



**VIVEKANAND
EDUCATION SOCIETY**
**INSTITUTE OF TECHNOLOGY
(AUTONOMOUS)**



DEFI REGULATION: GLOBAL RESPONSES COMPARED

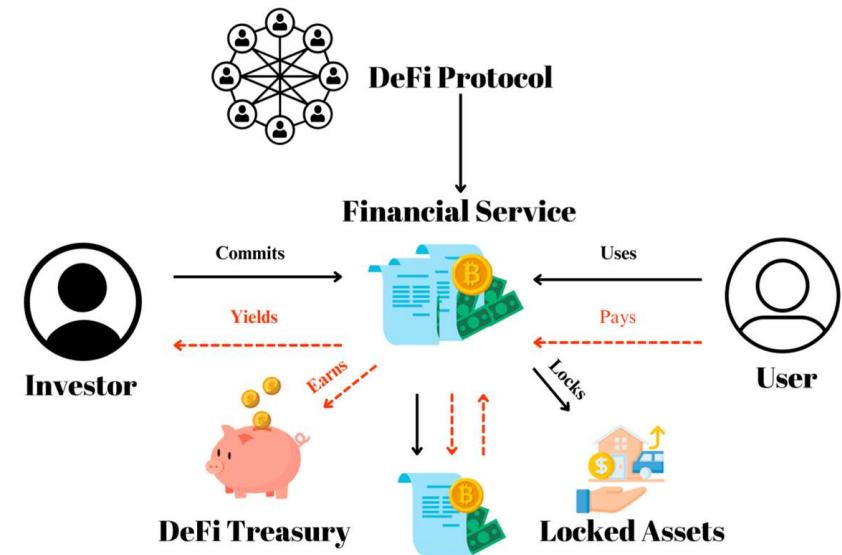
- United States | European Union (MiCA) | India | Singapore
- Regulatory Arbitrage

Course : DeFi (HBCC801)
Continuous Assessment – 1
Academic Year : 2025 - 26

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D16ADB / 49

WHAT IS DEFI?

- Decentralized Finance (DeFi) refers to blockchain-based financial systems operating without traditional intermediaries.
- Examples: Decentralized exchanges, lending platforms, stablecoins, governance tokens.



WHY GOVERNMENTS ARE CONCERNED ABOUT DEFI

- Money laundering and terrorism financing risks
- Consumer and investor protection
- Financial stability concerns
- Tax evasion and regulatory gaps
- Lack of identifiable legal entity





UNITED STATES APPROACH



- Enforcement-led regulation through SEC, CFTC, FinCEN
- Focus on securities law and AML
- Targeting centralized actors interacting with DeFi
- Legal focus on 'control' and 'administration' of protocols

EUROPEAN UNION – MICA FRAMEWORK

- First comprehensive crypto regulation (Markets in Crypto-Assets Regulation(MiCA))
- Covers Crypto Asset Service Providers (CASPs) and stablecoins
- DeFi not fully covered yet
- EU Commission mandated to study DeFi and NFTs for future regulation

EUROPEAN UNION – MICA

FRAMEWORK

What is MiCA?

- EU law for cryptoassets
- Applies to 27 EU countries
- Covers tokens and platforms
- Gives legal clarity to crypto firms

Who does MiCA regulate?

1. Crypto-asset issuers

- Companies that launch tokens
- Must follow rules based on token type

2. CASPs (service providers)

- Platforms offering trading, custody, or advice
- Must apply for EU license

What's not covered

MiCA currently excludes:

- NFTs
- DeFi platforms
- Central Bank Digital Currencies (CBDCs)

Key requirements for issuers

- Clear white paper
- Disclose project risks and rights
- Notify regulator before launch
- ARTs/EMTs must be fully backed
- EU legal entity required for ARTs

Key requirements for CASPs

- Meet capital requirements
- Have governance & cybersecurity controls
- Follow AML & CTF rules
- Protect consumers
- Apply for license in one EU country

Types of crypto-assets

Utility tokens

- Access to digital services
- White paper + regulator notification

Asset-referenced tokens (ARTs)

- Pegged to baskets of assets
- EU entity required + full backing

E-money tokens (EMTs)

- Pegged to single fiat currency
- Issued by licensed institutions

How Chainlink helps support MiCA compliance

- Connectivity across jurisdictions
- Automated policy enforcement
- Proof of capital requirements
- Defense-in-depth security
- Protect user privacy

INDIA'S REGULATORY POSITION

- High taxation on crypto transactions
- Strong AML and KYC focus
- RBI skeptical of private cryptocurrencies
- Preference for Central Bank Digital Currency (CBDC)
- DeFi remains in legal grey area



SINGAPORE'S STRATEGY

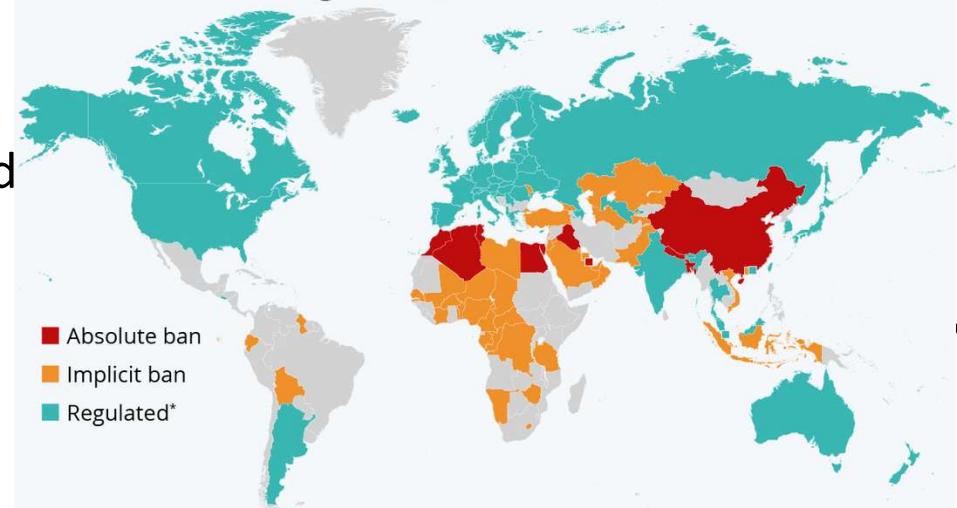
- Risk-based and innovation-friendly approach
- Licensing for Virtual Asset Service Providers
- Strict AML/CFT compliance
- Focus on fiat on/off ramps and custodial services

COMPARATIVE SNAPSHOT

- US: Enforcement and securities focus
- EU: Structured regulation (MiCA) with future DeFi review
- India: Restrictive, tax-heavy, AML focused
- Singapore: Balanced, risk-based supervision

Where the World Regulates Cryptocurrency

Countries/regional economies where cryptocurrencies are banned or regulated (as of Nov 2021)



* tax, money laundering and anti-terrorism financing laws apply
Source: Law Library of Congress

REGULATORY ARBITRAGE?

- Practice of exploiting differences in national regulations to avoid strict compliance.
- Common in DeFi due to borderless nature of blockchain.

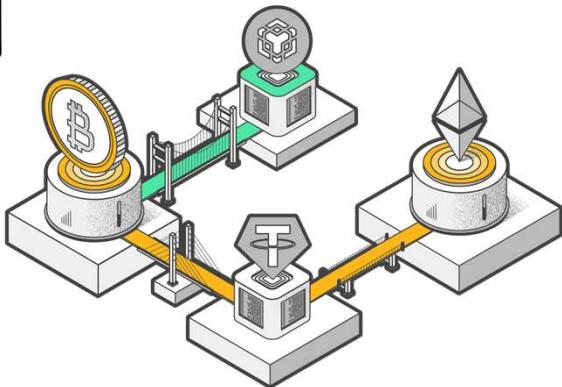


Regulatory Arbitrage

[rē-gyā-lāt-or-ē 'är-bə-träzh]

A practice whereby firms capitalize on loopholes in regulatory systems in order to circumvent unfavorable regulations.

HOW REGULATORY ARBITRAGE HAPPENS IN DEFI



- Setting up entities in permissive jurisdictions
- Using offshore exchanges and wallets
- Claiming full decentralization to avoid liability
- Routing users through different platforms
- Use of privacy tools and cross-chain bridges

IMPLICATIONS FOR DEFI PROJECTS AND INVESTORS

- Need for compliance at on/off ramps
- Transparency in governance and treasury control
- Legal risks based on jurisdiction
- Importance of decentralization roadmap



FUTURE OF DEFI REGULATION

- EU likely to expand MiCA to DeFi
- US moving towards clearer rulemaking
- India may tighten AML and taxation rules
- Singapore to refine supervisory expectations

CONCLUSION

- DeFi challenges traditional regulation due to decentralization.
- Jurisdictions are focusing on gatekeepers and legal control points.
- Reducing regulatory arbitrage requires global cooperation.

THANK YOU