

VESIT



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# DEFI REGULATION: GLOBAL RESPONSES COMPARED

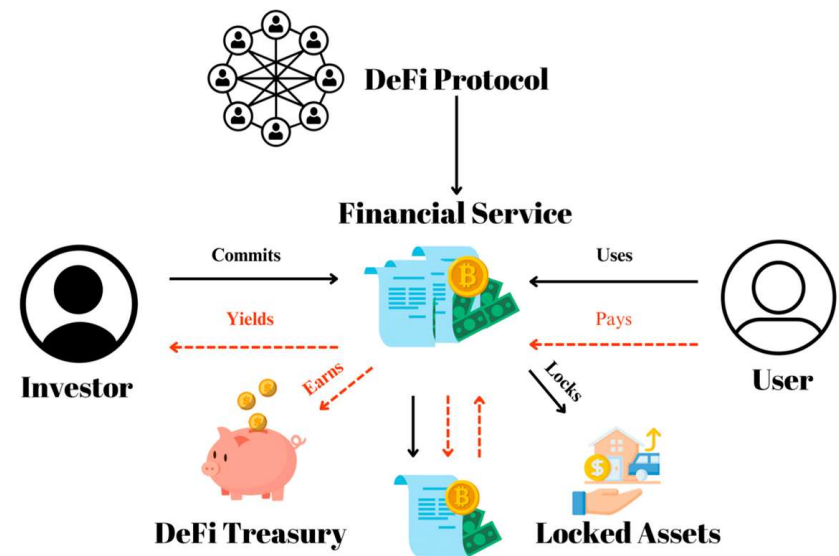
- United States | European Union (MiCA) | India | Singapore
- Regulatory Arbitrage

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

U.S. Securities and Exchange Commission, Commodity Futures Trading Commission, Financial Crimes Enforcement Network

# 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



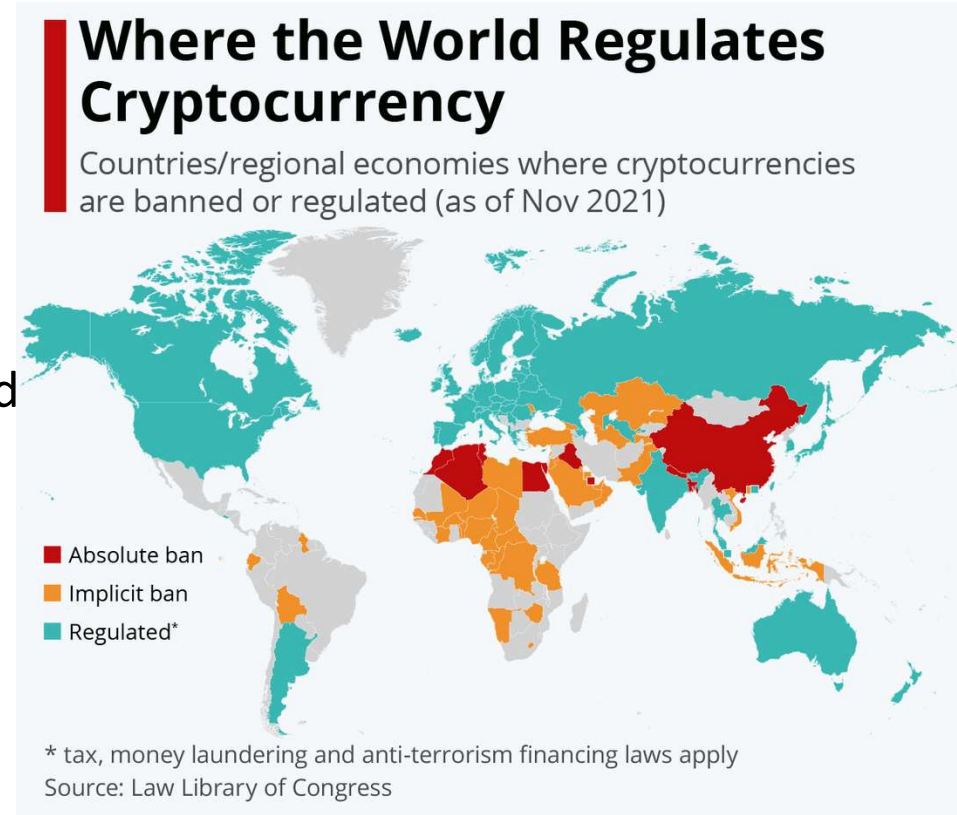
# SINGAPORE'S STRATEGY

- 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



# REGULATORY ARBITRAGE?

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



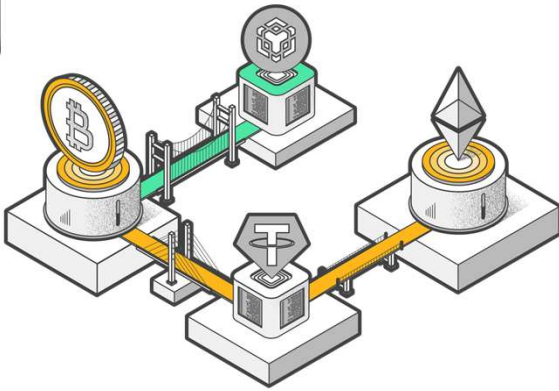
The illustration shows a hand holding a gavel, poised to strike a blue and white striped barrel. A black line forms a loop around a man in a suit who is running through it. The man has a look of urgency or evasion. The entire scene is set against a light blue background.

## Regulatory Arbitrage

*['re-gyə-,lāt-or-ē 'är-bə-,trāzh]*

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.
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**THANK YOU**