

## DEFI REGULATION: GLOBAL RESPONSES

### COMPARED

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

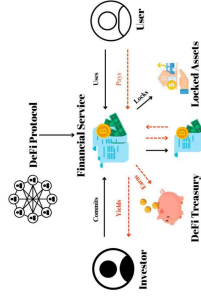
Course : DeFi (HBCC801)  
Continuous Assessment – 1  
Academic Year : 2025 - 26

By Arshad Shaikh  
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



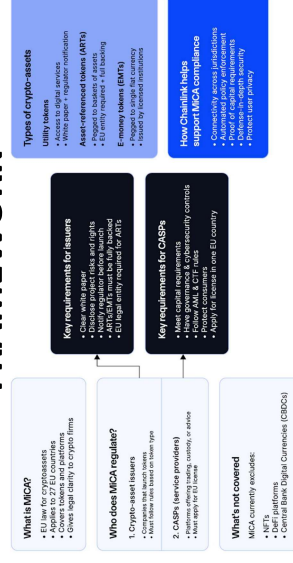
- Enforcement-led regulation through SEC, CFTC, FinCEN
- Focus on securities law and AML
- Targeting centralized actors interacting with DeFi
- Legal focus on 'control' and 'administration' of protocols

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



### Types of crypto-assets

Utility tokens

- Access to digital services
- Not for sale

### Asset-referenced tokens (ARTs)

- Pegged to baskets of assets
- EU entry required - full backing

### E-money tokens (EMTs)

- Pegged to single fiat currencies
- Issued by licensed institutions

### How MiCA helps

Support legal compliance

- Harmonized rules across EU
- Automated policy enforcement
- Better of security
- Better of security
- Project 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

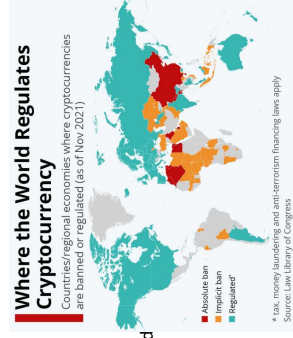


## SINGAPORE'S STRATEGY

- 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

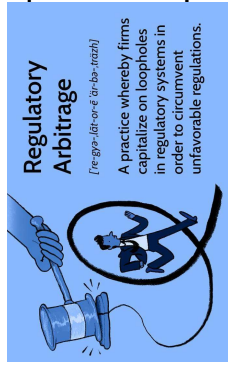
## COMPARATIVE SNAPSHOT

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

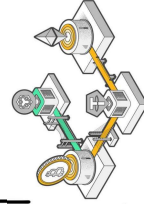


## REGULATORY ARBITRAGE?

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



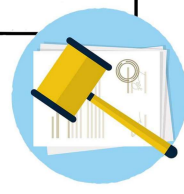
## HOW REGULATORY ARBITRAGE HAPPENS IN DEFI



- 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