtual asset volatility. Banxico permits credit and fintech institutions to use virtual assets only for internal, back-office or risk management purposes, and only with case-by-case authorization. Public facing services (exchange, transfer and custody) remain outside the allowed framework.

As of this review, no generally public Banxico authorization under this regime appears to have been disclosed. The apparent channel for CNBV authorized institutions to serve retail virtual asset clients is therefore operationally inert. The result is Mexico's market paradox: virtual assets are lawful outside the regulated financial perimeter, yet effectively closed to institutions inside it. Exchanges serving Mexican users occupy a space that is not prohibited, but not purpose built either, a structural gap any Mexican strategy must address.

Anti-money Laundering Law

For years, Mexico's Anti-money Laundering (AML) law supplied the clearest legal hook. The AML Law has long treated professional virtual asset exchange by non-financial platforms as a "Vulnerable Activity," requiring customer due diligence and UIF reporting. The 2025 reform did not create that category; it tightened it.

Key AML law recent changes include lower reporting thresholds; explicit extraterritorial reach for offshore providers serving Mexican users; travel-rule-style duties to collect, retain and provide originator, recipient and beneficial owner data; ten year record retention; twenty-four hour suspicious operation alerts in relevant cases; a formal risk based approach, internal policy manual, annual training, automated monitoring and annual audit; and a tighter beneficial owner control test, reduced from 50% to 25%. The 2025 reform, now subject to implementing rules, materially raises the sector's compliance burden.

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Procedure, commerce and civil law.

Mexican crypto law discussions often stop at the Fintech Law, Banxico and AML. They should not. For activity outside the financial perimeter, the governing law often sits elsewhere, in procedure, commerce and civil law.

The National Code of Civil and Family Procedure (CNPCF), published in 2023, is the first federal statute to define "blockchain" (*cadena de bloques*) and "metaverse" and, more importantly, to address distributed ledger evidence. It recognizes electronic documents or data messages recorded on a public blockchain as admissible evidence with full probative value (*prueba plena*), absent reliable signs of tampering or unreliability. It turns blockchain's auditability into a litigable legal fact.

The commercial implications are direct. Proof of ownership, smart contract execution and chain of custody are central to tokenization, and the CNPCF gives courts a basis to treat well-built on-chain evidence as conclusive. It is Mexico's closest thing to an enabling statute for tokenization, though written for courts rather than capital markets.

Around that procedural anchor, other laws apply by business model. A Mexican digital asset structure is rarely governed by one statute alone: it is assembled from the Fintech Law if the perimeter is triggered, the AML regime, procedural rules for evidence, private civil and commercial law for the underlying rights, and data protection and consumer rules where relevant.

Tax: a pre-existing framework applied to a new asset class

Mexico has no dedicated tax regime for crypto-assets. There is no special chapter in the Income Tax Law, and no binding guidance from the tax administration (SAT) on point. Their treatment has instead developed by applying general principles to an economic reality those rules were never designed for, beginning with characterization. For tax purposes crypto-assets are generally regarded as intangible assets and, on disposal, analyzed under the rules for transfers of movable property. That single choice channels the entire analysis through the law of disposition of property, with one immediate consequence: the sale of a crypto-asset, and importantly the exchange of one crypto-asset for another, is a disposition of property under the Federal Tax Code, so that a crypto-to-crypto swap is a taxable event even where no peso or fiat ever changes hands, because the exchange is treated as two separate dispositions.

Resident individuals

For resident individuals disposing occasionally, gains generally fall under the disposition of property chapter, taxed at progressive rates up to 35%, with the distinctive Mexican feature of an inflation adjustment to acquisition cost. There is a respectable argument that the general exemption for occasional gains on movable property below roughly $120,000 pesos can reach crypto-assets, though they are not expressly named. Where activity is regular or organized, frequent trading, mining with dedicated infrastructure, or crypto services, it may be recharacterized as business income, still capped at 35% for individuals.

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> Beyond Fintech and AML, Mexico's procedural, commercial and civil laws quietly enable tokenization and on-chain evidence.

Resident legal entities

Corporate residents recognize gains within annual taxable income at the 30% rate, with no special regime separating crypto-assets from any other source of taxable profit.

Wealth, inheritance and gifts

Mexico does not levy income tax on wealth, so the mere holding of crypto-assets does not give rise to taxation. In succession matters, inheritances are exempt from income tax, and gifts between spouses and between ascendants and descendants are likewise exempt; the tax cost carries over, so that the heir or the donation beneficiary is taxed when the assets received are subsequently disposed of. There are no special rules: crypto-assets follow the general regime for the transfer of property.

Staking, airdrops and accounting

Under the prevailing reading, staking rewards and airdrops are treated as taxable income at fair market value on receipt, as a real accretion to wealth, whereas mere daily price fluctuation is not a taxable event, with gain recognized only on disposal. Mexico is also unusual in the region in having a dedicated accounting standard, NIF C-22 (Cryptocurrencies), effective since 2021, which recognizes cryptocurrencies as a distinct asset class with their own measurement and disclosure rules. Because accounting recognition and tax recognition do not always coincide, holders must run both analyses.

> Real-world asset tokenization is animating Mexico's market today, structured under private civil and commercial law with strong on-chain evidentiary support.

Value-added tax

Value-added tax, by contrast, remains genuinely unsettled. While the disposal of assets is, in principle, a taxable act under the VAT Law, that same law exempts the disposal of used movable property when it is not carried out by a business, as well as the disposal of domestic and foreign currency. Under a reasonable view, an individual who sells crypto-assets occasionally could fall outside VAT on this basis, although it is not clear-cut that crypto-assets qualify as "used" property; by contrast, an individual or a legal entity operating on a business basis would be subject to it.

Tax transparency: the CARF turn

Mexico has committed, alongside more than fifty jurisdictions, to the OECD's Crypto-Asset Reporting Framework (CARF), with first automatic exchanges of information slated to commence in 2027. The distinction from the older Common Reporting Standard (CRS) is technically important and strategically decisive: where the CRS largely reports year-end balances, CARF requires reporting of transactions throughout the year, purchases, sales, exchanges, transfers and payments, allowing tax authorities to reconstruct a taxpayer's crypto activity with granular precision. The result is the asymmetry that characterizes much of Latin America: limited certainty on the substantive treatment of complex transactions, paired with rapidly increasing visibility into what taxpayers are actually doing. The practical conclusion is plain, the question is no longer whether crypto-assets are taxed but whether positions are correctly interpreted and adequately documented in an environment where the information will no longer be opaque.

Real-world asset tokenization

If there is a single theme animating the Mexican market today, it is the tokenization of real-world assets such as real estate, funds, commodities, receivables and, increasingly, art. The legal treatment is best understood not as a new regime but as a sorting exercise, and the sorting turns on the token's economic substance rather than its label.

Security tokens follow the securities laws. Where a token represents equity, debt or another investment return that is in substance a security, it falls within the Securities Market Law. If it falls within the definition of a security (*valor*), its issuance and trading require licensed intermediaries, CNBV supervision and the standard disclosure architecture. Tokenizing a security does not escape securities regulation; it simply changes the wrapper around an instrument that remains fully regulated.

Asset-backed and utility tokens fall to private law. Where a token represents a non-financial real-world asset, such as fractional interests in real estate, a commodity or a piece of art, there is no dedicated tokenization statute in Mexico. These projects are structured under Mexican private law: the civil and commercial codes for the rights and obligations, tax law for the consequences, and the AML regime at the on-ramp. This is where the CNPCF's evidentiary recognition quietly earns its keep, giving the on-chain record a defensible legal status that the off-chain wrapper can rely upon.

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by Gaby Salazar

In the absence of a bespoke statute, market practice has converged on familiar tools used carefully. Projects typically separate off-chain legal title which are frequently held through a trust (*fideicomiso*) or a special purpose vehicle, from the on-chain token that represents the economic interest, bind the two through enforceable contractual documentation, and place the know your customer and AML controls at the gateway where users enter and exit. The craft lies in matching the token to the correct legal box and then building the wrapper that the box requires.

Tokenization changes the evidentiary and operational layer, but not the formal requirements for the transfer, perfection or enforceability of the underlying Mexican law right.

What to do with all of this

For businesses, investors and counsel with a Mexican nexus, the key is not whether crypto is "allowed," but how each activity fits within Mexico's legal framework. Four priorities follow.

1. **Classify the token first.** Its substance (security, payment instrument or asset-backed right) determines the law that applies.
2. **Prepare the AML program.** Design the risk-based controls, audit function, travel-rule data flows and new reform duties ahead of the expected rules.
3. **Treat traceability as a tax asset.** CARF will increase visibility from 2027, making records and documented positions on swaps, staking and airdrops essential.
4. **Use the CNPCF strategically.** Structure tokenization so the on-chain record can support full probative value through integrity controls, clear off-chain links and audit trails.

Mexico's framework is deliberately cautious: it recognizes virtual assets, limits financial sector exposure, strengthens AML oversight, supports blockchain evidence and advances tax transparency.

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The Netherlands: a balanced jurisdiction for institutional blockchain adoption

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The Netherlands: a balanced jurisdiction for institutional blockchain adoption

Introduction

The Netherlands has emerged as a uniquely balanced jurisdiction in Europe's rapidly evolving blockchain and digital assets landscape. Unlike jurisdictions that have pursued either aggressive deregulation or cautious restriction, the Netherlands has charted a sensible middle course. A license in the Netherlands carries particular weight in Europe. It demonstrates that a firm has met the standards of a respected regulator while gaining access to EU-wide passporting rights, which provides stakeholders with confidence in the firm's regulatory compliance.

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> A license in the Netherlands carries particular weight in Europe.

The serious reputation of the Dutch Financial Authority (AFM) and the Dutch Central Bank (DNB) and by adopting the MiCAR regulation without significant gold-plating, the Netherlands has attracted mature institutions. The result is a jurisdiction increasingly recognized as a gateway for crypto natives and traditional finance institutions seeking to adopt blockchain technology, particularly through stablecoins and tokenization.

The Markets in Crypto-Assets Regulation (MiCAR), which came into force across the EU in June 2023,[1] provided a baseline framework for all member states. However, the implementation in the Netherlands, including its approach to licensing timelines, regulatory pragmatism, has positioned it as a leading destination for institutional blockchain adoption. An example of this is the stablecoin issuer Qivalis, founded by a consortium of banks, that has been established in Amsterdam, the Netherlands. This article explores the regulatory landscape, market developments, and institutional positioning that make the Netherlands an attractive jurisdiction for banks, asset managers, and infrastructure providers navigating the convergence of traditional finance and blockchain technology.

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Regulatory framework: clarity with rationality

MiCAR introduced the first comprehensive EU-wide framework for crypto assets, electronic money tokens (EMTs), and asset-referenced tokens (ARTs), as well as the provision of ten core services around crypto assets, including custody, exchange, and settlement services. The AFM and DNB have positioned themselves as authorities that are both rigorous and responsive, creating an environment where firms can navigate compliance with confidence.[2] In first principle the AFM supervises the service offerings, whilst DNB supervises the issuance of these assets.

This positioning is reflected in the ESMA register of Crypto Asset Service Providers (CASPs).[3] As of May 2026, the Netherlands ranks second in the EU with 25 licensed CASPs, behind only Germany with 53 licenses. The Netherlands has attracted a substantial portion of Europe's regulated crypto infrastructure despite having a smaller population and financial sector than Germany, suggesting that regulatory approach and execution capability matter as much as market size.

The Netherlands chose a 6-month grandfathering period for existing crypto service providers, shorter than Germany's 12 months or France's 18 months. The 6-month timeline (ending June 30, 2025) forced firms operating under legacy national frameworks to achieve full MiCAR compliance and secure a new license within this timeline. This created what regulators call a “cliff edge” risk: firms that did not complete their applications in time faced the prospect of ceasing operations.

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However, this tighter timeline produced an unexpected benefit. By forcing firms to license early, the AFM essentially accelerated the acquisition of EU-wide passporting rights. A Dutch-licensed CASP can operate across all EU member states with a single license, a capability that firms in jurisdictions with longer grandfathering periods did not yet possess. Dutch licensed firms gained competitive advantage as they were allowed and started offering their services in other EU member states earlier than other EU CASPs.

Recognizing the tightness of the timeline, the AFM and DNB implemented pragmatic measures to support compliance. The AFM offered informal feedback on applications before the official assessment clock starts, allowing firms to identify and fix structural issues early. From July 2024, the DNB began assessing draft applications, giving firms a "running start" while final ESMA interpretations were still being finalized. The DNB has signaled a cooperative approach to compliance, preferring to work with firms actively engaged in the licensing process rather than imposing immediate punitive measures for minor administrative delays. This combination of a tight timeline and support created a distinctive regulatory environment: firms faced clear deadlines and high expectations, but had access to regulators willing to help them navigate the path to compliance.

Market developments: from pilots to live operations

The regulatory environment outlined above creates the conditions for institutional blockchain adoption. While the full potential of blockchain technology lies in the convergence of three critical elements; identity (embedded compliance), ownership (tokenized assets), and payments (programmable money), the current institutional adoption takes mostly place at the payments layer. Stablecoins represent this entry point.

They provide the rails for instant, transparent settlement that traditional finance struggles to deliver. Stablecoins thus represent a critical application of blockchain technology for institutional adoption. Under MiCAR, stablecoins are classified as Electronic Money Tokens (EMTs) if they are denominated in a single fiat currency, issued by a licensed entity, and backed 1:1 by reserves. This classification provides legal certainty: EMTs are treated as regulated financial instruments with clear reserve and collateral requirements, redemption rights, and ongoing supervision.

On the crypto native side there is Quantoz. This Dutch fintech, became the first stablecoin issuer[4][5] licensed by the DNB as an Electronic Money Institution (EMI), which is necessary in order to issue an EMT. Its EURD token is designed as a programmable "digital euro" for instant, zero-fee machine-to-machine and B2B payments. Quantoz has since launched EURQ and USDQ, both MiCAR-compliant euro and US dollar stablecoins on the Ethereum, Algorand and Polygon blockchains. In doing so they provide infrastructure for institutional-grade liquidity and cross-border settlement.

On the other hand, Qivalis, founded by a consortium of 12 banks, headquartered in Amsterdam, represents a banking-led approach to stablecoin development. The consortium aims to launch a MiCAR-compliant euro stablecoin (QvEUR) by the second half of 2026,[6] bringing together traditional banking institutions to create a bank-backed alternative for on-chain settlement.

> "Dutch-licensed firms gained a competitive advantage by accessing EU-wide passporting rights earlier than their European counterparts.

This contrasts with Quantoz's crypto-native fintech model. Beyond traditional stablecoins, financial institutions in Netherlands are also exploring "deposit tokens". These are euro-denominated tokens used to settle fractional ownership of real-world assets. As part of the first cohort of the European Blockchain Sandbox (EBS), ABN AMRO and Rabobank are collaborating in a consortium led by 2Tokens to develop deposit tokens that facilitate on-chain settlement for tokenized renewable energy assets managed by Assetblocks.[7][8]

4. https://www.quantoz.com/about
5. https://www.quantoz.com/blog/interview-non-us-stablecoin-issuers-gaining-appeal-amid-trade-wars-says-quantoz-payments-ceo-arnoud-star-busmann
6. https://www.bbva.com/en/innovation/bbva-joins-banking-consortium-to-issue-european-stablecoin/
7. ledgerinsights.com/ebl-electronic-bills-of-lading-fit-alliance/
8. https://www.2tokens.org/blog/dlt-sandbox

Infrastructure and service providers

The maturity of the Dutch blockchain infrastructure ecosystem can be seen in the diversity and sophistication of service providers that now operate in the jurisdiction.

Exchanges and Trading Venues

Bitvavo, the largest Dutch exchange with over 2 million users,[9] recently secured a MiCA license from the AFM, enabling it to passport its services across the EU. Finst, an Amsterdam-based exchange focused on low fees and transparency, obtained a full MiCA license in mid-2025. D2X provides institutional-only trading in crypto futures and options with collateral-efficient mechanisms. NPEX, a licensed Dutch security exchange, is partnering with Dusk Network to launch DuskTrade, a blockchain-powered venue for over €300 million in tokenized securities[10].

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> Amsterdam has become a global hub for blockchain infrastructure development.

Institutional Custodians

Amdax, the first crypto service provider registered with the DNB (2020)[11], holds a MiCA license and provides institutional-grade custody, staking, and wealth management. Bitonic, one of the oldest Bitcoin-only brokers in the Netherlands (established 2012), focuses on high-security Bitcoin custody. ZeroHash, a B2B infrastructure provider, enables major fintechs and payment processors (including Stripe and Mastercard) to offer regulated crypto services from its Dutch hub.

Blockchain Protocol Developers

Amsterdam has become a global hub for blockchain infrastructure development. ZkSync (Matter Labs), headquartered in Amsterdam, is scaling Ethereum via the Elastic Chain, a modular network of interconnected zero-knowledge rollups designed for high-speed, low-cost institutional use. Dusk Network, also based in Amsterdam, develops privacy-preserving blockchain infrastructure specifically for regulated tokenization and financial applications, featuring built-in compliance hooks for regulators.

This ecosystem, spanning exchanges, custodians, and protocol developers, provides the “plumbing” necessary for institutional blockchain adoption. The presence of both regulated financial infrastructure and cutting-edge technical development creates a unique advantage: institutions can access both compliance-ready services and technological innovation from a single jurisdiction.

Tokenization and institutional adoption

Tokenization, the process of representing financial assets as digital tokens on a blockchain, has moved from pilot phase to live operations in the Netherlands. This transition reflects both technological maturity and institutional participation in blockchain-based settlement.

ABN AMRO is using public blockchains for regulated securities issuance. In September 2023, the bank issued a €5 million green bond on the Polygon network for real estate firm Vesteda,[12] using the ERC-3643 standard to embed compliance rules directly into the tokens. The bank has also issued digital bonds on the Stellar network for SMEs (such as APOC Aviation, raising €450,000[13]) and, in late 2024, issued its inaugural tokenized commercial paper on a private blockchain operated by Clearstream, with Rabobank participating as an investor[14]. In early 2025, ABN AMRO completed a proof-of-concept for on-chain trading of tokenized securities against stablecoins[15], demonstrating the technical feasibility of stablecoin-settled markets.

9. https://bitvavo.com/en
10. https://www.binance.com/en/square/post/35796800277842
11. https://www.amdax.com/nl/nieuws/amdax-ontvangt-dnb-registratie
12. https://www.abnamro.com/en/news/abn-amro-registers-first-digital-green-bond-on-the-public-blockchain
13. https://www.ledgerinsights.com/abn-amro-tokenized-bond-blockchain/
14. https://www.clearstream.com/clearstream-en/newsroom/241023-4151802
15. https://21x.eu/abn-amro-conducts-successful-on-chain-trade-of-tokenized-assets-against-stablecoins-in-preparation-for-the-launch-of-21x/

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Rabobank has focused on improving efficiency and settlement speed in institutional markets. The bank has executed multiple real-time commercial paper transactions using the Corda blockchain, [16] reducing settlement times from the traditional two-day lag to under 30 minutes. As part of the European Blockchain Sandbox, Rabobank is exploring deposit tokens to enable fractional ownership of renewable energy assets, addressing both the tokenization opportunity and the broader energy transition agenda[17].

ING has taken a different approach, focusing on the technical infrastructure that underpins tokenization. The bank's research team is globally recognized for developing zero-knowledge proof solutions that allow institutions to verify data without exposing sensitive transaction details[18 19]. Beyond these technical contributions, ING is also a founding member of Qivalis, the bank consortium developing a MiCAR-compliant euro stablecoin[20].

These projects demonstrate that tokenization in the Netherlands is live. The involvement of major Dutch banks, ABN AMRO, Rabobank, and ING, signals institutional commitment to blockchain-based settlement and tokenization. While these three banks represent significant players in the Dutch financial system, they are not the only institutions exploring tokenization. The broader ecosystem includes smaller banks, fintech firms, and specialized service providers also developing blockchain capabilities. Institutions are executing live transactions, managing real assets, and building the infrastructure for a multi-rail settlement environment.

Opportunities and challenges

The Netherlands' position as a balanced jurisdiction creates opportunities, though not without challenges to navigate through.

The implementation of MiCAR, combined with the early licensing timeline, has positioned Dutch firms to achieve EU-wide passporting sooner than competitors in other jurisdictions. This creates a window of competitive advantage for service providers and institutions in the Netherlands[21]. The presence of major banks, custodians, and protocol developers creates a complete ecosystem for institutional blockchain adoption. Firms looking to build blockchain capabilities can access both regulatory expertise and technical knowhow from a single jurisdiction, a rare combination in Europe.

The Netherlands is emerging as a hub for stablecoin development, from Quantoz's regulated EMTs to Qivalis' bank-backed euro stablecoin. However, there is also real challenges. While MiCAR provides a baseline, regulatory interpretation continues to evolve. ESMA guidance, national authority decisions, and potential future amendments can create ongoing uncertainty. Firms must remain agile in how they approach compliance. Germany's larger financial sector and 53 licensed CASPs represent significant competition, and Luxembourg, Malta, and other jurisdictions are also positioning themselves as blockchain hubs.

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> The involvement of major Dutch banks signals strong institutional commitment to blockchain-based settlement and tokenization.

Outlook and conclusion: the path forward (2026–2028)

The path forward

As stablecoins mature and tokenization becomes more adopted, Dutch banks are likely to deepen their involvement in three areas: (1) stablecoin issuance and distribution, (2) tokenized asset custody and settlement, and (3) programmable money infrastructure for corporate treasury and intercompany flows. The regulatory clarity provided by MiCAR and the enforcement of the ruleset by the AFM and DNB create conditions for this evolution. The regulatory landscape will continue to evolve through 2026 and beyond. ESMA is expected to issue further guidance on stablecoin reserve requirements and DeFi regulation.

The period 2026–2028 is likely to see accelerated institutional adoption of blockchain technology in the Netherlands. Qivalis' launch of QvEUR and the broader adoption of MiCAR-compliant stablecoins will create new settlement rails for institutional transactions. Live tokenization projects will move from pilots to production, with increasing volumes of bonds and commercial paper settling on blockchain networks. Banks and treasurers will use stablecoins and tokenized assets to automate settlement and optimize liquidity management.

16. https://financialit.net/news/blockchain/rabobank-successfully-completes-preproduction-trial-runs-commercial-paper-issuance
17. https://blockchain-observatory.ec.europa.eu/european-blockchain-sandbox-announces-selected-projects-first-cohort_en?prefLang=nl
18. https://www.boomish.org/blogs/what-are-zero-knowledge-proofs
19. https://www.fintechfutures.com/blockchain-crypto-digital-assets/ing-releases-zero-knowledge-set-membership-blockchain-solution
20. https://ing.com/news/2026/money-doesnt-work-nine-to-five-anymore.html
21. https://www.onetrading.com/blog/micar-across-the-eu-why-early-adoption-is-a-competitive-edge

Underlying these developments is a fundamental shift in how institutions think about money and settlement. The concept of "cash on chain", stablecoins and tokenized money operating natively on blockchain networks, is becoming central to institutional blockchain adoption. This shift requires the convergence of three critical elements: issuers (creating the stablecoins and tokenized assets), service providers and banks (providing the infrastructure and custody), and treasurers and institutional users (creating demand for faster, more transparent settlement).

The Netherlands is well-positioned to facilitate this convergence. With parties providing issuance, major banks and CASPs offering infrastructure, and growing institutional interest from corporate treasurers, the conditions for "cash on chain" adoption are aligning. Once this foundational layer is established, the tokenization of broader financial instruments, such as bonds, commercial paper, and eventually most financial assets, becomes operationally feasible.

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> The Netherlands is uniquely positioned to lead in this transition.

Conclusion

The Netherlands has established itself as a balanced jurisdiction for institutional blockchain adoption. The 6-month grandfathering period, initially perceived as a constraint, became a strategic advantage, accelerating EU-wide passporting rights. The AFM and DNB's approach, has created an environment where serious institutional players can navigate compliance with confidence.

Market developments demonstrate that institutional adoption is here. The banking consortium behind Qivalis show institutions actively building blockchain capabilities. The infrastructure ecosystem, regulated exchanges, institutional custodians, and protocol developers, provides the foundation for blockchain to become operationally embedded in institutional finance. As blockchain becomes increasingly central to payments and settlement, the Netherlands' might be positioned as a leading destination for institutional blockchain adoption in Europe. The next phase will be defined by the ability of institutions to integrate blockchain into existing operations and build the infrastructure for "cash on chain." The Netherlands is uniquely positioned to lead in this transition.

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Digital Assets in Slovenia: From Early Adoption to Regulated Maturity

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BIO

Lovro is a partner in Law Firm Fatur Menard. He is widely regarded as the foremost specialist in fintech regulation in Slovenia. He has acted as counsel in the licensing procedures for the majority of cryptoasset service providers currently authorized under the MiCAR regulatory framework in Slovenia. Lovro also regularly advises MiFID II investment firms on regulatory compliance, licensing, and governance matters, further cementing his position as a key advisor across the full spectrum of financial services regulation in Slovenia. In addition, Lovro is recognized as a leading expert in investment funds regulation. He has advised and represented the majority of alternative investment fund managers in Slovenia, both in obtaining regulatory authorizations and in navigating complex ongoing compliance and operational challenges. He is the goto lawyer in Slovenia for the structuring, registration, and licensing of investment funds and their managers.

FATURMENARD

1. Introduction

Blockchain technology and digital assets have rapidly evolved from experimental innovations into integral components of the modern financial and technological landscape. The core features of blockchain—decentralization, cryptographic security, and immutability—enable new forms of asset representation, enhance data integrity, and increase transactional efficiency. As a result, the digital-asset ecosystem now encompasses a broad spectrum of instruments, including cryptocurrencies, tokenized financial assets, asset-referenced tokens, e-money tokens, and various utility-based token models. This diversification has triggered significant legal, regulatory, and supervisory considerations worldwide.

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> With MiCAR now fully in force and directly applicable in the Republic of Slovenia, the country has transitioned… to a harmonized and comprehensive framework tailored specifically to digital assets.

From a regulatory perspective, digital assets present both opportunities and risks. On one side, blockchain-based systems promise enhanced transparency, accelerated settlement processes, operational efficiencies, and innovative business models that could strengthen European competitiveness in financial services and digital markets. On the other side, the volatility of certain crypto-assets, the operational and cyber risks inherent to decentralized infrastructures, and persistent concerns related to money laundering, consumer protection, and market integrity necessitate a robust and forward-looking regulatory response. Policymakers must therefore navigate a delicate balance between fostering technological innovation and ensuring adequate safeguards for market participants and the financial system as a whole.

Within the European Union, regulatory clarity has advanced significantly through the introduction and full implementation of the Markets in Crypto-Assets Regulation (MiCAR). With MiCAR now fully in force and directly applicable in the Republic of Slovenia, the country has transitioned from a regulatory environment shaped primarily by general financial-market, AML, and consumer-protection legislation to a harmonized and comprehensive framework tailored specifically to digital assets. MiCAR establishes clear authorization, governance, prudential, and disclosure obligations for crypto-asset service providers (CASPs) and sets distinct regulatory regimes for the issuance of utility tokens, asset-referenced tokens, and e-money tokens. Its implementation marks a pivotal shift for Slovenia’s digital-asset market, offering unprecedented regulatory predictability and elevating compliance expectations for both established participants and new entrants.

Despite its relatively small market size, Slovenia has long been recognized for its technologically skilled workforce, high digital-adoption rates, and active blockchain community. These strengths have supported dynamic blockchain-driven initiatives across fintech, supply-chain management, and public-sector innovation. With MiCAR now fully operational, Slovenia is entering a new phase of market maturation—one in which innovative blockchain applications must coexist with sophisticated regulatory and supervisory oversight. This evolution is reshaping business models, influencing compliance architectures, and redefining the competitive positioning of Slovenian firms within the broader EU digital-finance landscape.

2. Regulatory Framework in the Republic of Slovenia

The regulatory framework governing digital-asset activities and technology-enabled financial services in Slovenia rests on three mutually reinforcing pillars: the MiCAR, the anti-money-laundering and counter-terrorist-financing regime (AML/CTF), and the Digital Operational Resilience Act (DORA). As EU regulations and harmonized legislative instruments, these pillars apply uniformly across all Member States, meaning that Slovenia’s regulatory architecture mirrors that of other EU jurisdictions. This ensures a fully aligned, pan-European framework governing financial institutions, CASPs, and ICT-dependent entities, providing consistent standards, supervisory expectations, and compliance obligations throughout the Union.

In this sense, Slovenia operates within the same integrated regulatory environment as all other EU Member States, reinforcing regulatory convergence and supporting the functioning of a unified digital-finance market. MiCAR serves as the cornerstone of Slovenia's digital-asset regulation. As an EU regulation, MiCAR applies directly across Member States and has been fully integrated into the Slovenian legal order through the Law on the Implementation of MiCAR, published on 8 November 2024 and entering into force on 23 November 2024. This act clearly delineated supervisory responsibilities, assigning oversight of CASPs and asset-referenced token (ART) issuers to the Slovenian Securities Market Agency (SSMA) and supervision of e-money token (EMT) issuers to the Bank of Slovenia. Since 30 June 2025, when the transitional period expired, all CASPs operating in Slovenia must hold full MiCAR authorization, aligning their governance frameworks, prudential safeguards, whitepaper obligations, and ICT-risk controls with uniform EU standards.

Complementing MiCAR is Slovenia's well-established AML/CTF framework, which has long applied to virtual-asset service providers and was significantly reinforced in 2025. Slovenia's AML legislation, historically rooted in the transposition of EU AML Directive requirements, covers exchange, transfer, safekeeping, and issuance-related services. The reforms adopted in early 2025 introduced stricter fund-transfer transparency obligations and enhanced monitoring of crypto-asset activities, providing an essential safeguard for market integrity at a time when MiCAR concurrently raised prudential and conduct-of-business requirements.

The third regulatory pillar, DORA, entered into application across the EU on 17 January 2025, establishing a unified framework for digital operational resilience and ICT-risk management for nearly all financial entities, including CASPs. Slovenia promptly adopted implementing regulation, published in the Official Gazette on 15 April 2025, designating the Bank of Slovenia, the SSMA, and the Insurance Supervision Agency as competent authorities. The regulation introduced mandatory ICT-incident reporting, strengthened supervisory powers related to ICT-risk oversight, and established a system of fines for non-compliance.

Taken together, these three pillars form a coherent and rigorously enforced regulatory architecture. MiCAR governs market conduct and transparency in the digital-asset sector, AML rules safeguard the integrity of financial flows, and DORA ensures operational resilience across digitalized financial infrastructures. Their combined effect sets the stage for the developments discussed in the following chapter, in which 2025 emerges as a transformative juncture in Slovenia's regulatory evolution.

3. Regulatory and Market Developments

> The year 2025 stands as a landmark moment in the regulatory transformation of Slovenia's digital-asset sector.

The year 2025 stands as a landmark moment in the regulatory transformation of Slovenia's digital-asset sector. With the expiration of the transitional period on 30 June 2025, MiCAR became fully and uniformly applicable to all crypto-asset service providers operating in Slovenia. This marked the end of a phased adaptation that had previously granted temporary allowances to existing service providers, and from this date onward every CASP—whether domestic or operating cross-border under EU freedoms—was required to hold full MiCAR authorization. Regulatory guidance clearly confirmed that this deadline closed the final window for CASPs to align governance structures, prudential protections, ICT-security systems, and disclosure obligations with MiCAR's stringent standards. For a market characterized historically by strong innovation but less sector-specific oversight, this transition represented a decisive move toward regulatory maturity.

A central factor contributing to the orderly nature of this shift was the exceptionally proactive role of the SSMA. Slovenia had already laid a strong legal foundation through the Law on the Implementation of MiCAR in November 2024, which embedded MiCAR into the national regulatory system and assigned supervisory competencies between the SSMA and the Bank of Slovenia. But it was the SSMA's conduct during the transitional period that truly distinguished Slovenia's approach. Rather than adopting a passive or wait-and-see posture, the SSMA engaged early and continuously with market participants, publishing clarifications, participating in consultations, and offering clear expectations regarding authorization processes, documentation standards, and supervisory priorities.

Regulatory analyses throughout this period consistently underscored the SSMA's pivotal role in steering Slovenia's MiCAR implementation, particularly in relation to the licensing of CASPs. Drawing on its established supervisory expertise, the SSMA positioned itself at the operational center of the authorization process, guiding applicants through the newly introduced MiCAR requirements with an approach that balanced regulatory rigor with practical support. The SSMA's active engagement—ranging from early interpretative guidance to ongoing consultations—provided prospective CASPs with a clear understanding of documentation standards, governance expectations, and procedural timelines. By establishing transparent review processes and fostering open dialogue with industry stakeholders, the SSMA not only harmonized Slovenian supervisory practice with EU-level standards but also mitigated uncertainty that often accompanies large-scale regulatory transitions. These efforts resulted in a more structured, predictable, and accessible licensing environment, significantly strengthening CASPs' confidence as they navigated full authorization under the MiCAR regime.

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> The issuance of these first MiCAR authorizations not only validated the robustness of Slovenia's regulatory framework but also positioned the country among the more advanced EU jurisdictions in operationalizing MiCAR.

By late 2025, these efforts materialized in the successful completion of several MiCAR licensing procedures, marking a tangible milestone in Slovenia's regulatory advancement. Multiple Slovenian CASPs completed the authorization process and received full MiCAR licenses, demonstrating both the preparedness of domestic market participants and the effectiveness of the SSMA's supervisory approach. The issuance of these first MiCAR authorizations not only validated the robustness of Slovenia's regulatory framework but also positioned the country among the more advanced EU jurisdictions in operationalizing MiCAR. The successful licensing outcomes signaled growing regulatory certainty, increased institutional trust, and a strengthened foundation for the development of compliant, innovative digital-asset services in the years ahead.

At the same time, Slovenia's commitment to regulatory integrity extended beyond MiCAR implementation. In 2025, the country further enhanced its AML/CTF framework, introducing stricter mechanisms for monitoring crypto-asset transfers and reinforcing “Travel Rule” compliance. Together with MiCAR's extensive prudential and governance obligations, these developments created a regulatory landscape that supports innovation while decisively mitigating systemic, operational, and financial-crime risks.

4. Trends

Looking ahead, Slovenia is poised for dynamic and accelerated market developments throughout 2026 and 2027, supported by its now fully operational MiCAR regime and the significant regulatory certainty it provides. With the transitional period concluded and supervisory expectations firmly established, the Slovenian digital-asset landscape is entering a phase of consolidation and expansion. New market entrants—both domestic innovators and cross-border EU providers—are expected to increase markedly, attracted by the predictability and transparency of the regulatory environment. At the same time, existing CASPs are anticipated to broaden their service offerings, moving beyond basic exchange or custodial functions and into more sophisticated, value-added financial-service models. As regulatory risk diminishes and confidence in supervisory institutions rises, institutional participation in crypto-assets is likewise expected to grow, contributing to a more mature, diversified, and professionally structured market. Innovations in tokenization, blockchain-based financial instruments, and hybrid digital-finance platforms are expected to accelerate further, particularly as firms operate with increasing assurance under a harmonized EU regulatory architecture.

One of the most significant trends shaping both the Slovenian and broader EU digital-asset markets during this period will be the deepening interconnection between the MiCAR and MiFID II regulatory regimes. As tokenized financial instruments become increasingly mainstream and as the boundary between traditional finance and the digital-asset ecosystem continues to blur, firms are expected to pursue regulatory strategies that leverage the benefits of both frameworks. The structural parallels between MiCAR and MiFID II—in governance, investor-protection requirements, conflict-of-interest management, transparency obligations, and organizational safeguards—create fertile ground for coordinated supervisory approaches and integrated business models. This alignment is likely to support the emergence of investment firms offering tokenized securities alongside conventional instruments, CASPs expanding into regulated investment-advisory services, and platforms providing unified custody, trading, settlement, and portfolio-management functions across both digital and traditional asset classes.

Importantly, this period is also expected to see continued regulatory activity at both the EU and national levels, which will further shape the operating conditions for Slovenian market participants. At the EU level, institutions and supervisory authorities are anticipated to refine MiCAR's technical standards, update existing guidelines under MiFID II and AML legislation, and continue developing frameworks supporting tokenization, digital identity, and cross-border financial-data exchange. Parallel initiatives—such as the ongoing implementation of DORA, the evolution of the EU's anti-money-laundering package, and the strengthening of supervisory convergence across Member States—are likely to deepen regulatory coherence across financial markets. At the national level, Slovenia is expected to adapt its domestic legislation and supervisory practice in response to this evolving EU landscape, providing additional clarity where needed, strengthening oversight mechanisms, and ensuring that the Slovenian market remains aligned with emerging European regulatory expectations. These developments will not only enhance legal certainty but will also reinforce Slovenia's attractiveness as a jurisdiction for compliant digital-finance innovation.

Altogether, Slovenia's early, comprehensive, and well-coordinated implementation of MiCAR—reinforced by the exceptionally proactive leadership of the SSMA—has created a regulatory environment uniquely positioned for innovation, harmonization, and sustainable market growth. As the country moves through 2026 and 2027, the interplay between MiCAR and MiFID II, combined with continued regulatory evolution at both EU and national levels and supported by Slovenia's maturing supervisory infrastructure, is expected to shape Slovenia's role as a dynamic, forward-looking, and competitively positioned hub within the evolving European digital-finance landscape.

5. Conclusion

The regulatory transformation that unfolded in Slovenia with the full implementation of MiCAR in 2025 has set the stage for a fundamentally new era in the governance and development of digital-asset markets. What began as an innovative, yet relatively loosely regulated environment has now matured into a structured, coherent, and forward-looking regulatory ecosystem built on three mutually reinforcing pillars: MiCAR, the AML/CTF framework, and DORA. Together, these instruments establish clear standards for market conduct, operational resilience, and financial-system integrity, ensuring that Slovenia is well-positioned to navigate the expanding digital-finance landscape.

Central to this transformation has been the decisive leadership of SSMA. Through early engagement, transparent guidance, and a collaborative approach to supervision, the SSMA not only ensured a smooth transition to the MiCRA regime but also strengthened confidence in Slovenia's ability to effectively oversee a rapidly evolving market. The successful completion of several MiCAR licensing procedures in 2025 further demonstrates the readiness of Slovenian CASPs and validates the efficacy of the supervisory framework now in place.

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With a stable regulatory framework, a skilled technological workforce, and an increasingly sophisticated ecosystem of market participants, Slovenia is well on its way to establishing itself as a dynamic and credible hub in the emerging digital-finance landscape.

As Slovenia moves into 2026 and 2027, the country stands at a promising intersection of regulatory stability and technological opportunity. Market activity is expected to deepen and diversify, with CASPs expanding their offerings, institutional actors entering the space, and blockchain innovations gaining momentum across both crypto-native and traditional financial sectors. The anticipated convergence between MiCAR and MiFID II—particularly in the context of tokenization and integrated financial-market infrastructure—will further shape the contours of digital-finance operations, creating new possibilities for firms seeking to operate across asset classes and regulatory regimes.

At the same time, continued regulatory evolution at both EU and national levels will play a significant role in shaping the environment in which Slovenian market participants operate. Refinements to MiCAR's technical standards, further AML/CTF enhancements, and ongoing DORA implementation efforts will collectively strengthen supervisory convergence and foster a more resilient and innovation-friendly digital-finance ecosystem across the EU.

Slovenia's proactive stance, strong supervisory institutions, and maturing digital-asset industry place the country in an advantageous position within this broader European context. With a stable regulatory framework, a skilled technological workforce, and an increasingly sophisticated ecosystem of market participants, Slovenia is well on its way to establishing itself as a dynamic and credible hub in the emerging digital-finance landscape. The years ahead will likely see not only continued market growth but also the integration of blockchain technologies into mainstream financial processes—reinforcing Slovenia's role as a forward-looking participant in the EU's digital-economy transformation.

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THAILAND

Key developments and latest trends in Securities Tokenization and Digital Assets – Thailand Perspective

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Key developments and latest trends in Securities Tokenization and Digital Assets – Thailand Perspective

Introduction

Capital markets play a vital role in supporting economic growth by providing businesses with access to funding and offering investors a wide range of investment opportunities. Over the years, technology has become increasingly integrated into capital markets and financial systems around the world. This is reflected in the growing adoption of technologies supporting securities tokenization and the emergence of crypto-related investment products such as crypto ETFs in certain jurisdictions. These developments demonstrate that technology is reshaping not only fundraising and investment activities, but also the broader operation of capital markets.

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> The DSE framework aims to enable tokenized securities in a secure, interoperable, and efficient manner, while supporting market efficiency, reducing operational costs, and strengthening investor access and financial inclusion.

In Thailand, the capital market landscape is also evolving toward greater adoption of digital technology. The Securities and Exchange Commission Thailand (SEC Thailand) recognizes the importance of leveraging technology to enhance efficiency, accessibility, and innovation in the capital market. As part of its strategic direction, the SEC Thailand is promoting initiatives related to securities tokenization, inclusive fundraising through digital assets and portfolio diversification through crypto-related investment products.

To accomplish these objectives, the SEC Thailand has outlined the following three frameworks.

1. Driving Securities Tokenization

Securities tokenization is becoming an important structural development in global capital markets, transforming how financial products are issued, transferred, and settled. Tokenization can enhance market efficiency by reducing processing time, improving liquidity, and enabling more streamlined settlement processes, including the potential for atomic settlement. It can also broaden investor access to financial products and support greater financial inclusion through digitalized investment channels. As the global adoption of securities tokenization continues to grow, the SEC Thailand recognizes the importance of supporting the digital transformation of the capital market while maintaining market integrity and investor protection.

In response, the SEC Thailand is pursuing amendments to the Securities and Exchange Act to support the issuance and operation of fully digital securities. The proposed amendments would allow the entire lifecycle of securities (including issuance, transfer, and settlement) to be conducted electronically without requiring physical certificates. Importantly, tokenized securities would maintain the same legal validity and enforceability as traditional securities.

While the legislative amendments remain underway, the SEC Thailand is advancing the Digital Securities Ecosystem (DSE) framework as an interim approach to support the fully digital transition of the capital market. The DSE framework aims to enable tokenized securities in a secure, interoperable, and efficient manner, while supporting market efficiency, reducing operational costs, and strengthening investor access and financial inclusion. To facilitate this transition, the SEC Thailand has outlined the following four approaches under the DSE framework.

- **Project Acceleration**

Under this approach, the SEC Thailand aims to promote use cases for securities tokenization in the capital market. A regulatory sandbox has been introduced specifically for market participants to test their innovation and assess risks prior to full-scale implementation. At present, six market participants have expressed interest and are engaging in ongoing discussions with the SEC Thailand regarding the issuance of tokenized mutual funds and tokenized bonds.

• Regulatory Realignment

The SEC Thailand acknowledges that the advancement of technologies that may exceed the current legal framework. Therefore, the SEC Thailand has taken a step toward reviewing and amending the existing rules that may impede tokenization to ensure alignment between the legal framework and technology development especially on an issuance, transfer and settlement of tokenized securities. For instance, the SEC Thailand amended the regulation regarding the tokenization of money market funds (MMFs) in January 2026, which became effective on 1 April 2026. The amendment aims to facilitate the development of tokenized funds while ensuring that the regulatory requirements and operational practices of market participants remain clear and consistent.

Under this amendment, tokenized funds are granted exemptions from the prescribed timeframe for the issuance or cancellation of fund units, in line with technology capabilities that enable accelerated processing. For example, issuance and redemption processes may be completed within the same day. Furthermore, the SEC Thailand is in the process of reviewing other related rules to accommodate tokenized securities. This includes exploring settlement mechanisms such as pay-in-kind for tokenized funds, as well as coordination with the Bank of Thailand (BOT) with regard to the use of THB-backed stablecoins and tokenized deposits for settlement.

• Standardization for Interoperability

To prevent tokenization from developing in fragmented or isolated ecosystems, the SEC Thailand is promoting common standards to support interoperability across platforms and market participants. The objective is to establish a consistent framework for token structures, data standards, and operational practices that can be broadly adopted throughout the digital capital market ecosystem.

As part of this initiative, the SEC Thailand plans to introduce standards covering key areas such as token technical architecture, core token functionalities, cybersecurity requirements, and operational standards for tokenizers. The SEC Thailand expects these standards to enhance interoperability, enable seamless connectivity across platforms, and support more efficient and scalable market operations.

• Integration of On-Chain Settlement

The long-term objective is the integration of on-chain settlement. The SEC Thailand recognizes that for the capital market to be completely digitalized, it requires the settlement process to be also fully on chain. Therefore, integration of digital payment tokens whether in the form of deposit tokens or Thai Baht stablecoins is necessary to enhance efficiency in the digital capital market. As part of this approach, the SEC Thailand continues to explore ways to realize this integration and engaging with BOT to ensure that the integration supports market development as well as the broader economy.

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The SEC Thailand amended the regulation regarding the tokenization of money market funds (MMFs) in January 2026, which became effective on 1 April 2026.

2. Expanding Inclusive Fundraising

In addition to securities tokenization, the capital market has expanded beyond traditional fundraising platforms. Over the past few years, there has been a trend among businesses to raise funds via digital products. The SEC Thailand has been encouraging the use of technology in fundraising through investment tokens since 2018 when the Emergency Decree on Digital Asset Businesses (Digital Asset Law) has come into force. Investment Token refers to an electronic data unit created for the purpose of specifying the right of a person to participate in an investment in any project or business.

To conduct an Initial Coin Offering (ICO) of the investment token, the offering process must be carried out through a regulated ICO Portal. An ICO Portal serves as a gatekeeper, responsible for conducting due diligence and screening investment tokens prior to issuance, to ensure project’s credibility and appropriate risk disclosure. In Thailand, there are five types of investment tokens for businesses to raise funds, depending on their suitability.

- **Project-based Token:** this token grants the right for a token holder to participate in an investment in any project or business. The returns vary based on the types of projects or businesses such as the returns from the profits of the project or a fixed amount.

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> Since 2021, five projects have raised THB 8 billion through initial coin offerings (ICOs).

- **Real Estate-backed Token:** the underlying assets of this token are the properties; thus, the token holder can expect the derive income streams from real estate in return.

- **Infrastructure-backed Token:** this token follows a similar concept to real estate-backed token, except that the underlying asset is the infrastructure.

- **Sustainability-themed Token:** Introduced in 2024, this token including green, social, sustainability tokens (GSST) and sustainability-linked tokens (SLT) which have been issued to be on par with other sustainability-related products in the capital market. This token aims to strengthen the development of sustainable financial products.

- **Soft Power Token:** Also introduced in 2024, this token was designed to support projects related to soft power sector such as music, films, dramas and the arts, this type of token allows issuers to raise funds from retail investors without being subjected to the offering limitation. While other types of tokens are subject to a retail offering limit of no more than 70% of the total offering value. The objective of this token is to promote the use of technology in fundraising and creative economies.

Investment tokens are expanding and reshaping the fundraising landscape. Fundraising through investment tokens enables financial flows directly to projects that align with investors' preferences. Since 2021, five projects have raised THB 8 billion through initial coin offerings (ICOs). SiriHub Token was the first real estate-backed token and raised THB 2.4 billion in 2021. Destiny Token followed in 2022 as the first project-based token and raised THB 265 million with a movie as the underlying project. In 2023, RealX Token raised THB 2.4 billion with 361 condominium units in Bangkok as the underlying asset. In 2025, SiriHub2 Token and SUMX Token, both backed by office buildings, raised THB 2.49 billion and THB 450 million respectively. In addition, 17 private placements raised nearly THB 900 million combined. This brings total fundraising to roughly THB 8.9 billion across 22 offerings.

In the pipeline, BLU Green-token, the first token backed by carbon credit revenue from mangrove reforestation, has been approved and is pending its THB 480 million offering. Meanwhile, a THB 2 billion project-based token offering returns from a gold trading business is undergoing the SEC Thailand's approval process. One more prospective issuer is in discussions with the SEC Thailand.

Within the digital asset sphere, including investment tokens, the SEC Thailand strictly regulates digital asset businesses through six categories of digital asset licenses. This framework aims to ensure that investors are able to gain exposure to trustworthy and regulated investment opportunities while expanding their investment options.

From the implementation of the Digital Asset Law in 2018 to May 2026, Thailand's digital asset industry has expanded significantly. The number of licensed digital asset business operators has grown to 25 firms, including digital asset exchange, digital asset brokers and digital asset dealers (18 firms), digital asset investment advisors (2 firms), digital asset fund managers (3 firms), and digital asset custodians (2 firms).

Furthermore, Thailand's digital asset market has experienced strong growth over the past five years, driven by both rising investor participation and a substantial expansion in client assets.

The number of digital asset trading accounts increased from approximately 0.17 million accounts in 2020 to 3.11 million accounts (of which 0.135 million were active) in April 2026. Client assets have grown from THB 9.6 billion in 2020 to THB 88 billion in April 2026, reflecting growing market trust and confidence in the ecosystem. Together, these figures indicate that Thailand's digital asset market is not only expanding in scale, but also attracting growing interest in digital assets and crypto as an asset class.

3. Unlocking Cryptos for Diversification

Digital innovation is progressively narrowing the gap between digital financial products and traditional financial instruments, driven by increasing demand from both investors and businesses seeking efficiency, accessibility, and diversification. This evolution reflects a broader transformation of the financial landscape, underpinned by technological advancements such as blockchain and distributed ledger technology, which are reshaping financial products and services in Thailand's capital markets.

In line with the SEC Thailand's strategic roadmap, crypto assets have been recognized as an emerging asset class (crypto as an asset class) to promote portfolio diversification. To support their development and integration into the broader financial ecosystem, the SEC Thailand has implemented policy initiatives across multiple channels, including direct investment in crypto assets through licensed Digital Asset business operators, as well as indirect exposure via crypto ETFs and crypto derivatives.

Crypto ETFs is one of the financial products that contain the characteristics of both digital and traditional financial products. It has been approved in many countries and Thailand has shifted toward the same landscape. In January 2025, the SEC Thailand amended regulations related to eligible assets and investment limits for mutual fund investments, allowing mutual funds to invest in crypto assets under a risk level appropriate for the types of investors. Mutual funds and private funds for retail investors would be allowed to have total exposure to crypto asset through crypto ETFs or foreign mutual funds, within specified investment limits, to support asset allocation by fund managers. In April 2026, the SEC Thailand proposed a new regulatory framework for the establishment of spot crypto ETFs in Thailand, which directly invest in underlying crypto assets with simple structures to enhance investors' understanding of their characteristics and associated risks, while ensuring that they are managed by asset management companies (AMCs) operating under appropriate custody arrangements. This initiative aims to broaden investment opportunities for investors, enhance the capabilities of business operators, promote greater product diversity in Thailand's capital market, and strengthen the crypto ETF ecosystem under a regulatory framework that ensures robust investor protection.

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Furthermore, the SEC Thailand is advancing the development of an ecosystem for digital asset derivatives. This includes proposed revisions to the licensing framework for derivatives businesses to enable digital asset business operators to apply for derivatives business licenses without the need to establish separate legal entities. The proposed reforms are intended to enhance market efficiency and participation by allowing investors to utilize digital asset derivatives as additional risk management tools. At the same time, these changes aim to strengthen the SEC Thailand's regulatory oversight by harmonizing supervisory standards across all business types in line with international practices. On 10 February 2026, the Thai Cabinet approved in principle the recognition of digital assets as eligible underlying assets for derivatives products, marking a significant step toward integrating digital assets into Thailand's derivatives market.

Beyond product development, the SEC Thailand has also supported digital asset and securities business operators in providing integrated and responsible services under their respective licenses. This includes ensuring the provision of adequate and appropriate advice to investors, enabling them to obtain suitable exposure to crypto assets as part of a diversified investment portfolio. Moreover, the SEC Thailand has promoted the role of licensed digital asset fund managers (DAFMs) in enhancing the capacity of AMCs to manage mutual funds investing in digital assets, as well as the role of licensed digital asset custodial wallet providers (DA custodians) in acting as fund supervisors and providing crypto asset custody services for crypto ETFs.

Across these initiatives, the SEC Thailand has closely collaborated with key financial regulators, BOT and Office of Insurance Commission (OIC), to ensure policy alignment in promoting and developing new financial products and services, including the ecosystem surrounding tokenized financial assets and related services.

Conclusion

Thailand's capital market landscape is being reshaped by rapid technological advancement and the growing integration of technology into capital market activities. Digital financial products, including securities tokenization and digital assets, are becoming an increasingly important trend in Thailand's capital market. Technology transformation may present both challenges and opportunities for market participants and regulators. Businesses are required to adapt to evolving technologies and changing market structures while regulators are required to balance innovation, investor protection, and market integrity.

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> Technology is not viewed as a disruptive force, but rather as an important tool to enhance market efficiency, transparency, and market integrity.

In response to this transformation, the SEC Thailand is supporting the transition toward a more digitalized capital market and promoting key enablers to facilitate a smooth and sustainable transition. Through the Digital Securities Ecosystem (DSE) framework, the SEC Thailand seeks to support the development of securities tokenization. For digital financial products, the SEC Thailand continues to support their development and recognizing their potential to enhance portfolio diversification for investors. Technology is not viewed as a disruptive force, but rather as an important tool to enhance market efficiency, transparency, and market integrity.

UK

Regulating the Future: The UK's Evolving Cryptoasset Regime

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BIO

Andrzej has a broad experience of financial services regulation – from asset/wealth management, banking to digital assets and fintechs. He has worked on large cross border transactions and worked on setting up banks and financial institutions in the UK and EU. Andrzej supported industry bodies, regulators and governments on developing existing regulation and policy. He frequently advises clients on responding to regulatory change and navigating the regulatory perimeter to maximise their commercial goals.

Aligned with technological advancements, Andrzej is advising firms on the new UK cryptoasset regime – including on thought leadership, strategy, regulatory perimeter, authorisation and compliance with the new rules as they apply to digital assets and cryptoassets in the UK. He is working actively with industry groups to help shape the new regime and improve regulatory guidance available to market participants.

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Meghan Millward is a financial services regulatory lawyer specialising in cryptoassets, payments, and financial crime. She has spent several years advising banks, fintechs, and digital asset businesses on navigating the evolving UK and international regulatory landscape. Her experience spans the full lifecycle of crypto projects, from token launch structuring and financial promotions compliance to designing and implementing regulatory frameworks across multiple jurisdictions.

Meghan works at the intersection of crypto and payments, advising on innovative products. More recently, she has focused on cryptoasset authorisation planning under the UK's FSMA regime, helping firms prepare for transition and meet regulatory expectations. She is actively engaged in industry groups and contributes to thought leadership on emerging regulatory trends in cryptoassets.

Cryptoasset regulation is coming to the UK with full force in 2027 – we explore what that means, what the path to regulation looks like and who is best placed to make the most of the new regime.

Path to regulation

Until now, UK crypto regulation resembled a building project with very visible scaffolding and very little construction behind it. The FCA held the front entrance, policing financial promotions and running AML registration – most firms just got on with it outside this perimeter, using UK intermediaries for marketing to UK customers where necessary.

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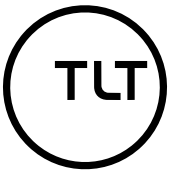
That has now changed, not with a single dramatic announcement, but with something more reliable: plumbing. In February 2026, HM Treasury made the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (**Cryptoasset Regulations**), the foundational instrument that brings cryptoasset activities inside FSMA, the same legal architecture that governs banks, investment managers, and payment institutions. Then, in April 2026, Treasury published a draft amending statutory instrument (SI) and policy note that recalibrated parts of the regime before it had even fully commenced. This is what active regulatory construction looks like.

For banks, investment firms, payment service providers (**PSPs**), exchanges, custodians, and financial market infrastructure firms, the regime that is emerging carries a striking feature: it is not designed for the crypto-native market. It is based on bricks and mortar and designed for institutions that already know how to be regulated.



The existing perimeter

Before turning to where the regime is going, it is worth understanding where it already is, because the current framework is more substantive than it is sometimes given credit for.

The FCA's most visible intervention has been in financial promotions. Since October 2023, cryptoasset communications to UK consumers have been subject to a dedicated regime, with risk warnings, cooling-off periods for first-time investors, and a clear, fair, and not misleading standard that mirrors what applies to investment products more broadly. The FCA has shown it is prepared to enforce this seriously. In early 2026, it began legal proceedings against HTX (formerly Huobi) for allegedly promoting cryptoasset services illegally to UK consumers. The message was pointed: being physically offshore does not insulate a firm from the UK promotions perimeter. For banks and PSPs thinking about distribution arrangements, white-label partnerships, or customer-facing on/off ramp journeys, that should already be shaping product design - not just compliance sign-off.

The AML registration gateway tells a similar story about supervisory intent. Since becoming cryptoasset AML supervisor in January 2020, the FCA has notably had an alarmingly low pass rate for AML applications for cryptoasset service providers. For institutions conducting counterparty due diligence, this matters: “FCA registered” in the crypto context means passing an AML gatekeeping exercise, not FSMA authorisation. The two are not the same thing, and the gap between them is precisely what the new regime is designed to close.

The Travel Rule, which since September 2023 has required UK cryptoasset businesses to collect, verify, and transmit information about cryptoasset transfers, has quietly embedded a more substantive compliance infrastructure than its low-profile introduction suggested. Firms serious about Travel Rule compliance are already building sanctions screening, transaction monitoring, data standards, and correspondent relationship management that will be table stakes under the full FSMA regime. Those that are not will face a steeper hill in 2026 and 2027.

FSMA regime: a significant uplift from AML registration

The Cryptoassets Regulations are built around a simple but significant idea: cryptoasset activities should be regulated on the same basis as other financial services activities, not through a bespoke crypto licence, but through Part 4A FSMA permissions.

Beyond the authorisation requirement (and its related on-going compliance requirements), the Cryptoasset Regulations establish two substantive legal frameworks. The first is a disclosure and liability regime for public offers and admissions to trading of qualifying cryptoassets, bringing cryptoasset capital markets activity into something recognisably close to the prospectus framework that applies to traditional securities, including liability for misleading statements and investor withdrawal rights. The second is a market abuse framework: prohibitions on insider dealing, unlawful disclosure, and market manipulation, with systems and controls obligations and FCA investigatory and enforcement powers. For any compliance team that has spent time working on UK or EU MAR, the concepts will feel familiar. The practical challenge is that crypto market structure (fragmented, pseudonymous, virtual and cross-border) makes surveillance genuinely much more difficult to build than in equities or fixed income. Firms that develop that capability early will be ahead of those that wait for further guidance that may not arrive.

The difference from the current UK AML registration regime is not one of degree; it is one of kind. AML registration asks whether a firm's financial crime controls are sufficient that it will not become a conduit for criminal activity. FSMA authorisation asks whether the firm's governance, customer outcomes framework, conduct standards, market integrity controls, and operational resilience are fit for sustained regulatory supervision - through growth, stress, and the full cycle of a regulated firm's life. That is the standard banks and investment firms already must meet for their existing businesses. For crypto-native firms, it is a substantially higher bar.

Timings

Here FCA has been unusually precise. Pre-application meetings via the PASS service will open in July 2026, though firms were able to apply from 11 May 2026. The application window is expected to run from 30 September 2026 to 28 February 2027, with full commencement on 25 October 2027.

HM Treasury's letter of 29 May 2026 confirmed the FCA intends to finalise its rules by mid-2026 – a large chunk of which was published on 30 June. That timetable sounds comfortable until you consider what FSMA authorisation readiness actually requires. It is not a form-filling exercise; it is a demonstration that operating models, governance, controls, customer journeys, and risk frameworks will support a business fit for regulatory scrutiny. For firms starting from scratch on any of those dimensions, fifteen months is a short runway.

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At an international level, it has always been clear that the UK is not trying to win a speed contest. The EU's MiCA framework delivered earlier certainty and EU-wide passporting. The US GENIUS Act, signed into law in July 2025, has given USD stablecoin issuers a federal framework that will accelerate dollar-denominated stablecoin adoption globally. Other jurisdictions have moved faster in specific respects. The UK's wager is different: that absorbing crypto into FSMA produces something those alternatives do not quite deliver - a digital assets market operating inside the full accountability framework of a G7 financial centre. Whether that bet pays off depends heavily on whether firms of real scale - the banks, custodians, and market infrastructure providers - choose to build within it.

The design principles for the new regime try to strike a balance between the desire for the UK to be seen as open to cryptoasset businesses and the consumer protections that the regulators are there to police. Parliament has not provided additional cover to the regulators to lessen the latter in order to achieve the former.

The stablecoin question

The draft amending SI discussed above identified and addressed a structural problem with the Cryptoasset Regulations. The problem is specific. As the Regulations were originally drafted, a firm providing stablecoin payment services, routing value from A to B using a GBP-denominated stablecoin, risked being captured within the regulatory perimeter for "dealing in" or "arranging deals in" qualifying cryptoassets. In practice, that would mean a payments firm needing the same category of authorisation as a crypto trading platform. Treasury's conclusion, stated plainly in the policy note, was that this was not the right outcome and needed to be resolved before the regime went live.

> "Treasury is making it structurally easier to build payment services around a domestically authorised stablecoin than around an imported one.

The draft amending SI introduces a concept of "relevant qualifying stablecoin transactions" and carves certain activities (dealing as principal, dealing as agent, and arranging deals) out of the regulated activities perimeter for those transactions. Critically, the carve-out is not for stablecoins generally. It applies to a "relevant qualifying stablecoin", defined as one issued by a firm with Part 4A permission for the regulated activity of issuing qualifying stablecoins. In other words: an authorised, UK-issued stablecoin.

The policy dimension is deliberate. By tying the carve-out to UK-issued, FCA-authorised stablecoins, Treasury is making it structurally easier to build payment services around a domestically authorised stablecoin than around an imported one. This is not a ban on foreign stablecoins, nor a restriction on consumer access. But it is a meaningful regulatory preference expressed through perimeter design, and in a market where dollar-denominated stablecoins already represent the majority of the global stablecoin supply, the geopolitical driver for creating that preference now is not hard to follow. As a result, exchanges, investment firms and other intermediaries looking to offer non-UK issued stablecoins to UK consumers will face a significantly larger regulatory burden than their UK counterparts.

Treasury acknowledged the trade-offs. Removing payment-focused stablecoin activity from the dealing/arranging perimeter creates interim consumer risk. The compensating control is the requirement for cryptoasset safeguarding permissions, which firms holding stablecoin assets on behalf of customers will still need. The draft SI also tightens the "temporary settlement" exclusion from safeguarding, rewriting it so it applies only where settlement is ancillary to dealing or arranging, not to stablecoin payment flows.

Equally significant, though less discussed, is the draft SI's early commencement of provisions that carve out stablecoin backing assets from the collective investment scheme and alternative investment fund frameworks, ahead of October 2027. Without this change, the reserves held to back an authorised stablecoin could inadvertently be characterised as a fund. Resolving this early matters enormously to any bank or custodian thinking about providing reserve asset custody services for a stablecoin issuer, and it signals that Treasury is thinking seriously about making the commercial ecosystem around stablecoin issuance workable, not just the issuance activity itself.

The consultation period on the draft SI closed on 22 May 2026. As of early July 2026, the instrument has not yet been made. Firms should plan on this architecture arriving, while recognising that the final mechanics have not yet settled into law.

The incumbent advantage

There is a version of the UK digital assets landscape in which the winners are crypto-native firms that navigate the FSMA gateway successfully: the exchanges, niche custodians, and specialist intermediaries that have been operating in this market for years. That version exists. But for traditional financial institutions, it is not the most interesting version of the story.

The more compelling case is that the UK's FSMA-shaped regime has created a genuine structural advantage for regulated incumbents, provided they recognise it and move on it before the window narrows.

Custody is the most obvious starting point. The Cryptoasset Regulations make cryptoasset safeguarding a regulated activity. As the crypto market matures, "who holds your assets, under what regulatory framework, and what happens if they fail?" becomes a live question for institutional counterparties and clients. This was a key lesson from the FTX saga as well as the US bank failures and the demise of Credit Suisse in 2023. Banks and established custodians already answer that question for equities, bonds, and alternative assets. The control environment they bring (segregation, independent key management, incident response, third-party risk frameworks, regulatory audit trails) is exactly what the FCA will be looking for in authorised digital asset custodians. It is not something a crypto-native firm with a few years of operating history can easily replicate. And Treasury's early commencement of the backing asset carve-out means that reserve custody for stablecoin issuers is a service banks can now begin structuring without the risk of inadvertently triggering fund regulation. There is also a commercially significant opportunity for banks to serve as custodians of the fiat-denominated reserve assets that back qualifying stablecoins – something within existing banking capabilities and that will become increasingly central to the institutional credibility of any UK-authorised stablecoin issuance.

For PSPs and banks with payments infrastructure, the UK qualifying stablecoin carve-out creates a commercial lane that rewards authorised, UK-established entities. A firm that secures Part 4A permission for stablecoin issuance, or that works alongside a firm that has, can provide stablecoin payment services without being treated as a crypto dealer. For firms that prefer not to be issuers, the intermediary model is a credible alternative: providing on/off ramps, GBP conversion, compliance infrastructure, and distribution for an authorised stablecoin, occupying a significant position in the payment chain without taking on issuer risk or the direct regulatory overhead of issuance.

The FCA has already run a stablecoins sandbox cohort and publicly identified firms testing issuance use cases in a controlled environment, signalling that early engagement with the new regime is the path the regulator is trying to encourage. Firms that have had those conversations are better placed to shape the rules than those who arrive at the gateway in late 2026 with a cold application.

The broader strategic point is this: every activity in scope under the new regime (issuance, dealing, custody, intermediation, staking, lending, operating a platform) will need to map to a permission, a governance structure, a set of conduct obligations, and a supervisory relationship with the FCA. That is an environment that should feel familiar to any institution already operating under FSMA, but not to currently unregulated market participants. The compliance overhead for an incumbent adding digital assets permissions to an existing regulatory relationship is meaningful, but it is significantly lower than building that relationship from scratch.

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It is an invitation, and it will not stay open indefinitely.

The invitation

The UK's digital assets regulatory regime is not finished and is unlikely to be complete on 25 October 2027. The experience of the April 2026 draft amending SI, identifying and addressing a structural drafting problem before it became a live commercial failure, shows that Treasury, the PRA and the FCA are actively tuning the perimeter and will continue to do so. This is further reinforced by the pivot on applying the new CASS rules for cryptoassets to tokenised versions of existing financial instruments – which the FCA is no longer proposing and is seeking industry feedback on what rules to apply to safeguarding tokenised securities.

For legal and compliance teams at banks and PSPs, the immediate task isn't simply to achieve full FSMA readiness this calendar year. It is to understand which of your firm's activities, products, and client journeys fall within the new perimeter, and to begin building (in governance, controls, and operating model) the foundations that a credible authorisation application will require. New entrants face a bigger challenge.

The deeper point is simpler than the legislation makes it look. The UK has built a digital assets regime that is demanding, deliberate, and constructed in the image of the broader financial services framework that traditional institutions already inhabit. That is not a coincidence. It is an invitation, and it will not stay open indefinitely.

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Chris co-chairs Gray Reed's Blockchain and Digital Asset Practice. He also serves as Gray Reed's Government Investigations & Compliance Practice Group Leader. He guides businesses and individuals through high-stakes federal and state investigations, criminal proceedings, and civil enforcement actions involving securities fraud, insider trading, healthcare fraud, FCPA violations, False Claims Act claims, and pay-to-play schemes. He also represents clients in complex commercial disputes across the country and internationally in industries including healthcare, energy, financial services, fintech, real estate, technology, and retail.

As a former Senior Trial Counsel in the SEC's Fort Worth Regional Office, Chris led litigation nationwide against individuals and entities charged with violating federal securities laws. He investigated and prosecuted high-profile matters involving cryptocurrency-based securities, Ponzi schemes, accounting fraud, and insider trading. While with the SEC, he also was lead counsel in the SEC's first ever receivership involving an offering of digital assets.

A licensed CPA since 2000, Chris spent seven years in management consulting at a Big Four firm before entering law school. He draws on his experience as a government regulator, CPA, and consultant to help clients build proactive compliance programs, minimize regulatory and business risks, and conduct internal investigations to resolve issues before they escalate.

Before joining the SEC in 2010, Chris worked in the trial department of a large international law firm, where he served as lead counsel in civil and commercial litigation matters involving white-collar issues, intellectual property, contract disputes, and professional malpractice. He is a frequent presenter on cybersecurity, digital currencies, and government enforcement and compliance topics.

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Joshua D. Smeltzer is a Board Certified tax law specialist and experienced trial lawyer who advises corporations, partnerships, family offices, and high-net-worth individuals. A former trial attorney with the U.S. Department of Justice, he brings more than two decades of government and private-sector experience to high-stakes civil and criminal federal litigation nationwide, with matters ranging from $500,000 to over $1.5 billion.

As Chair of Gray Reed's Tax Controversy & Litigation practice and co-chair of its Blockchain and Digital Asset practice, Joshua excels at distilling complex tax, financial, and regulatory issues into clear themes for judges, juries, and government agencies. He represents clients through every stage of federal controversies in district courts, the U.S. Tax Court, and other forums.

Joshua's litigation and advisory work spans financial services, private equity, energy, real estate, and emerging technologies such as artificial intelligence and digital assets. His Department of Justice background gives clients a strategic advantage when navigating government investigations and litigation.

A recognized thought leader on tax, corporate governance, digital assets, and regulatory compliance, Joshua serves as editor of Gray Reed's Dollars & Sense blog, regularly contributes to Forbes and other national publications, and speaks at conferences throughout the U.S. and internationally.

He has earned seven Outstanding Trial Attorney awards from the Department of Justice and is consistently recognized among the top practitioners in his field by private rating services.

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Suhani Patel guides clients through financial regulatory investigations, leveraging her previous experience at FINRA to provide unique insight into government enforcement actions. She specializes in analyzing complex data sets to identify regulatory violations, including excessive trading, RegBI, private placement, and money laundering issues under FINRA and SEC rules.

Suhani manages cases from initiation to conclusion, conducting comprehensive document review, formulating detailed information requests and leading on-record testimony. She has worked closely with senior attorneys to develop investigative strategies using data analytics and other specialized tools. Suhani also has significant experience drafting complaints and corresponding memoranda for litigation matters.

GRAY REED

The Digital Asset Revolution: Where American Law Stands and Where It Is Headed

The first notable digital asset transaction occurred sixteen years ago: 10,000 Bitcoin for two pizzas. Today, those Bitcoin are worth about $815 million—enough to buy a pizza company. Digital assets have evolved from funding late-night cravings to becoming a central pillar of American economic policy, a bipartisan legislative priority, and an urgent concern for regulators, law enforcement, investors, and taxpayers.

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Digital assets have evolved from funding late-night cravings to becoming a central pillar of American economic policy, a bipartisan legislative priority, and an urgent concern for regulators, law enforcement, investors, and taxpayers.

How does the United States regulate a technology pet project turned multi-trillion-dollar ecosystem touching payments, lending, investing, banking, and national security? The answer involves federal legislation, proposed bills, informal agency guidance, court decisions, and gap-filling state laws—all reshaping how traditional financial institutions interact with crypto and stablecoins.

Informal Guidance

When rules and interpretive guidance are not codified, they remain subject to the whims of the next bureaucratic official and prevailing political winds.

Federal Agency Guidance

SEC and CFTC

Effective March 23, 2026, the SEC and CFTC issued joint interpretive guidance on federal securities laws' application to certain crypto assets and transactions. The interpretive guidance[1] classifies crypto assets into five categories (digital commodities, digital collectibles, digital tools, stablecoins, and digital securities), only the last of which is considered a security. Critically, the guidance distinguishes between crypto assets and investment contracts (which are securities), and clarifies that protocol mining, staking, wrapping, and airdrops generally do not involve securities offerings. This signals a shift, with SEC Chairman Paul Atkins declaring the SEC has stopped regulation by enforcement. The SEC's Division of Enforcement acknowledged that dozens of crypto cases since 2022 have found no investor harm and produced no additional investor benefits, reflecting a misallocation of SEC resources. The Division of Trading and Markets also published FAQs on crypto asset activities.

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IRS and Treasury Department

The IRS and Treasury have issued several pieces of guidance on digital asset taxation, though much needed clarity remains missing. Below are the primary guidance documents addressing broad taxation issues.

IRS Notice 2014-21 established the fundamental principle that virtual currency is property, not currency, for federal tax purposes—affecting how gains and losses are recognized, how basis is computed, how mining and staking rewards are taxed, and what information reporting obligations apply. However, the Notice's original background discussion stated that virtual currency did not have legal tender status in any jurisdiction, a statement the IRS later removed in Notice 2023-34 after certain jurisdictions recognized Bitcoin as legal tender.

IRS Rev. Rul. 2019-24 addresses hard forks and airdrops. It establishes (1) under a hard fork if the taxpayer does not receive new cryptocurrency they do not have income under IRC Section 61, and (2) a taxpayer recognizes gross income under IRC Section 61, ordinary in character, upon receipt of new cryptocurrency from an airdrop following a hard fork. Critically, a taxpayer does not have receipt if they are unable to exercise dominion and control over the airdropped cryptocurrency.

IRS Notice 2014-21 also addresses mining income: a taxpayer who successfully mines virtual currency must include its fair market value in gross income as of the date of receipt. If mining constitutes a trade or business and is not undertaken as an employee, net earnings are subject to self-employment tax.

Congress has introduced comprehensive digital asset tax legislation addressing a $300 de minimis exclusion, wash sale rules, and deferral of mining and staking income recognition. The Senate Finance Committee hearings indicate broad bipartisan agreement that outdated tax rules risk driving innovation abroad, but detailed tax legislation remains elusive.

1. https://www.federalregister.gov/documents/2026/03/23/2026-05635/application-of-the-federal-securities-laws-to-certain-types-of-crypto-assets-and-certain.

FinCEN and OFAC

On April 10, 2026, FinCEN and Office of Foreign Assets Control (OFAC) jointly issued a proposed rule implementing the GENIUS Act's directive to treat permitted payment stablecoin issuers (PPSIs) as financial institutions under the Bank Secrecy Act, along with anti-money laundering and sanctions requirements. These actions reflect coordinated efforts to balance pro-innovation appetite with a compliance-oriented regulatory framework for digital assets in the United States.

Court Cases: Filling the Legislative Void

Without comprehensive legislation or regulatory guidance, court cases brought by the DOJ and SEC shaped the regulatory landscape. The SEC's cases against Coinbase and Binance tested securities laws' application to digital asset intermediaries, while the Ripple Labs case tested whether XRP was a security (answer: it depends). These cases had far-reaching implications but yielded conflicting answers, producing an unsettled environment. The "Howey test" remains the standard for analyzing potential investment contracts, including crypto assets, but applying it to decentralized digital assets—especially with no meaningful SEC guidance during Gary Gensler's tenure—proved deeply contentious.[2]

On the criminal enforcement side, the DOJ aggressively pursued market manipulation, fraud, and money laundering cases in the digital asset space. The Celsius Network collapse resulted in its former CEO pleading guilty to securities and commodities fraud. Beyond high-profile corporate failures, the DOJ targeted market makers engaged in wash trading, prosecuted Tornado Cash operators for laundering funds tied to sanctioned entities and secured a conviction in the Mango Markets DeFi protocol exploitation case. Enforcement is expanding into cryptocurrency-facilitated tax evasion, ransomware payments, fraudulent ICOs, and "pig-butchering" investment scams. The DOJ has also created a new fraud-focused litigating division likely to target digital asset fraud.

The CLARITY Act: Proposed Legislation

The Digital Asset Market CLARITY Act of 2025 ("the CLARITY Act"), with bipartisan House support, is now pending before the full Senate after passing the Senate Banking Committee in May 2026. It proposes a comprehensive jurisdictional division between the SEC and CFTC, establishing a registration regime for digital commodity exchanges, brokers, and dealers under CFTC oversight while preserving SEC authority over digital asset securities. The CLARITY Act harmonizes with the GENIUS Act by incorporating permitted payment stablecoin concepts while excluding such stablecoins from the digital commodity definition.

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A central feature of the Senate Banking Committee-revised CLARITY Act is its framework for determining when a digital asset initially offered as part of an investment contract can "separate" from that contract and trade as a non-security. The bill organizes this around two concepts—an "ancillary asset" (a network token whose value depends on entrepreneurial or managerial efforts of an originator) and a "network token" treated as a non-security if it satisfies the Act's conditions. Rather than the House-passed "mature blockchain system" certification, the Senate version ties this transition to a certification that the underlying distributed ledger system is "not under coordinated control"—a certification that takes effect automatically unless the SEC denies it within 90 days. The bill preserves protections for decentralized finance activities, excludes software developers and self-custody wallet providers from registration, and confirms national banks may use digital assets or distributed ledgers for any otherwise-authorized activity. This measure may be further modified before final enactment.

2. SEC v. W.J. Howey Co., 328 U.S. 293 (1946).

The GENIUS Act

On July 18, 2025, the first digital asset legislation was signed into law: the Guiding and Establishing National Innovation for U.S. Stablecoins Act (the "GENIUS Act"). It created a comprehensive federal framework for "payment stablecoins"—digital assets designed for payment or settlement where the issuer must convert, redeem, or repurchase the asset for a fixed monetary value and represents it will maintain stable value. Excluded are national currencies, deposits under the Federal Deposit Insurance Act, and securities under existing law.

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> The Act establishes a dual federal-state architecture

The GENIUS Act amends "security" definitions under the Securities Act, Exchange Act, Investment Advisers Act, and Investment Company Act to exclude payment stablecoins issued by permitted issuers. It similarly amends the Commodity Exchange Act to exclude such stablecoins from "commodity." This dual exclusion ends uncertainty about stablecoin classification.

The Act establishes a dual federal-state architecture. Issuers at or below $10 billion may opt for state-level regulation if substantially similar to the federal framework. Florida enacted the first state-level stablecoin legislation, creating a safe harbor exempting qualifying issuers from Chapter 560 money services business licensure. Issuers exceeding $10 billion must transition to the federal framework within 360 days or cease issuing.

Federal issuers are regulated by the Office of the Comptroller of the Currency ("OCC") and must back outstanding stablecoins with reserves on at least a one-to-one basis in high-quality liquid assets—U.S. currency, demand deposits, Treasury bills maturing in 93 days or less, certain repurchase agreements, and money market fund shares. Issuers must redeem stablecoins at face value on request and publish monthly reserve reports. As "financial institutions" under the Bank Secrecy Act, permitted issuers are subject to AML program, suspicious activity reporting, customer identification, and sanctions requirements.

Institutional Impact

The CLARITY Act and GENIUS Act directly shape how banks interact with digital assets. The CLARITY Act bars regulators from forcing banks to book custodied digital assets as liabilities, hold capital against them except for operational risk, and prohibits the Federal Reserve from issuing digital currency or offering financial products directly to individuals. It also authorizes national and insured state banks to use blockchain systems for any otherwise-authorized activity. The GENIUS Act complements this—Section 16 preserves bank authority to accept deposits, use distributed ledgers, and provide custodial services for stablecoins and reserves. Like the CLARITY Act, it shields banks from balance-sheet and capital charges on custodied digital assets beyond operational-risk mitigation and caps consolidated capital requirements for stablecoin-issuer subsidiaries. Payment stablecoins carry no Federal deposit insurance and are not backed by the full faith and credit of the United States.

Banking Regulators: The Federal Reserve, FDIC, and OCC

Federal banking regulators moved to dismantle regulatory barriers banks faced with digital assets. OCC Interpretive Letter No. 1183 (March 2025) confirmed national banks may engage in digital asset custody, stablecoin activities, and blockchain-based payments without prior approval. The Federal Reserve rescinded its 2023 supervisory policy, replacing it with an approach permitting uninsured state member banks to innovate. The FDIC rescinded its prior notification requirement, affirming banks need no agency permission for otherwise permissible crypto-related activities, including custody, stablecoin reserve management, issuance, blockchain settlement, and lending.

The FDIC issued the first proposed rule under the GENIUS Act for FDIC-supervised institution subsidiaries to become permitted payment stablecoin issuers. The OCC issued its own application measure in February 2026, and the Federal Reserve may authorize uninsured state banks to engage in activities not permissible for national banks. The President's Working Group recommended banking agencies relaunch crypto innovation efforts.

Non-Bank Entities and Credit Unions

Non-bank entities, defined under the GENIUS Act as any person that is not a depository institution or its subsidiary, may become Federal qualified payment stablecoin issuers upon OCC approval. Once approved, they must satisfy the same capital, liquidity, BSA/AML, and sanctions obligations as banks and transition to federal oversight when consolidated outstanding issuance exceeds $10 billion. The CLARITY Act reinforces these guardrails by barring companies deriving majority of their revenue from non-financial activities from retaining or acquiring control of a qualified payment stablecoin issuer, and by directing the Federal Reserve Board to establish streamlined procedures for non-bank entities seeking activity determinations. Together, the statutes create a clear on-ramp for non-bank innovators to issue stablecoins while subjecting them to bank-equivalent prudential standards and ownership restrictions.

Credit unions qualify as insured depository institutions under the GENIUS Act, presumably meaning subsidiaries can become permitted payment stablecoin issuers with the NCUA as primary regulator. Credit unions may accept shares, issue digital assets representing those shares, utilize distributed ledgers, and provide custodial services for payment stablecoins and reserves. They do not need to record custodied digital assets as balance-sheet liabilities or hold regulatory capital against them beyond operational-risk requirements—this is reinforced by the CLARITY Act. Together, these statutes position credit unions as full participants in the payment stablecoin ecosystem while shielding them from unduly burdensome capital and accounting mandates.

Uniform Commercial Code

The 2022 UCC amendments introduced Article 12, "Controllable Electronic Records," creating a new asset category called a "controllable electronic record" (CER) encompassing cryptocurrencies, NFTs, and similar digital assets. Article 12 establishes a "take-free" rule: a "qualifying purchaser" who obtains control of a CER for value, in good faith, and without notice of a property claim takes free of other property rights. Before Article 12, there was no take-free rule for digital assets, and checking for pre-existing claims was often nearly impossible, a fundamental obstacle to free transferability. Texas and other states have adopted their own versions, sometimes differing in terminology and scope.

Conclusion

The Bitcoin network, and those pizza purchases, launched a rethinking of financial systems. Between the GENIUS Act's stablecoin framework, the CLARITY Act's SEC-CFTC jurisdictional boundaries, banking regulators dismantling barriers, and state governments guiding local institutions, we are seeing a new financial system's contours develop.

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Unfortunately, most current guidance is informal—and informal guidance shifts with each new administration and its enforcement priorities. For practitioners, institutions, businesses, investors, and taxpayers navigating this area, passage of pending legislation and continued debate over further measures remain essential.

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