

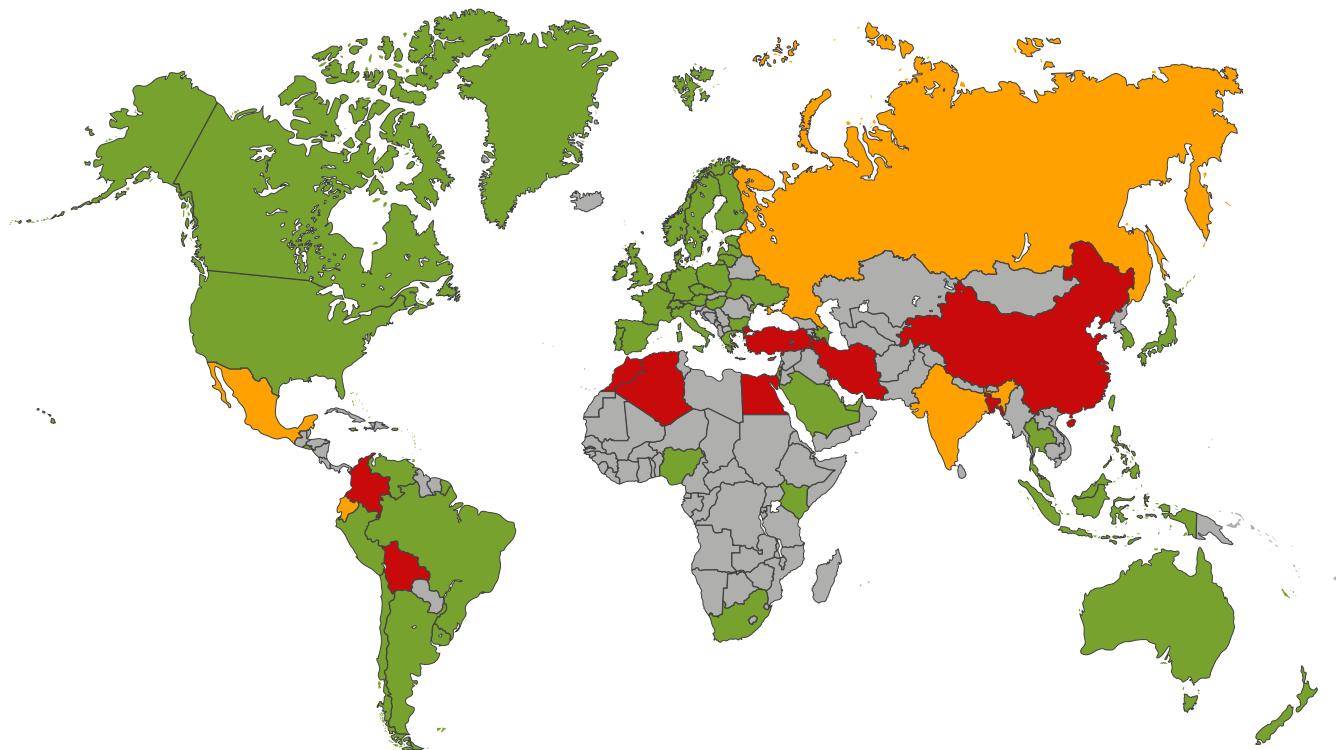


Cryptocurrency regulations by country

Compendium: Cryptocurrency regulations by country

Cryptocurrency regulations by country

■ Mostly legal ■ Some significant concerns ■ Mostly illegal



Source: Thomson Reuters 2022

In 2021 digital assets moved from the fringes of the economy and began to enter the mainstream, prompting more widespread public adoption. Commercials for crypto trading platforms blanket network television in the United States and the sector has become a focus of everyday conversation.

In November 2021, with bitcoin prices peaking around the \$60,000 level, the total value of all cryptocurrencies surpassed \$3 trillion, an increase from approximately \$500 billion in December 2020. Today there are more than 16,000 individual cryptocurrencies in circulation, led by bitcoin. Total daily trading volumes are now estimated to be more than \$275 billion on more than 400 platforms.

2021 was a transformative year for digital assets, and the stage is set for regulators to build a framework to govern this massive new market. Thus far, the regulatory response is best described as ad-hoc, rhetorical or driven by enforcement in some instances. The challenge in such a new and disruptive area will likely take years to finalize. Adding to the challenge is the ambiguous nature of digital assets themselves and the lack of standardized definitions, thus creating questions of overlap and jurisdiction.

The regulation of this new sector will require international coordination and engagement with the industry as it presents an opportunity for progress. An overly restrictive approach could stifle innovation and drive the industry to more welcoming jurisdictions, as the new digital universe is inherently global and borderless.

The regulatory framework is evolving rapidly and changing quickly. Some jurisdictions have imposed outright bans while others are staunch advocates.

Complete restrictions are rare and difficult to enforce, but regulators are scrambling to clarify rules to keep pace with crypto's popularity.

Many market participants are desperately seeking a more defined regulatory framework and thus, certainty. This will mean new rules, regulations, or at a minimum official guidance. The race to regulate is now underway.

Crypto-assets, cryptocurrencies, central bank digital currencies and non-fungible tokens make up the new "crypto" universe, and each provides unique benefits, as well as regulatory challenges and complexities. This compendium to the report provides a summary of the regulatory picture in each jurisdiction. The summary below is grouped by region and focuses primarily on cryptocurrencies such as bitcoin. It provides an overview for each country, the regulatory state of play and links to the primary financial regulatory authorities or other relevant information.

Much of the regulatory framework is still developing, and regulations and restrictions also vary depending on uses such as payments, investments, derivatives, and tax status. Most countries have generally found ways to tax gains or income derived from cryptocurrencies, and some have more specific obligations than others. Few pure "tax havens" remain.

North America

Canada

Canada has approved bitcoin exchange-traded funds (ETFs). Canadian Securities Administrators (CSA)¹ and the Investment Industry Regulatory Organization of Canada (IIROC)² have issued guidance requiring crypto trading platforms and dealers in Canada to register with the local provincial regulators. In 2021 Canada adopted a clear registration regime for trading platforms that offer custodial services to Canadian clients. Several firms have registered under the new rules. Canada has also provided guidance on advertising and marketing of cryptos. The Ontario Securities Commission has actively enforced the regulations against several unregistered foreign trading platforms.

The Canada Revenue Authority (CRA) generally treats cryptocurrency like a commodity for purposes of the Income Tax Act.

Mexico

Cryptocurrencies are prohibited in Mexico. The government and the financial authority, CNBV, enacted a set of fintech laws³ in March 2018 that developed a regulatory framework and “sandbox” for virtual assets. The country has, however, taken a conservative approach to virtual assets with their relationship to existing financial system.

In June 2021 financial authorities said crypto-assets are not legal tender and not considered currencies under existing laws, warning that financial institutions that operate with them are subject to sanctions. “The financial authorities reiterate their warnings ... on the risks inherent in the use of so-called ‘virtual assets’ as a means of exchange, as a store of value or as another form of investment,” the statement said.

“The country’s financial institutions are not authorized to carry out and offer to the public operations with virtual assets, such as bitcoin, Ether, XRP and others in order to maintain a healthy distance between them and the financial system.”

Despite the restrictions, some of population has embraced cryptocurrencies. Mexico’s largest crypto exchange, Bitsos, has more than one million users on its platform.

Mexico’s Federal AML Law was amended in March 2018 to include transactions with “virtual assets” and considers them vulnerable activities under Financial Action Task Force (FATF) purposes.

The tax framework for cryptocurrencies is expected to change as there is no official position.

¹ <https://www.securities-administrators.ca/news/canadian-securities-regulators-outline-regulatory-framework-for-compliance-for-crypto-asset-trading-platforms/>

² <https://www.iroc.ca/news-and-publications/notices-and-guidance/joint-csaiiroc-staff-notice-21-329-guidance-crypto-asset-trading-platforms-compliance-regulatory>

³ <http://www.diputados.gob.mx/LeyesBiblio/ref/lritf.htm>

United States

The regulatory framework for cryptocurrencies is evolving despite overlap and differences in viewpoints between agencies. Although the Securities and Exchange Commission⁴ (SEC) is widely seen as the most powerful regulator, Treasury's FinCEN⁵, the Federal Reserve Board⁶ and the Commodity Futures Trading Commission⁷ (CFTC) have issued their own differing interpretations and guidance. An Executive Order from the White House⁸ released in March directs the agencies to coordinate their regulatory efforts.

The SEC often views many cryptos as securities, the CFTC calls bitcoin a commodity, and Treasury calls it a currency. To iron out the regulatory differences, confusion about definitions, and jurisdiction, the President's Working Group and the Financial Stability Oversight Council will play important roles in the development of a future regulatory framework.

The Internal Revenue Service (IRS) defines cryptocurrencies as "a digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value" and has issued tax guidance⁹ accordingly. The IRS requires investors to disclose yearly cryptocurrency activity on their tax returns.

The United States is home to the largest number of crypto investors, exchanges, trading platforms, crypto mining firms and investment funds.

Central and South America

Argentina

In Argentina, investing in cryptocurrencies is legal. It has become a large industry and accounts for a considerable portion of the country's savings and assets. The government has issued regulations regarding cryptocurrencies related to taxation and AML/CFT. The government has proposed legislation which would create a legal and regulatory framework for crypto-assets as a means of payments, investments and transactions.

Argentina agreed with the IMF that it would adopt a program of fiscal, monetary and financial stability as it refinanced external debt in January. The promise may lead to higher taxes on cryptos.

The Argentina Securities and Exchange Commission¹⁰ (CNV) will be the regulatory body with oversight responsibilities. It plans to maintain a national registry of operations, with transactions reported to the Financial Information Unit for compliance with AML requirements.

4 <https://www.sec.gov/files/digital-assets-risk-alert.pdf>

5 <https://home.treasury.gov/news/press-releases/sm1216>

6 <https://www.federalreserve.gov/econres/notes/feds-notes/tokens-and-accounts-in-the-context-of-digital-currencies-122320.htm>

7 <https://www.cftc.gov/PressRoom/PressReleases/8291-20>

8 <https://www.whitehouse.gov/briefing-room/presidential-actions/2022/03/09/executive-order-on-ensuring-responsible-development-of-digital-assets/>

9 <https://www.irs.gov/newsroom/irs-virtual-currency-guidance>

10 <https://www.argentina.gob.ar/cnv>

Argentina's Federal Administration of Public Income and central bank have requested more information from domestic crypto exchanges and banks. Gains from cryptos are generally taxable at a 4% to 6.5% rate on gross income for each digital currency transaction.

Bolivia

The Bolivian government banned the use of cryptocurrencies such as bitcoin in 2014, in the belief that it would facilitate tax evasion and monetary instability. "It is illegal to use any kind of currency that is not issued and controlled by a government or an authorized entity," Bolivia's central bank¹¹ (BCB) said.

Bolivia has refrained from cracking down on or criminalizing the holding or trading cryptos, but it has not allowed businesses and brokers seeking to provide crypto-related services in the country. The BCB has publicly said, "...crypto-assets may not be operated through the Bolivian financial system. They do not operate with the authorization of the BCB or the Financial System Supervision Authority." The BCB has said the measures were necessary to protect the public from "risks, frauds and swindles."

Brazil

In 2021 as the Brazilian real struggled, many Brazilians turned to cryptos. According to CoinMarketCap, approximately 10 million Brazilians now participate in the crypto market. Legislators in Brazil have proposed a series of regulations in the past several years and created a regulatory "sandbox." Brazilian lawmakers have also passed legislation¹² requiring "virtual asset service providers to follow rules of communication of financial transactions, with identification of customers and recordkeeping."

The Brazilian Securities and Exchange Commission¹³ (CVM) has approved several crypto ETFs. The government has declared that bitcoin is an asset and therefore is subject to capital gains taxes. Brazil has said that existing AML laws extend to virtual currencies in certain contexts.

The Special Department of Federal Revenue of Brazil¹⁴ has published a document on cryptocurrency taxes in the country.

The Central Bank of Brazil¹⁵ said a CBDC, the digital real, could be launched as early as 2023.

Chile

Lawmakers in Chile are working to develop a regulatory and oversight framework for cryptocurrencies and to potentially recognize bitcoin as legal form of payment¹⁶. The

¹¹ <https://www.bcb.gob.bo/>

¹² <https://www.camara.leg.br/noticias/811726-comissao-aprova-pe-na-maior-para-lavagem-de-dinheiro-com-moedas-virtuais>

¹³ <https://www.gov.br/cvm/en>

¹⁴ <http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=100592>

¹⁵ <https://www.bcb.gov.br/en/pressdetail/2397/nota>

¹⁶ https://www.senado.cl/appsenado/templates/tramitacion/index.php?boletin_ini=14708-03

government is also working on a CBDC. With a growing number of cryptocurrency exchanges in the country, and in the absence of a legal framework, the Central Bank and the Financial Market Commission¹⁷ has said that existing regulations are applicable to cryptocurrencies.

The Chilean Internal Revenue Service (SII) is the only institution so far to have issued legislation on cryptocurrencies in Notice no 963, issued on May 14, 2018,¹⁸. The SII released a determination on the taxation of income obtained from buying and selling cryptocurrencies. It said that Tax Form 22 would require the declaration "from the sale of foreign currencies of legal course or assets digital/virtual, such as cryptocurrencies (for example, bitcoins)."

Colombia

The Colombian government has prohibited banks from providing financial services to cryptocurrency companies. The country's restrictive approach has created a challenge for the industry as firms may not use banking institutions.

The Banco de la República¹⁹, the country's monetary, exchange and credit authority, and the Superintendencia Financiera de Colombia (SFC)²⁰, the government agency responsible for overseeing financial regulation and market systems, released statements on cryptos. The authorities said cryptos are not legal tender or valid investments for supervised entities, and that firms are not authorized to advise or manage them.

The Superintendency of Corporations in Colombia²¹ has stated that companies can legally purchase cryptos such as bitcoin, although such "intangible assets" are unregulated. The country's tax authority, the Directorate of National Taxes and Customs (DIAN)²², said "virtual currencies are not money for legal purposes. However, in the context of mining activity, insofar as they are received in exchange for services and/or commissions, they correspond to income and, in any case, to goods that can be valued and generate income for those who obtain them as from be part of your patrimony and take effect in tax matters."

There is no specific legislation or prohibition on the use of cryptocurrencies, but warnings from the government have led banks to deactivate cryptocurrency-related accounts and created an environment which makes it impossible for cryptocurrency-oriented companies to operate.

Ecuador

In January 2018, the Central Bank of Ecuador²³ informed citizens that bitcoin "is not a means of payment authorized for use in the country." It clarified that bitcoin is not backed by any authority as its value is based on speculation. Financial transactions are not controlled, supervised, or regulated by any entity in the country, and this presents a financial risk to those who use it.

17 <https://www.cmfchile.cl/portal/principal/613/w3-article-25729.html>

18 https://www.sii.cl/normativa_legislacion/jurisprudencia_administrativa/ley_impuesto_renta/2018/ja963.htm

19 <https://www.banrep.gov.co/es/publicaciones/documento-tecnico-criptoactivos>

20 <https://www.superfinanciera.gov.co/jsp/index.jsf>

21 https://www.supersociedades.gov.co/nuestra_entidad/normatividad/normatividad_conceptos_juridicos/OFICIO_100-237890_DE_2020.pdf

22 <https://www.dian.gov.co/Prensa/ComunicadosPrensa/009-DIAN-realiza-acciones-de-fiscalizacion-a-operacion-con-criptoactivos-BITCOIN.pdf>

23 <https://www.bce.fin.ec/index.php/boletines-de-prensa-archivo/item/1028-comunicado-oficial-sobre-el-uso-del-bitcoin>

Despite this warning, the central bank has said that “the purchase and sale of cryptocurrencies — such as bitcoin — through the internet is not prohibited.”

In January 2022, Guillermo Avellan, the manager of the Central Bank of Ecuador, said there are plans to issue regulations later this year, which would bring clarity and contribute to the prevention of financial crimes such as money laundering.

El Salvador

El Salvador has established itself as a pioneer in cryptocurrencies with its 2021 adoption²⁴ of bitcoin as legal tender in the country. President Nayib Bukele has fully embraced bitcoin with promises of no income tax on cryptos and plans to build a geo-thermal powered city to try to attract bitcoin mining.

The International Monetary Fund, has urged El Salvador to reverse course, citing concerns about the country’s financial stability. The move to legal tender status is widely seen as a risky experiment, with credit rating agencies downgrading the country’s debt ratings. The move has also raised concerns related to AML and KYC compliance.

Peru

In December 2022, a new cryptocurrency law was introduced which seeks to define crypto-assets and regulate crypto transactions. The proposed law, “Crypto-asset Marketing Framework,” was introduced in the Peruvian Congress under the number N° 1042/2021-CR²⁵, The law is seen as a first step to establish regulatory clarity for virtual asset service providers and others involved in blockchain and cryptography. The law proposes the creation of a public register and provides that registrants must operate lawfully in the country. It also considers the use of crypto-assets to create and incorporate companies and proposes that the assets could be considered property or intangible assets.

Thus far, the government has warned that no supervision is provided by the Securities Market Agency²⁶ (SMV), the Banking, Insurance and Pension Fund Manager Agency²⁷ (SBS), or the Peruvian Central Reserve Bank²⁸ (BCRP).

The BCRP has said that these financial assets are not legal tender, nor are they supported by central banks, so they fail fully to meet the functions of money as a medium of exchange, unit of account and store of value.

24 <https://www.asamblea.gob.sv/sites/default/files/documents/decretos/8EE85A5B-A420-4826-ABD0-463380E2603B.pdf>

25 <https://wb2server.congreso.gob.pe/spley-portal-service/archivo/OTMOMA==/pdf/PL0104220211220>

26 <https://www.smv.gob.pe/>

27 <https://www.sbs.gob.pe/>

28 <https://www.bcrp.gob.pe/en>

Uruguay

There is no specific legislation on cryptocurrencies. The Uruguayan Chamber of FinTech²⁹ has, however, announced the formation of a cryptocurrency committee to analyze what future regulations might look like. The country is widely viewed as bitcoin- and blockchain-friendly with no regulations specifically banning or permitting the use of cryptocurrencies.

On October 1, 2021, the Central Bank of Uruguay issued a statement about virtual assets and outlined a process for regulating cryptos. Peru has actively embraced the industry with a view of achieving a regulatory approach that is in line with international organizations.

The central bank clarified that the assets are not considered legal tender and that a regulatory framework would be very different from that of El Salvador.

Venezuela

Prior to 2018, law enforcement arrested and seized assets of bitcoin miners but has now declared cryptocurrencies such as bitcoin legal. The Superintendence of Crypto-assets and Related Activities of Venezuela (SUPCACVEN) is the governmental agency in charge of regulations, control and protection of crypto-assets.

On September 21, 2020, Venezuela legalized bitcoin mining. Miners must, however, be registered and all activities must be overseen through the “National Mining Pool,” with the government in charge of distributing the rewards from such activities.

The government has also created its own cryptocurrency called the Petro, which is backed by the value of Venezuelan oil.

Europe

Austria

The Financial Market Authority (FMA) has warned³⁰ investors that cryptocurrencies are risky and that the FMA does not supervise or regulate virtual currencies, including bitcoin, or cryptocurrency trading platforms. The FMA’s regulations follow Austria’s implementation of the Fifth Money Laundering Directive (AMLD5), defining crypto-assets as “financial instruments.” The FMA regulations provide registration requirements with respect to the issuance and selling of virtual currencies as well as transferring them, trading and exchange platforms for them as well as providers of custodian wallets.

Cryptocurrencies are legal but are not considered as legal tender. The Austrian Ministry of Finance³¹ classes cryptocurrencies as “other (intangible) commodities.” As part of a nationwide tax overhaul, Austria will apply a 27.5% capital gains tax on digital currencies,

²⁹ <https://fintech.org.uy/>

³⁰ <https://www.fma.gv.at/en/bitcoins/>

³¹ <https://www.bmf.gv.at/en.html>

bringing the treatment of cryptos into line with that of stocks and bonds, to “streamline” conditions between asset classes.

As a member of the EU, regulations and guidance issued by the European supervisory authorities (the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA)) apply. Virtual currencies are defined by the European Central Bank (ECB) as “a digital representation of value, not issued by a central bank, credit institution or e-money institution, which, in some circumstances, can be used as an alternative to money.”

Bailiwick of Guernsey

The territory of Guernsey within the British Isles is known as a Crown Dependency but is not part of the United Kingdom; rather, it is a self-governing possession of the British Crown. The Guernsey Financial Services Commission (GFSC) is the body responsible for the regulation of the finance sector.

The GFSC has warned of the risks associated with cryptos, although it has taken a light regulatory approach. According to the GFSC website³², “Virtual or crypto currencies could interact with our regulatory laws in a number of ways and therefore any application would need to be assessed on its individual merits. We will assess any application by the same criteria we use for other asset types or structures, which means we would look to ensure that key controls are appropriate — for example, around custody, liquidity, valuation of assets and investor information.”

The GFSC has said it will assess applications on individual merits against the criteria used for asset types or structures, because cryptocurrencies, “could interact with regulatory laws in a number of ways.” Applicants must demonstrate how they will comply with AML/CTF laws and rules. The GFSC has also said it would be cautious about approving applications for ICOs, and also about the establishment of any kind of digital currency exchange within the jurisdiction.

Guernsey has announced plans for crypto-asset regulations later this year. The laws are expected to include a licensing regime for VASPs. Guernsey has approved a bitcoin fund.

Bailiwick of Jersey

The territory of Jersey within the British Isles is known as a Crown Dependency but is not part of the United Kingdom; rather, it is a self-governing possession of the British Crown. In 2016 amendments to the Proceeds in Crime Law categorized virtual currency as a form of currency.

³² <https://www.gfsc.gg/faqs-0>

Financial services business such as exchanges are subject to Jersey's AML requirements and must comply with the island's laws, regulations, policies and procedures related to AML/CTF.

Virtual currency exchanges are a supervised business and are required to register with, and fall under the supervision of, the Jersey Financial Services Commission³³ (JFSC).

Mining of cryptos on a small scale in Jersey is not taxable³⁴, although the exchange of cryptocurrencies to and from conventional currencies and other cryptocurrencies will be liable to income tax, if it is considered to be "trading."

Belgium

The Belgian Financial Services and Markets Authority³⁵ and the National Bank of Belgium are the primary regulatory bodies for financial services in Belgium. The regulators have published guidance and warnings to the public that cryptocurrencies are not legal tender and have also issued statements regarding scams and investor protection. Belgium has, however, fostered a strong fintech community involved in digital assets and blockchain. The minister of justice has announced plans to establish a legal framework related to cryptos.

In February 2022 Belgium announced new rules³⁶ for certain virtual asset service providers. The rules, which take effect in May 2022, will require service providers "to meet a series of conditions, including ones relating to their professional integrity and compliance with the anti-money laundering legislation."

Gains on cryptocurrencies are taxable by as "miscellaneous income."

As a member of the EU, regulations issued by the EBA, EIOPA and ESMA apply. Virtual currencies are defined by the ECB as "a digital representation of value, not issued by a central bank, credit institution or e-money institution, which, in some circumstances, can be used as an alternative to money."

Bulgaria

The Bulgarian National Bank³⁷ and the Bulgarian Commission for Financial Supervision³⁸ have not defined cryptocurrencies as financial instruments or electronic money. Cryptocurrencies and bitcoin mining are not illegal and not regulated.

Bulgarian regulators have issued various standard warnings to the public and potential investors about risks associated with digital assets and initial coin offerings, and has not defined cryptocurrencies as financial instruments or legal tender for payments.

³³ <https://www.jerseyfsc.org/>

³⁴ <https://www.gov.je/TaxesMoney/IncomeTax/Technical/Guidelines/Pages/CryptocurrenciesTreatment.aspx>

³⁵ <https://www.fsma.be/en>

³⁶ <https://www.fsma.be/en/news/cryptocurrencies-new-rules-certain-service-providers>

³⁷ <https://www.bnbg.bg/>

³⁸ <https://www.fsc.bg/en/>

The Bulgarian National Revenue Agency³⁹ has issued a statement to define tax treatment for businesses and individuals and declare activities. Gains on cryptocurrency gains are taxed at 10%.

As a member of the EU, Bulgaria is one of only eight countries that has not adopted the euro, although national bank officials have said they intend to adopt the euro in 2024. Other EBA, EIOPA and ESMA regulations and guidance apply.

Czech Republic

In the Czech Republic, cryptocurrency is largely unregulated and is regarded as a commodity rather than a currency. It is not an official means of payment.

The Czech National Bank⁴⁰ permits Czech banks to offer crypto-related services as long as they comply with AML regulations. The Czech Republic has said cryptocurrencies present no danger to the banking system and has deferred to EU directives. The Czech Republic has, however, implemented a stricter legal model than AMLD5 requiring that every cryptocurrency-related firm be regulated by the Czech government. AML regulations apply to anyone that provides cryptocurrency services, including "those who buy, sell, store, manage, or mediate the purchase or sale of cryptocurrencies or provide other services related to such currencies as a business."

Gains on cryptos are taxed at rates between 15 and 19%.

Denmark

The Danish Financial Supervisory Authority⁴¹ is the main regulator in Denmark. Cryptocurrency regulation is, however, influenced by EU law. An amendment in January 2020 to the Danish Act on Measures to Prevent Money Laundering and Financing of Terrorism⁴² defines a virtual currency as "a digital representation of value that is not issued or guaranteed by a central bank or a public authority, is not necessarily attached to a legally established currency and does not possess a legal status of currency or money, but is accepted by natural or legal persons as a means of exchange and which can be transferred, stored and traded electronically."

There is no regulation of mining for virtual currencies in Denmark.

Denmark amended the AML Act in 2020 to implement AMLD5, which is designed to bring virtual currencies within the scope of the 4MLD.

The Danish central bank, the Nationalbanken⁴³, is researching the development of a digital currency, the "e-krone."

39 <https://www.iota-tax.org/organization/national-revenue-agency>

40 <https://www.cnb.cz/en/public/media-service/speeches-conferences-seminars/presentations-and-speeches/Cryptoassets-Central-Banks-and-the-Current-Monetary-System-pdf-754-kB/>

41 <https://www.dfsa.dk/>

42 https://www.dfsa.dk/Rules-and-Practice/AML_act_guide

43 <https://www.nationalbanken.dk/en/publications/Pages/2017/12/Central-bank-digital-currency-in-Denmark.aspx>

Estonia

Estonia has been an early crypto frontrunner, with more than 1,300 crypto exchanges. In January 2021 the Ministry of Finance in Estonia proposed regulations for virtual currency service providers. The new regulations require “virtual currency service” firms to have their registered office, management and place of business located in Estonia. Such firms include wallets and trading platforms.

Although virtual currencies are not subject to securities regulation in the EU, the new draft rules attempt to address some of the regulatory issues and tighten regulation on virtual asset service providers. Firms will be subject to the supervision of the Financial Supervision Authority⁴⁴, which will require minimum capital standards, IT standards, audits and reporting. All license holders are required to re-apply for a new license.

In December 2021, Estonia’s minister of finance published an informational page⁴⁵ addressing commonly asked questions about the proposed bill. “The legislation does not contain any measures to ban customers from owning and trading virtual assets and does not in any way require customers to share their private keys to wallets,” the minister said.

The proposed bill is seen as Estonia’s answer to the FATF guidance on regulating VASPs.

Income derived from cryptocurrencies in Estonia is taxable by the county’s Tax and Custom Board⁴⁶.

Finland

In May 2019, Finland’s Financial Supervisory Authority⁴⁷ (FSA) began regulating virtual currency exchange providers, wallets and issuers of virtual currencies. Registration is required to ensure compliance with statutory requirements surrounding reliability of the provider, protection of client money, segregation of assets, marketing and compliance with AML/CFT regulations.

The FSA has warned consumers of the risky, volatile and speculative nature of the investments.

The Finnish FSA has published stricter rulings regarding crypto marketing saying “Only registered virtual currency providers can market virtual currencies and related services in Finland. The marketing of virtual currencies in Finnish and in Finland is only allowed for entities registered as virtual currency providers in Finland.”

The list of supervised entities⁴⁸ operating in the cryptocurrency and digital currency sector is small, with fewer than 10 companies registered; although, the FSA does not advise on or restrict Finnish customers visiting foreign websites.

Finland has joined the European Blockchain Partnership⁴⁹ and agreed to AMLD5.

⁴⁴ <https://www.fi.ee/en/finantsinspektsioon/financial-innovation/virtual-currencies-and-ico/information-entities-engaging-virtual-currencies-and-icos>

⁴⁵ <https://www.fin.ee/en/faq-how-will-new-estonian-draft-legislation-affect-virtual-assets-and-crypto#can-i-be-fined-for-o>

⁴⁶ <https://www.emta.ee/eng/private-client/declaration-income/other-income/taxation-private-persons-virtual>

⁴⁷ <https://www.finanssivalvonta.fi/en/publications-and-press-releases/supervision-releases/2019/virtual-currency-providers-to-be-supervised-by-the-fin-fsa--briefing-for-virtual-currency-providers-on-15-may/>

⁴⁸ <https://www.finanssivalvonta.fi/en/registers/supervised-entities/>

⁴⁹ <https://digital-strategy.ec.europa.eu/en/news/european-countries-join-blockchain-partnership#:~:text=On%2010th%20of%20April%202018,ser-vices%2C%20with%20the%20highest%20standards>

France

In April 2019, the French National Assembly adopted the Plan d’Action pour la Croissance et la Transformation de Enterprises⁵⁰ (PACTE – Action Plan for Business Growth and Transformation) that will establish a framework for digital asset services providers. France’s Financial Market Authority⁵¹ (AMF) has adopted new rules and regulations for cryptocurrency service providers and ICOs, related to the (PACTE). Ordinance N° 2020-1544⁵², was issued on December 9, 2020, to compliment France’s cryptocurrency regulations.

In June 2021, the regulations were finalized and went into effect. Firms are now subject to mandatory registration and subject to stricter KYC regulations. The rules established new AML/CFT rules related to digital assets. They imposed new requirements on crypto exchanges and prohibit anonymous accounts, expand AML/CFT and KYC obligations to better harmonize the French AML framework with Financial Action Task Force⁵³ (FATF) principles and respond to new risks associated with digital assets.

Lawmakers in France have recently debated changing the tax structure related to cryptos. Cryptos are taxed similar to movable property. Occasional traders are charged a flat tax of 30% while miners and professional traders are taxed 45%.

Germany

The German government was one of the first countries to provide legal certainty to financial institutions, allowing them to hold crypto-assets. Regulations stipulate that citizens and legal entities can buy or trade crypto-assets as long as it is done through licensed exchanges and custodians. Firms must be licensed with the German Federal Financial Supervisory Authority⁵⁴ (BaFin).

BaFin views and classifies cryptos as “units of account” within the meaning of the German Banking Act. They are therefore not legal tender, money, or foreign exchange notes or coins. The regulators have agreed, however, that they are deemed “crypto-assets” in accordance with the definition of financial instruments.

Germany has signed up to requirements under AMLD5. It has established licensing requirements for custody services. Crypto-assets are, however, based on agreement and accepted as a means of exchange or payment or as an investment, and can be transferred, stored, and traded electronically.

The German Federal Central Tax Office considers cryptocurrencies as private money for tax purposes. For individuals, gains of less than 600 euros held for less than a year are

⁵⁰ <https://www.gouvernement.fr/en/pacte-the-action-plan-for-business-growth-and-transformation#:~:text=The%20PACTE%20will%20facilitate%20access,need%20in%20order%20to%20innovate>

⁵¹ <https://www.amf-france.org/en>

⁵² <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000042636234>

⁵³ <https://www.fatf-gafi.org/>

⁵⁴ https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Merkblatt/BA/mb_Hinweise_zum_Erlaubnisantrag_fuer_das_Kryptoverwahrgeschaef_t_en.html

considered tax-free. Sales of cryptos held for more than a year are tax-exempt in Germany. If neither of the conditions are met, the gains are taxed subject to ordinary income rates.

Greece

In the midst of the Greek debt crisis in 2015 bitcoin exploded in popularity in the country. Crypto regulation centers around Europe-wide directives. The Bank of Greece has issued and adopted European warnings and the country joined the European Blockchain Partnership.

The Hellenic Capital Market Commission⁵⁵ views cryptocurrencies as portfolio assets and not currency. It requires providers of digital wallets, custody services and exchange services between cryptos and fiat currencies such as ATMs to be registered. The registry is seen as an important first step in the country's regulatory efforts. As an EU member state, Greece has agreed to follow any EU initiatives and to AMLD5.

The Bank of Greece set up an Innovation Hub or "sandbox" to enable fintech activities and became a member of the European Forum for Innovation Facilitators (EFIF) in April 2019.

There is no dedicated tax regime for blockchain or cryptocurrencies, although taxation for mining is considered income from commercial enterprises and the profits that will arise after deducting the operating expenses are taxed according to the general provisions and the applicable tax rates. Holders of cryptocurrencies are taxed at a rate of 15% plus a progressive increase as income from capital gains.

Greenland

As an autonomous Danish dependent territory under the Kingdom of Denmark, financial services, banking, and crypto laws and regulations in Greenland are within the scope of the Danish regime.

Hungary

The National Bank of Hungary, the Magyar Nemzeti Bank (MNB),⁵⁶ has issued a public statement warning citizens who use or invest in cryptocurrencies such as bitcoin about their unregulated nature and associated risks. The MNB published a report⁵⁷ on fintech and digitalization in April 2020 that included an analysis of the fintech sector, profitability and services across the fintech market.

Cryptocurrencies are not recognized as legal tender and regulations are underdeveloped in Hungary as there are no laws specifically regulating crypto activities. Hungary has, however, joined the European Blockchain Partnership and agreed to AMLD5.

⁵⁵ http://www.hcmc.gr/el_GR/web/portal/mlaundering1

⁵⁶ <https://www.mnb.hu/foreign-warnings>

⁵⁷ <https://www.mnb.hu/letoltes/fintech-es-digitalizacios-jelente-s-final-eng.pdf>

Taxes on crypto mining and trading were lowered in 2022 to 15% of income. Exchanges from crypto to crypto are not taxable events. The taxes apply only when cryptos are converted to fiat currency. The 15% rate is favorable compared with the rest of Europe.

Ireland

The Central Bank of Ireland⁵⁸ has issued warnings on the risks associated with cryptocurrencies such as bitcoin and Ether. It points out that they are unregulated, with a particular warning about ICOs. Cryptos are not considered as money or as equivalent to fiat currency in Ireland, and they are not backed by either the Irish government or the Central Bank. Ireland has taken a “wait-and-see” approach with regards to implementing domestic crypto regulation; rather, it has followed guidance from international regulators, most notably EU supervisory authorities.

Ireland’s Department of Finance has proposed the creation of a new blockchain working group to help create a coordinated approach to crypto regulation. The group published a report, “Virtual Currencies And Blockchain Technology.”⁵⁹

Ireland has joined the European Blockchain Partnership and agreed to AMLD5.

Ireland’s Office of the Revenue Commissioners released a manual⁶⁰ on the tax treatment of various transactions under cryptocurrencies. It clarified that ordinary tax rules apply, and that cryptocurrency mining would generally not be subject to VAT. Generally, profits and losses from crypto transaction are taxable as normal income. There is some uncertainty as to capital gains tax and whether they are held as “investments” under “Badges of Trade” and related case law.

Isle of Man

The Isle of Man within the British Isles is known as a Crown Dependency but is not part of the United Kingdom; rather, it is a self-governing possession of the British Crown. The Isle of Man is considered one of the most attractive locations for crypto companies because of its secure data centers, low-cost electricity and its friendly regulatory and tax environment.

The Isle of Man Financial Services Authority (FSA) and the Digital Isle of Man, an executive agency within the government’s enterprise department, published guidance⁶¹ aimed at giving companies greater clarity when setting up blockchain-related business in the jurisdiction.

Cryptocurrencies such as bitcoin are considered securities and fall outside regulatory oversight. Companies involved with the assets must, however, register with the FSA and comply with AML/CTF requirements. Tokens or cryptocurrencies that offer a store of value or access to services and are not a form of e-money would be unregulated.

58 <https://www.centralbank.ie/consumer-hub/consumer-notices/consumer-warning-on-virtual-currencies>

59 <https://www.gov.ie/en/publication/d59daf-virtual-currencies-and-blockchain-technology/?referrer=http://www.finance.gov.ie/wp-content/uploads/2018/03/Virtual-Currencies-and-Blockchain-Technology-March-2018.pdf>

60 <https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-02/02-01-03.pdf>

61 <https://www.iomfsa.im/media/2720/regulatory-perimeter-for-tokens.pdf>

Italy

In February 2022, Italy published⁶² new AML rules for crypto firms which outline registration and reporting requirements for VASPs that align with the EU AMLD5 and the Financial Action Task Force (FATF) guidelines for crypto firms.

The new rules also require virtual asset service providers to register in a special roster for crypto firms. Registration is required if firms offer any digital asset-related services in the country.

Italy joined the European Blockchain Partnership (EBP) along with 22 other countries in April 2018. The EBP was established to enable member states to work together with the European Commission on blockchain technology.

Cryptocurrencies and blockchain are regulated at the legislative level in Italy under Legislative Act no. 90. The decree in 2017 grouped cryptocurrency exchanges with foreign currency exchanges. Although the decree states that cryptocurrencies are not issued by the central bank and are not correlated with other currencies, it is a virtual currency used as a medium of exchange for goods and services.

Latvia

Latvia's Financial and Capital Market Commission⁶³ has warned investors that in Latvia there is no regulatory framework for cryptocurrencies. Nor are there any particular prohibitions or obligations to obtain special licenses. Furthermore, bitcoin and other cryptos are not classified as currency of any state.

Commercial activities related to the purchase and distribution of bitcoins or similar cryptocurrencies are not considered financial instruments or money issuance, nor are they payment services. Those conducting crypto activities are not licensed or registered with the Commission.

In the past several years Latvia has launched an effort to improve its AML regulations. In 2019 it expanded the role of the Financial and Capital Market Commission to cover AML/CTF and impose beneficial ownership requirements on local limited companies, foundations, unions and other enterprises.

The Latvian Finance Ministry imposes a 20% tax on capital gains from cryptocurrencies.

Latvia has signed a declaration joining the European Blockchain Partnership.

Lithuania

The Bank of Lithuania defined⁶⁴ cryptocurrencies in 2017. Also known as virtual currencies, cryptocurrencies such as bitcoin are unregulated and are not guaranteed by the central bank.

⁶² https://www.gazzettaufficiale.it/atto/serie_generale/caricaDettaglioAtto/originario?atto.dataPubblicazioneGazzetta=2022-02-17&atto.codiceRedazionale=22A01127&elenco30giorni=false

⁶³ <https://www.fktk.lv/en/>

⁶⁴ <https://www.lb.lt/uploads/documents/files/Pozicijos%20del%20virtualiu%20valiutu%20ir%20VV%20zetonu%20platinimo%20EN.pdf>

Lithuania requires crypto firms to register with the country's Center of Registers. Registrants must adopt comprehensive KYC and AML procedures and are expected to inform the Financial Crime Investigation Service (FCIS) about large transfers. Companies that are registered as virtual currency exchange operators are not supervised as financial service providers. They have no right to provide any financial services, including investment services. The list of financial institutions authorized to provide investment services is published on the Bank of Lithuania website⁶⁵.

A June 2020 report⁶⁶ from Moneyval — the Council of Europe's committee of experts on the evaluation of AML/CFT measures — found Lithuania had made progress toward eliminating gaps in its regulation and supervision of cryptocurrency and claimed to have gone beyond requirements in AMLD5.

In July 2021, the Bank of Lithuania warned⁶⁷ an exchange operator about unlicensed investment services in the country and ordered that publicly available information must not be misleading.

The Lithuania State Tax Inspectorate considers cryptos as "property" and levies a 15% rate on the gains. Income from mining activities is only considered as income upon the sale of the cryptos after mining.

The Netherlands

The Dutch Central National Bank De Nederlandsche N.V. (DNB)⁶⁸ requires crypto firms to register with it. Dutch regulations require VASPs to provide identifying information on themselves and their customers. The DNB also supervises crypto service providers' compliance with the Sanctions Act 1977.

The DNB defines cryptos as "a digital representation of value that is not issued or guaranteed by a central bank or a public authority, is not necessarily attached to a legally established currency and does not possess a legal status of currency or money but is accepted by natural or legal persons as a means of exchange and which can be transferred, stored and traded electronically."

In May 2020 the Dutch Implementation Act amended Dutch AML rules and implemented 5MLD.

The Netherlands does not impose taxes on capital gains, but rather imposes a deemed interest on the value of all assets minus all liabilities. The deemed interest is taxable against a flat rate of 31% (in 2021, 30% in 2020).

⁶⁵ <https://www.lb.lt/en/sfi-financial-market-participants>

⁶⁶ <https://www.fatf-gafi.org/media/fatf/documents/reports/fur/Moneyval-1st-Follow-Up-Report-Lithuania.pdf>

⁶⁷ <https://www.lb.lt/en/news/bank-of-lithuania-issued-warning-regarding-binance-uab-and-other-crypto-asset-service-providers>

⁶⁸ <https://www.dnb.nl/en/sector-information/supervision-sectors/crypto-service-providers/registration-of-crypto-service-providers/>

Norway

Cryptocurrencies are legal . They are defined as an asset and not any type of money. Norway has been an attractive location for blockchain start-ups.

The Financial Supervisory Authority of Norway “Finanstilsynet”⁶⁹ and the country’s Ministry of Finance has established money laundering regulations which apply to “Norwegian providers of virtual currency exchange and storage services.”

The legislation requires firms such as storage services and exchanges that convert cryptos to fiat currency to comply with AML rules, but it does not impose regulatory obligations on other crypto services.

“Finanstilsynet will ensure that virtual currency exchange and storage providers comply with the money laundering rules. However, FSA does not have any tasks monitoring other areas of these providers, such as investor protection,” the regulator said.

In June 2021, Finanstilsynet published a warning⁷⁰ which said, “Most cryptocurrencies are subject to extreme price fluctuations. The risk of loss is high... Price formation is in many cases not transparent.” It also warned of significant criminal activity. “Scammers use spam, computer viruses, fake drawings and a variety of other techniques to deceive consumers,” the warning stated.

Bitcoin profits are subject to wealth tax and use of cryptos falls under sales tax regulations

The Central Bank of Norway is exploring the development of a CBDC.

Poland

Like many other countries in Europe, Poland has not regulated cryptos outside EU requirements. The National Bank of Poland and the Polish Financial Supervision Authority⁷¹ (KNF) have warned of the risks associated with cryptocurrencies. The KNF has said that the cryptocurrency market is not a regulated or supervised market. “The KNF does not authorize, supervise or exercise any other supervisory powers in relation to the trade in cryptocurrencies. Some entities operating in the cryptocurrency market are authorized to provide payment services, in particular to settle payments made with legal tender (fiat money) in exchange for the cryptocurrencies being bought or sold.”

Poland’s AML regime adopted AMLD5, which had a significant impact on the approach to crypto businesses. The main goal was to increase transparency and protection from suspicious transactions. As of October 31, 2021, companies were required to register with the Ministry of Finance. Registration is not connected with any controlling aspect, however, and does not grant authority to operate or provide legal security.

⁶⁹ <https://www.finanstilsynet.no/en/>

⁷⁰ <https://www.finanstilsynet.no/nyhetsarkiv/nyheter/2021/forbrukere-og-kryptovaluta/>

⁷¹ https://www.knf.gov.pl/en/news?articleId=71711&p_id=19#:~:text=In%20the%20light%20of%20the,to%2C%20the%20trade%20in%20cryptocurrencies.

Poland has signed a declaration joining the European Blockchain Partnership.

Cryptocurrencies are not considered legal tender. Gains on digital assets are subject to capital gains taxes and VAT. Polish tax rates on cryptos are 19% plus an additional 4% for those with income in excess of PLN 1 million.

Portugal

Despite having issued warnings about the risks related to cryptos, Portugal is widely seen as the most crypto-friendly country in Europe. The legal status of cryptocurrency in Portugal was officially clarified in a statement⁷² by the Portuguese tax authorities and was subsequently reaffirmed by the *Journal de Negocios*⁷³. Portugal does, however, follow EU regulation as has agreed to AMLD5.

In April 2020, the Portuguese government published a Digital Transition Action Plan⁷⁴ which included 12 pillars, the most important of which were the digital empowerment of people, the digital transformation of companies, the digitization of the state. The plan also established a flexible regulatory environment for technology testing and development.

A 2016 law ruled that because cryptocurrencies are not considered currencies, they are not legal tender and are therefore untaxable. The country's non-habitual tax regime (NHR) has attracted many crypto traders as it allows for exemptions and reductions in tax for a 10-year period for individuals of high cultural or economic worth. "An exchange of cryptocurrency for 'real' currency constitutes an on-demand, VAT-free exercise of services," the Portuguese tax authorities have said.

Spain

Like its neighbor Portugal, Spain was a notable early hot spot for cryptocurrencies among EU members, with merchants accepting payments and bitcoin kiosks in the streets. Despite having no formal legal status, virtual currencies in Spain are taxable as income and under VAT.

In 2021 the Spanish Securities and Exchange Commission, the Comision Nacional del Mercado de Valores (CNMV) and the Bank of Spain issued a joint statement warning of the risks and volatility associated with cryptos. The joint statement⁷⁵ also highlighted that, from a legal standpoint, cryptocurrencies are not a means of payment and are not backed by a central bank or other customer protection mechanisms or authority.

Spain issued Royal Decree Law 5/2021⁷⁶ which included a provision giving the CNMV power to regulate advertising related to cryptocurrencies. In January 2022, the CNMV published a

72 https://www.audico.pt/wp-content/uploads/2019/08/57_INFORMACAO_14436.pdf

73 https://www.jornaldenegocios.pt/economia/impostos/detalhe/troca-e-remuneracao-de-criptomoeda-isentas-de-iva?ref=Economia_outros

74 <https://eportugal.gov.pt/en/noticias/governo-lanca-plano-de-acao-para-a-transicao-digital>

75 <https://www.cnmv.es/portal/verDoc.axd?t=%7B52286f9f-c592-4418-9559-b75bf97115d2%7D>

76 <https://www.boe.es/buscar/act.php?id=BOE-A-2021-3946>

circular⁷⁷ saying it would begin to regulate rampant advertising of crypto assets, including by social media influencers, to make sure investors are aware of risks.

Sweden

The Financial Supervisory Authority (FSA) and the central bank have publicly declared that bitcoin is legal but not an official form of payment or legal tender. From a tax perspective they are viewed as an asset, not a currency or cash.

The FSA has warned⁷⁸ of the risks associated with cryptos and investment products with cryptos as underlying assets such as exchange-traded products (ETPs). Sweden has imposed registration requirements that mean custodians, wallet providers and exchanges must comply with the Swedish Currency Exchange Act. The act requires certain types of financial institutions (which are otherwise largely unregulated and unsupervised) to comply with AML provisions.

The scope of the Currency Exchange Act now includes custodian wallet providers and providers of virtual currency exchange services in accordance with the implementation of AMLD5.

Mining activities are not regulated under Swedish law. There are no licensing or registration requirements specifically applicable to virtual currency mining activities.

Sweden's Central Bank, the Riksbanken, has been a leader in developing a CBDC, the e-krona.

Swedish income tax law has different categories of income such as employment income, self-employment income, business income and investment income. Capital gains are treated as investment income. Sweden imposes capital gains tax on cryptocurrencies at a flat rate of 30%. Losses are deductible up to 70%. Income tax is based on a progressive model with average rates around 32%.

Switzerland

Switzerland is known as one of the most cryptocurrency-friendly nations in the world.

Switzerland's financial markets regulator, the Swiss Financial Market Supervisory Authority⁷⁹ (FINMA) has defined licensing requirements for cryptocurrency businesses of all types including bitcoin kiosk operations, and has created requirements for blockchain companies.

Cryptocurrency businesses are subject to AML regulations and licensing requirements under FINMA. FINMA's regulatory environment complies with the FATF's digital asset regulation issued in June 2019.

⁷⁷ <http://www.cnmv.es/Portal/verDoc.axd?t=%7b1cbaf61c-57c2-4830-bd6a-071f806795e2%7d>

⁷⁸ <https://www.fi.se/en/published/press-releases/2021/fi-warns-consumers-of-risks-connected-to-crypto-asset-products/>

⁷⁹ <https://www.finma.ch/en/~media/finma/dokumente/dokumentcenter/myfinma/faktenblaetter/faktenblatt-virtuelle-waehrungen.pdf?la=en>

Switzerland further improved its regulations surrounding tokens with the July 2021 implementation of the Federal Act on the Adaptation of Federal Law to Developments in Distributed Ledger Technology⁸⁰ (the DLT Act).

In Switzerland capital gains arising from a “private wealth asset” are exempt from income tax. This applies to capital gains from cryptos. Realized gains arising from the disposal of cryptocurrency are therefore not subject to tax. Losses arising from the disposal of cryptocurrency assets are not tax-deductible. Under Swiss tax law, cryptocurrencies are considered items that can be valued and traded. They are therefore assets that are subject to wealth tax. Tax rates vary.

Turkey

In the midst of a financial, currency and debt crisis, Turkey’s regulatory environment surrounding cryptos is a very mixed picture. Although it is not “illegal” to own cryptos, authorities have demanded user information from crypto trading platforms and regulators frequently cite crypto as a form of evasion for capital controls and taxes.

In April 2021, Turkey’s Central Bank⁸¹ banned the use of cryptocurrencies saying they may be used, directly or indirectly, to pay for goods and services.

In May 2021, President Erdoğan issued a decree that added⁸² cryptocurrency exchanges to a list of institutions that must operate under AML/CTF regulations. Despite the harsh rhetoric, bans on use in payments, and lack of any regulatory supervisory authority, public interest by Turkey’s citizens has soared as they are increasingly adopting and using cryptocurrencies.

The Financial Crimes Investigation Board (MASAK) oversees crypto service providers on AML and compliance issues. The Capital Markets Board (SPK) governs the crypto market, including ICOs and token offerings.

MASAK published⁸³ a guide for crypto asset service providers and President Erdogan have announced that a bill regulating digital assets is forthcoming.

Turkey is developing a digital central bank currency.

Ukraine

Ukraine is one of the top countries in usage of cryptocurrencies. In September 2021, the Ukrainian Parliament adopted a draft Law No. 3637 “On Virtual Assets” which introduced a basic regulation regarding all virtual assets. The law establishes general provisions regarding ownership, conduct of businesses, their circulation, and liabilities. The law uses the term “virtual asset” as which covers any type of crypto asset. Under the law, a virtual asset means

⁸⁰ <https://www.newsd.admin.ch/newsd/message/attachments/60601.pdf>

⁸¹ <https://www.tcmb.gov.tr/wps/wcm/connect/en/tcmb+en>

⁸² <https://www.reuters.com/technology/turkey-adds-crypto-firms-money-laundering-terror-financing-rules-2021-05-01/>

⁸³ https://panel.cetinkaya.com/dcdc07d0-3637-461c-b59a-c68460d5bb20_Masak%20Guide%20Translation%20PDF.pdf

a set of electronic data which has certain value and exists in the system of virtual assets circulation.

The law stipulates and distinguishes cryptos as assets and that they are not to be used as instruments of payments. It further distinguishes between “secured” or “unsecured” virtual assets. Secured virtual assets are secured by fiat currency and unsecured are any other type of virtual asset. Secured assets presumably would include stablecoins and unsecured would include other cryptos such as bitcoin.

The bill was passed⁸⁴ in February 2022 and signed into law by President Volodymyr Zelensky in March 2022. After the Russian invasion of Ukraine, the country received more than \$100 million in crypto donations to support the country's defense effort.

United Kingdom

The UK Financial Conduct Authority⁸⁵ (FCA), HM Treasury and the Bank of England make up the country's Crypto-assets Taskforce.

The FCA has created regulations to cover KYC, AML and CFT tailored for crypto-assets. It has also created regulations to cover VASPs, but has been careful to not stifle innovation.

Crypto exchanges must register with the FCA unless they have applied for an e-money license. Cryptocurrencies are not considered legal tender and taxes are levied based on activities. The FCA has banned the trading of cryptocurrency derivatives.

The Law Commission published a call for evidence⁸⁶ on digital assets in April 2021. The request seeks input from stakeholders ahead of publication of a consultation paper on digital assets which will make proposals for new legislation.

In February 2022, the UK government and the FCA published complementary reform proposals to bring financial promotions for some “qualifying crypto-assets” into HM Treasury' financial promotions regime and into the FCA financial promotions rules.

There is no specific UK regulatory regime that captures the activities of crypto miners.

Although there is no specific UK tax legislation applicable to cryptos, HM Revenue and Customs has set out its view of the treatment based on normal principles. Receipt of cryptos from an employer are treated as “money's worth” and are taxed as income based on the value of the assets at the time of receipt. Where cryptos are held as personal investments, capital gains tax applies upon disposal. In cases where frequent trading is involved, income tax rather than capital gains may apply.

⁸⁴ <https://www.kmu.gov.ua/en/news/parlament-uhaliv-zakon-pro-virtualni-aktivi-zgidno-z-propozicyami-prezidenta>

⁸⁵ <https://www.fca.org.uk/news/press-releases/fca-provides-clarity-current-cryptoassets-regulation>

⁸⁶ <https://www.lawcom.gov.uk/project/digital-assets/#digital-assets-call-for-evidence>

Pacific region, Asia, and Australia

Australia

In 2018 new laws for digital currency exchange providers were implemented by the Australian Transaction Reports and Analysis Centre (AUSTRAC)⁸⁷, the financial intelligence agency and AML/CTF regulator.

Firms are required to register and implement KYC policies, report suspicious transactions and comply with AML legislation.

In December 2021, Australia said it will create a licensing framework for cryptocurrency exchanges and consider launching a retail CBDC as part of an overhaul of its payment industry. Josh Frydenberg, the Treasurer, said the government would begin consultation in early 2022 on establishing a licensing framework for digital exchanges, allowing the purchase and sale of crypto-assets by consumers in a regulated environment.

The government would also consult on regulating businesses that hold crypto-assets on behalf of consumers, and on the feasibility of a central bank digital currency, Frydenberg said.

Taxes on cryptos in Australia⁸⁸, generally are subject to capital gains taxes which range from 19 to 45%.

Bangladesh

The Bangladesh Central Bank issued warnings in 2014 and 2017 related to transactions in cryptocurrencies and warned violations could be punishable by up to 12 years in jail under existing money laundering and terrorist financing regulations. Despite prohibitions on the use of cryptocurrencies, Bangladesh has proposed a national blockchain strategy,⁸⁹ perhaps signaling a change in the future. Concerns about a foreign flight of local capital are a major concern hindering cryptos, however.

Despite an international reputation for being hostile to cryptos, some attorneys argue that the acts of parliament fall short of criminalizing or even banning cryptos. Despite the restrictions, there are no verified reports of arrests, charges or convictions, related to the use of cryptos.

China

The People's Bank of China⁹⁰ banned financial institutions from dealing in cryptocurrencies in 2013 and later expanded the ban to cover crypto exchanges and ICOs. China was the epicenter for mining because of low electricity costs. At its peak it was estimated that more than 65% of bitcoin mining was taking place in China.

⁸⁷ <https://www.ustrac.gov.au/new-australian-laws-regulate-cryptocurrency-providers>

⁸⁸ <https://www.ato.gov.au/General/Other-languages/In-detail/Information-in-other-languages/Cryptocurrency-and-tax/>

⁸⁹ https://bcc.portal.gov.bd/sites/default/files/files/bcc.portal.gov.bd/page/bdb0a706_e674_4a40_a8a8_7cfccf7e9d9b/2020-10-19-15-03-391a6d-9d1eb062836b440256cee34935.pdf

⁹⁰ <http://www.pbc.gov.cn/english/130437/index.html>

The government considered a ban on crypto mining, but in 2019 reconfirmed that it would remain legal. In May 2021, China's Financial Stability and Development Committee, the financial regulatory agency under Vice-Premier Liu He, said the Chinese government would "crack down on bitcoin mining and trading behaviour, and resolutely prevent the transfer of individual risks to the society."

Most experts now estimate Chinese mining to be, in effect, near zero.

Despite the PBOC's embrace of blockchain technology and efforts to be on the forefront of developing the central bank's digital currency, the digital yuan, the ban on mining and all other crypto-related activities was one of the most noteworthy events in cryptos in 2021.

Hong Kong

Hong Kong has long been vying to establish itself as a fintech innovation hub. The Hong Kong Securities and Futures Commission (SFC)⁹¹ has, however, enacted a strict regulatory framework and licensing requirements for VASPs.

It has also proposed a ban on crypto trading for retail investors under which only professional investors who have more than HK\$8 million in assets would be allowed to trade.

Hong Kong's regulation of crypto has been unclear in recent years. China's ban on cryptos has caused uneasiness in Hong Kong, with many fintech and crypto firms leaving or downsizing operations in the region.

Hong Kong began to take steps to close legal loopholes which have allowed crypto exchanges to operate. In January 2022, however, the Hong Kong Monetary Authority (HKMA) issued two papers: one on stablecoins⁹² and another on crypto-related exchange-traded funds⁹³.

Bitcoin is defined as a virtual commodity and not legal tender. There are no capital gains taxes and AML/CFT laws apply to every individual or business in Hong Kong, irrespective of activity and are in accordance with FATF requirements.

Indonesia

In Indonesia virtual currencies are not considered legal tender. In 2019 the Indonesian Commodity Futures Trading Regulatory Agency (Bappebti) approved regulation no. 5/2019,⁹⁴ which legally recognizes and regulates bitcoin and other cryptocurrencies as commodities. Derivative transactions and cryptocurrency exchanges are also subject to regulatory requirements of Bappebti.

The regulation defines a crypto-asset as "an intangible commodity in the form of a digital asset that uses cryptography, a peer-to-peer network and distributed-ledger technology to

⁹¹ <https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=19PR105>

⁹² <https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2022/20220112e3al.pdf>

⁹³ <https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/intermediaries/supervision/doc?refNo=22EC10>

⁹⁴ http://bappebti.go.id/resources/docs/peraturan/sk_kep_kepala_bappebti/sk_kep_kepala_bappebti_2019_02_01_w9i365pf_id.pdf

regulate the creation of new units, verify transactions and ensure transaction security without the involvement of a third-party intermediary.”

Bank Indonesia, the country’s central bank, has banned the use of cryptocurrencies as a payment tool.

Indonesia has also banned financial firms from facilitating crypto sales. Indonesia’s Financial Services Authority (OJK) said it has “strictly prohibited financial service institutions from using, marketing and/or facilitating crypto asset trading,” the regulator said in a statement⁹⁵ posted on Instagram.

The ministry is facilitating the establishment of a separate bourse for digital assets, called the Digital Futures Exchange, which officials say will be launched in the first quarter of 2022.

It warned that the value of crypto-assets often fluctuates and that people buying into the digital assets should fully understand the risks.

The warning follows similar concerns by the central banks of Thailand⁹⁶ and Singapore⁹⁷.

Japan

Japan has one of the most progressive and developed regulatory regimes for cryptocurrencies. Cryptocurrency exchanges must be registered and comply with traditional AML/CFT and other regulations. They are regulated under the Payment Services Act (PSA), which defines “cryptocurrency” as a property value and not a legal tender. The PSA defines “crypto-assets” as payment methods that are not denominated in fiat currency and can be used to pay unspecified persons.

In December 2017, Japan’s National Tax Agency⁹⁸ ruled that gains on cryptocurrencies should be categorized as “miscellaneous income” and taxed accordingly. There have been several new regulations and amendments to the PSA, and to the Financial Instruments and Exchange Act⁹⁹ (FIEA), introducing the term “crypto-asset,” and regulating crypto derivatives trading. Cryptocurrency custody service providers (that do not sell or purchase crypto-assets) fall under the scope of the PSA, while cryptocurrency derivatives businesses fall under the scope of the FIEA.

In April 2020, Japan was the first country to create self-regulatory bodies, the Japanese Virtual Currency Exchange Association¹⁰⁰ (JVCEA) and the Japan STO Association¹⁰¹. The JVCEA and the STO Association promote regulatory compliance and play a significant role in establishing best practices and ensuring compliance with regulations.

⁹⁵ <https://www.instagram.com/p/CZlgoP2PjI2/>

⁹⁶ <https://www.reuters.com/markets/funds/thai-central-bank-says-doesnt-support-digital-assets-payments-2021-12-01/>

⁹⁷ <https://www.reuters.com/technology/singapore-cbanc-issues-guidelines-discourage-crypto-trading-by-public-2022-01-17/>

⁹⁸ <https://www.nta.go.jp/english/>

⁹⁹ <https://www.fsa.go.jp/en/policy/fiel/>

¹⁰⁰ <https://www.asahi.com/articles/ASL4R3VLKL4RULFA00M.html>

¹⁰¹ <https://www.fsa.go.jp/news/r1/shouken/20200430.html>

In Japan, gains associated with cryptos are considered miscellaneous income. Tax rates on crypto gains vary and depend on individual income. Rates can be as high as 55%.

Malaysia

The Securities Commission Malaysia (SC) issued guidelines on the regulation of various digital currency platforms operating in the country. The Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019¹⁰² ruled that digital tokens are “securities” for purposes of securities laws.

Digital currency is defined as “a digital representation of value recorded on a distributed digital ledger that functions as a medium of exchange and is interchangeable with any money, including through the crediting and debiting of an account.” All exchange offerings and digital asset custodians are required to register and “assess and conduct the necessary due diligence on the issuer, review the issuer’s proposal and the disclosures in the whitepaper, and assess the issuer’s ability to comply with the requirements of the Guidelines and the SC’s Guidelines on Prevention of Money Laundering and Terrorism Financing.”

The position on the taxation of cryptos in Malaysia is unclear. The Inland Revenue Board of Malaysia (IRB) has not issued definitive guidelines on the taxation of cryptos.

With regards to cryptocurrency transactions, the IRB has cited Section 3 of the Income Tax Act 1967 and indicated that the provision can be applied to active cryptocurrency traders.

The IRB has said further that several factors may determine whether profits from crypto activities would be subject to income tax.

New Zealand

The Financial Markets Authority of New Zealand (FMA)¹⁰³ has determined that additional obligations will apply to certain activities considered “financial services” include exchanges, wallets, deposits, broking and ICOs involving crypto-assets that are classed as “financial products” under the FMC Act of 2013¹⁰⁴.

However, the FMA said in September 2021, “Cryptocurrencies are not legal tender (money that must be accepted as payment) in most countries and do not exist physically as notes and coins. They are also not viewed as financial products so are not regulated in New Zealand.”

The Inland Revenue Department¹⁰⁵ of New Zealand considers cryptocurrencies as “property,” with gains and losses taxable as income.

¹⁰² <https://www.sc.com.my/api/documentms/download.ashx?id=8c8bc467-c750-466e-9a86-98c12fec4a77>

¹⁰³ <https://www.fma.govt.nz/compliance/role/cryptocurrencies/>

¹⁰⁴ <https://www.legislation.govt.nz/act/public/2013/0069/latest/DLM4090578.html>

¹⁰⁵ <https://www.ird.govt.nz/cryptoassets/taxing>

Philippines

The Philippine Central Bank, the Bangko Sentral ng Pilipinas (BSP) requires¹⁰⁶ VASPs to register. The BSP has developed an AML framework in line with FATF guidelines.

The BSP licensing requirements include exchanges of virtual assets and fiat currency. All transactions are treated as cross-border wire transfers and crypto service providers are expected to comply with relevant BSP rules. Additionally, BSP licensed firms must comply with rules for money service businesses such as liquidity risk management, IT risk management and consumer protection.

The BSP has published and updated FAQs for the public related to virtual currencies.

The National Internal Revenue Code (NIRC) of the Philippines states that any income of an individual or corporation, in whatever form, obtained in the Philippines is taxable.

Singapore

Cryptocurrencies are regulated by the Monetary Authority of Singapore¹⁰⁷ (MAS). The Payment Services Act of 2019 regulates traditional and cryptocurrency payments and exchanges. The Securities and Futures Act is also applicable to public offerings and issues of digital tokens.

A May 2020 Guide to Digital Token Offerings¹⁰⁸ published by the MAS details the regulations surrounding digital tokens and their applicability to securities, collective investments, derivative contracts and the determination of whether a token is a type of “capital market product.” The AML/CFT provisions under the PSA address the risk of financial crimes and promotes best practices, including KYC, to help crypto businesses comply with the new regulatory framework.

In February 2022, the MAS issued Guidelines to Discourage Cryptocurrency Trading by General Public¹⁰⁹. The new guidelines clarify the expectations that digital payment token (DPT) service providers should not engage in marketing or advertising of DPT services to the general public in Singapore.

The Inland Revenue Authority¹¹⁰ has said, “Businesses that choose to accept digital tokens such as bitcoins for their remuneration or revenue are subject to normal income tax rules. They will be taxed on the income derived from or received in Singapore. Tax deductions will be allowed, where permissible, under our tax laws.”

¹⁰⁶ https://www.bsp.gov.ph/Media_and_Research/Primers%20FAQs/VC.pdf

¹⁰⁷ <https://www.mas.gov.sg/regulation/acts/payment-services-act>

¹⁰⁸ <https://www.mas.gov.sg/regulation/explainers/a-guide-to-digital-token-offerings>

¹⁰⁹ <https://www.mas.gov.sg/news/media-releases/2022/mas-issues-guidelines-to-discourage-cryptocurrency-trading-by-general-public>

¹¹⁰ <https://www.iras.gov.sg/taxes/corporate-income-tax/income-deductions-for-companies/taxable-non-taxable-income#:~:text=Trading%20in%20Digital%20Tokens,-Businesses%20that%20buy&text=Businesses%20that%20buy%20digital%20tokens,are%20not%20subject%20to%20tax>

South Korea

South Koreans were early bitcoin pioneers and have been enthusiastic traders and investors in cryptos. In 2021, total trading volumes for cryptos in South Korea surpassed that of the domestic equities market. Regulators in South Korea have taken a cautious approach to cryptocurrency exchanges and companies. Companies are subject to equivalent AML and tax obligations as other financial institutions.

Following several large crypto-exchange hacks, South Korea passed the “Act on Reporting and Using Specified Financial Transaction Information,” also known as the Financial Transaction Reports Act¹¹¹ (FTRA), which requires VASPs to register and comply with AML regulations.

South Korea has sought to ensure market integrity compliance with the FATF. Regulators have also emphasized the importance of safety of trading platforms. New rules went into effect in 2021 requiring all crypto service providers to register with the Korean Financial Services Commission. Platforms must also comply with AML obligations and acquire an Information Security Management System (ISMS) certificate¹¹² from the Korea Internet & Security Agency (KISA).

In South Korea virtual assets are categorized under “other income” for tax purposes. In late 2020, South Korea authorized an initiative to tax crypto trading profits in 2022. Gains will be taxed at a rate of 20%. Korea’s National Tax Service has also widened the crypto tax law to include foreign crypto exchanges and businesses.

The amended law will tax 20% of profit from crypto transactions in excess of 2.5 million Korean won, or about \$2,200. Korea’s National Tax Service (NTS) has since expanded¹¹³ the crypto tax law on accounts by domestic investors to foreign crypto exchanges and businesses.

Taiwan

Taiwan’s Central Bank and Financial Supervisory Commission¹¹⁴ (FSC) have warned that cryptocurrencies are not currencies, but rather commodities and have no legal protection. The FSC has been empowered under the country’s Money Laundering Control Act¹¹⁵ and Terrorism Financing Prevention Act to require users on trading platforms to register their “real names.” The FSC implemented new money laundering regulations for the nation’s cryptocurrency exchanges, requiring them to report transactions valued at more than NT\$500,000 (\$17,770),

The FSC has required platform operators operating STO business to obtain a securities dealer’s license and comply with the securities business prevention system Money Laundering and Anti-Terrorism (AML/CFT) regulations. Banks must report suspicious anonymous transactions.

¹¹¹ <https://www.kofiu.go.kr/eng/legislation/financial.do#:~:text=The%20Financial%20Transaction%20Reports%20Act,%2Fanalysis%2Fdissemination%20of%20STRs>.

¹¹² <https://www.kisa.or.kr/eng/main.jsp>

¹¹³ <https://forkast.news/headlines/south-korea-tax-overseas-crypto-asset-accounts/>

¹¹⁴ https://www.fsc.gov.tw/ch/home.jsp?id=96&parentpath=0,2&mcustomize=news_view.jsp&dataserno=202104200003&dtable=News

¹¹⁵ <https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?pcodes=G0380131>

There are no regulations on crypto mining.

With the exodus from China following the government crackdown, many expected Taiwan to be a beneficiary; but, many still view Singapore as more crypto-friendly.

The trading of cryptos on a platform within Taiwan may be deemed a sale of services and thus subject to Taiwan business tax.

Thailand

The Securities and Exchange Commission of Thailand regulates cryptocurrencies under an Emergency Decree on Digital Asset Businesses B.E. 2561¹¹⁶ issued in 2018. Under the decree, digital asset businesses are required to apply for a license, monitor for unfair trading practices, and are considered “financial institutions” for AML purposes among others.

The Thailand Central Bank has said repeatedly that it does not support use of crypto as payments. In January 2022, the central bank and market regulator announced plans to ban digital asset operators from facilitating use of crypto as a means of payment for goods and services.

Digital asset business operators have expanded their businesses to cover services related to the use of digital assets as payments, which may result in a wider adoption of such activity, they said in a joint statement¹¹⁷.

That could potentially affect financial stability and the overall economic system, they said in the statement.

A public hearing on the new rule will be held until February 8 before it will be effective, Charuphan Intararoong, assistant secretary-general at the Securities and Exchange Commission (SEC), told a news conference. It will not yet cover use of digital assets as payments between merchants and customers, while trading of crypto assets is still allowed, Charuphan said.

“Investors, consumers, and citizens can still trade digital assets for investment as usual,” she said.

The central bank and relevant agencies will consider allowing digital assets that are beneficial to the country to operate, however, said Siritida Panomwon Na Ayudhya, assistant central bank governor, without elaborating.

Trading and use of cryptocurrencies have gained momentum in Thailand, with retailers and real estate developers accepting digital assets as payments.

Gains are taxed as income and subject to the highest tax bracket of 35%.

¹¹⁶ https://www.sec.or.th/TH/Documents/DigitalAsset/enactment_digital_2561_summary_en.pdf

¹¹⁷ https://www.bot.or.th/English/AboutBOT/Activities/Pages/JointPress_25012022.aspx

Russia, Middle East, Africa, and other countries

Algeria

The 2018 Financial Law of Algeria prohibits the use of any cryptocurrencies as well as the purchase, sale, use, and possession of virtual currencies.

Bahamas

In 2020 the Bahamas passed the Digital Assets and Registered Exchange Bill (DARE) putting in place a framework for digital assets. The law creates opportunities for FinTech firms and facilitates the registration of exchanges and other business involved with digital tokens.

The legal framework¹¹⁸ is being heralded as one of the most comprehensive regulatory structures and standards in the world while also welcoming to the industry.

The Bahamas Central Bank was the first to launch a CBDC, the Bahamian “Sand Dollar”¹¹⁹ in October 2020.

The Bahamas are considered an investor-friendly tax haven where there is no income or capital gains tax.

Bermuda

The offshore finance and insurance center Bermuda, has adopted a business-friendly approach to the oversight of cryptos and related businesses. The Digital Asset Business Act¹²⁰ and the Companies and Limited Liability Company Initial Coin Offering Amendment Act, passed in 2018, defines digital assets and provide standards governing ICOs and digital asset businesses.

The Bermuda Monetary Authority (BMA) has issued requirements¹²¹ through the Digital Asset Business Act creating a licensing regime for custodians, service providers, trading platforms and other crypto businesses.

Initial coin offerings are classified as a restricted business activity that requires approval from the BMA. Digital asset businesses are required to register and comply with AML/CTF regulations, specifically, the Proceeds of Crime Acts.

There are no specific taxes on income, capital gains, or other taxes on digital assets in Bermuda.

¹¹⁸ <https://www.bahamas.gov.bs/wps/portal/public/gov/government/news/>

¹¹⁹ <https://www.sanddollar.bs/>

¹²⁰ [https://www.bma.bm/digital-assets-supervision-regulation#:~:text=The%20Digital%20Asset%20Business%20Act,Business%20\(DAB\)%20in%20Bermuda.&text=issuing%2C%20selling%20or%20redeeming%20virtual,provider%20business%20utilising%20digital%20assets](https://www.bma.bm/digital-assets-supervision-regulation#:~:text=The%20Digital%20Asset%20Business%20Act,Business%20(DAB)%20in%20Bermuda.&text=issuing%2C%20selling%20or%20redeeming%20virtual,provider%20business%20utilising%20digital%20assets)

¹²¹ <https://www.bma.bm/digital-assets-supervision-regulation>

Cayman Islands

In May 2020, Cayman Islands lawmakers enacted several new legislative acts¹²² regulating the cryptocurrency industry. The centerpiece, the Virtual Asset Service Provider (VASP) Law, makes it mandatory for digital asset businesses to be registered with the Cayman Islands Monetary Authority (CIMA).

The Cayman's crypto regulations provided regulatory certainty for VASPs and align with international AML/CFT regulations to protect consumers and to meet the requirements of the FATF recommendations.

The Caymans have no income, inheritance, gift, capital gains, or corporate taxes with respect to the issuance, holding, or transfer of digital assets.

Egypt

The Egyptian government banned trading of cryptos in 2018 because of religious decrees under Islamic law. Despite the ban, several international crypto trading platforms have reported significant user growth in the country in recent years. The Central Bank of Egypt¹²³ has cited the importance of art 206 of the Central Bank and Banking System Law promulgated by Law No. 194 of 2020. The law prohibits the issuance, trading, promotion, platforms, and other activities related to cryptos.

India

In 2018 the Reserve Bank of India¹²⁴ banned cryptocurrency trading and prohibited Indian banks from dealing with cryptocurrency exchanges following consumer protection, AML and market integrity concerns. In 2020, however, the Indian Supreme Court struck down the ban, and clarified that no prohibition exists.

Despite widespread concerns, skepticism, and prior bans on cryptocurrencies, India has encouraged innovation and the use of blockchain. It has also begun work on a state-backed CBDC, the digital rupee.

A proposed crypto regulatory framework was published¹²⁵ on the website of the Lok Sabha in 2021. The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 was dropped in the final days of the session but will likely resurface in the future.

The Advertising Standards Council of India announced new guidance¹²⁶ related to the advertising of cryptos and NFTs in February 2022. The new rules, which come into effect on April 1, prohibit the use of the words "currency, securities, custodian, and depositories" in advertisements, as consumers often associate the terms with regulated products.

¹²² <https://www.cfatf-gafic.org/home/what-s-happening/649-cayman-islands-adopts-regulatory-framework-for-virtual-asset-services>

¹²³ <https://www.cbe.org.eg/en/Pages/default.aspx>

¹²⁴ <https://www.rbi.org.in/>

¹²⁵ <http://loksabhadocs.nic.in/bull2mk/2021/23.11.21.pdf>

¹²⁶ <https://ascionline.in/images/pdf/vda-guidelines-press-release-feb-23.pdf>

Iran

The Iranian Central Bank¹²⁷ has authorized banks and currency exchanges to use cryptocurrencies mined by licensed crypto miners in the country. Although mining is legal, the country takes a heavy-handed approach requiring firms to sell cryptos to the central bank to fund imports.

The country has issued more than 1,000 licenses to crypto miners and shut down unlicensed firms. Trading outside the country has been banned, to stop capital flight. The use of cryptos for payments has also been banned.

In early 2022, the country said¹²⁸ it was exploring the possible use of cryptos for international trade, which potentially would allow some businesses to make international payments using cryptos.

Israel

The Israeli Securities Authority has ruled that cryptocurrency is a security¹²⁹ (link in Hebrew) subject to Israel's Securities Laws.

The regulator has warned¹³⁰ the public of the risks associated with cryptocurrencies.

On November 14, 2021, an anti-money laundering order¹³¹ regulating transactions in digital currencies came into effect. The new law is seen as the first step toward the need for entities dealing in digital currencies to have a permanent operating license.

The Israel Money Laundering and Terror Financing Prohibition Authority has taken a similar approach to AML/CTF requirements as FATF.

The Israel Tax Authority defines cryptocurrency as an asset and levies 25% on capital gains.

Kenya

The Central Bank of Kenya¹³² issued a public notice in December 2015 warning that bitcoin and other cryptos are unregulated and not guaranteed by any government or central bank. The notice said no entity is licensed to offer money remittance services and products using virtual currencies.

Despite of lack of any regulatory framework, Kenya is considered as one of the leading markets for Bitcoin.

The Central Bank is reportedly considering a CBDC.

127 https://www.cbi.ir/default_en.aspx

128 <https://www.mehrnews.com/news/5396149/>

129 https://www.isa.gov.il/%d7%92%d7%95%d7%a4%d7%99%d7%9d%20%d7%9e%d7%a4%d7%95%d7%a7%d7%97%d7%99%d7%9d/Corporations/Staf_Positions/Preliminary_Inquiries/Prospectuses/Documents/T3121.pdf

130 <https://www.isa.gov.il/sites/ISAEng/Pages/unregulated-investments.aspx>

131 <https://perma.cc/JN4X-F7P5>

132 https://www.centralbank.go.ke/images/docs/media/Public_Note_on_virtual_currencies_such_as_Bitcoin.pdf

Morocco

Despite a law in 2017 banning cryptos in Morocco, the public continues to operate underground, circumventing the restrictions.

The Morocco Foreign Exchange Office¹³³ has said it does not support "hidden payment systems" not backed by government institutions. However, the country's central bank has reportedly confirmed¹³⁴, that it is exploring a CBDC.

Nigeria

The two primary financial regulators in Nigeria view cryptos differently. The Central Bank of Nigeria¹³⁵ has barred banks and financial institutions from dealing in cryptos. The central bank has argued that cryptos are unregulated and not legal tender. Meanwhile the Nigerian Securities and Exchange Commission¹³⁶ (SEC) has sought to regulate cryptocurrency investments on the grounds that they qualify as securities transactions.

Both regulators said they had identified certain risks within the digital asset sector, without explaining further.

The central bank has argued that cryptocurrencies, which are unregulated and not legal tender, are risky for the user.

Use of bitcoin, the original and biggest cryptocurrency, has boomed in Nigeria in recent years, especially among small businesses, as the weakening naira currency makes it difficult to get the U.S. dollars needed to import goods or services.

The Central Bank of Nigeria officially launched the "eNaira," its CBDC, on October 25, 2021.

There is no Nigerian legislation clarifying the tax treatment of transactions involving virtual currencies.

Russia

In 2020, Russian President Vladimir Putin signed a law¹³⁷ that regulates digital financial asset transactions. Under the law, which took effect on January 1, 2021, digital currencies are recognized as a payment means and investment. The digital currency cannot be used to pay for any goods and services, however.

Digital currencies were previously banned. Russian banks and exchanges can become exchange operators of digital financial assets if they register with the Bank of Russia.

¹³³ https://www.finances.gov.ma/en/The_Ministry/Pages/The-Foreign-Exchange-Office.aspx

¹³⁴ <https://www.ledgerinsights.com/morocco-central-bank-confirms-exploring-digital-currency-cbdc/>

¹³⁵ <https://www.cbn.gov.ng/>

¹³⁶ <https://sec.gov.ng/>

¹³⁷ <http://publication.pravo.gov.ru/Document/View/0001202007310056?index=0&rangeSize=1>

The Central Bank of Russia¹³⁸ has also begun a pilot program to develop a digital central bank currency, the Digital Ruble. The central bank has staunchly opposed cryptos, while Russia's Ministry of Finance has pushed for regulations on cryptos.

The Ministry of Finance introduced a bill "On Digital Currency"¹³⁹ in February 2022, which creates a "mechanism for organizing the circulation of digital currencies."

Despite the regulatory confusion, Russia is considered a significant player, and estimates peg Russian ownership of cryptos at approximately 12% of the international crypto economy.

Saudi Arabia

The Saudi Central Bank and Minister of Finance have warned¹⁴⁰ "against dealing or investing in virtual currencies including cryptocurrencies as they are not recognized by legal entities in the kingdom. They are outside the scope of the regulatory framework and are not traded by financial institutions locally. Such crypto currencies have been associated with fraudulent activities and attract concern that they may be used in illegal and illegitimate financial activities in addition to their high-investment risks related to frequent price fluctuations."

While the Saudi Central Bank has warned the public of the risks associated with cryptocurrencies, and that they are not legal tender, bitcoin is accepted by small businesses and merchants, and the government has taken a very light regulatory approach thus far. In recent years, Saudi Arabia has worked with the United Arab Emirates to attract crypto companies to the region. Cryptos are sure to play an important role in the country's long-term effort to diversify its economy and become an innovation hub — "Saudi Vision 2030."

The Saudi Central Bank has begun to use blockchain technology in its activities in the banking sector and to keep pace with market trends. It has also created a regulatory sandbox¹⁴¹ for collaboration on new digital banking services and blockchain education programs.

South Africa

The South African Reserve Bank¹⁴², the Financial Sector Conduct Authority (FCSA) and the National Treasury, together with an Intergovernmental FinTech Working Group¹⁴³, have published plans to develop a registration regulatory framework. The plans would codify FATF AML recommendations.

The regulatory framework is expected in 2022 and comes as a response to major crypto scams where investors have been defrauded. The FCSA aims to also address how cryptos will interact with traditional financial services and overall financial stability. Virtual currency is not considered legal tender in South Africa.

¹³⁸ <https://www.cbr.ru/press/event/?id=9761>

¹³⁹ https://tass.com/economy/1406879?utm_source=google.com&utm_medium=organic&utm_campaign=google.com&utm_referrer=google.com

¹⁴⁰ <https://www.sama.gov.sa/en-US/News/Pages/news21082019.aspx>

¹⁴¹ <https://www.sama.gov.sa/en-us/news/pages/news-575.aspx>

¹⁴² <https://www.resbank.co.za/en/home/quick-links/frequently-asked-questions>

¹⁴³ <https://www.fwgc.co.za/Pages/default.aspx>

The South African Revenue Service considers cryptocurrencies such as bitcoin to be intangible assets rather than currency or property. They are taxed as long-term or short-term income ranging from 18% to 40% allowing for deduction of costs.

United Arab Emirates

The UAE is estimated to be the third-largest crypto market in the Middle East, with total transaction values estimated at approximately \$26 billion. The Dubai Financial Services Authority included a crypto regulatory framework in its 2021 business plan for firms operating in the Dubai International Financial Center.

In early 2022 the UAE announced a licensing program to be rolled out early in the year. The UAE also said it wants to build and attract a mining ecosystem in the region. The UAE Securities and Commodities Authority issued¹⁴⁴ its regulation in 2020, which seeks to provide clarity as to how crypto and other digital assets may be used as a stored value when purchasing various goods and services.

The Financial Services Regulatory Authority (FSRA) of Abu Dhabi Global Market has enhanced its "Guidance for the Regulation of Crypto Asset Activities."¹⁴⁵

The UAE and Saudi Arabia are reportedly working on research for a CBDC dubbed "Project Aber."

¹⁴⁴ <https://www.sca.gov.ae/en/regulations/drafts.aspx#page=1>

¹⁴⁵ <https://www.adgm.com/media/announcements/adgm-enhances-guidance-on-regulation-of-crypto-asset-activities>

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