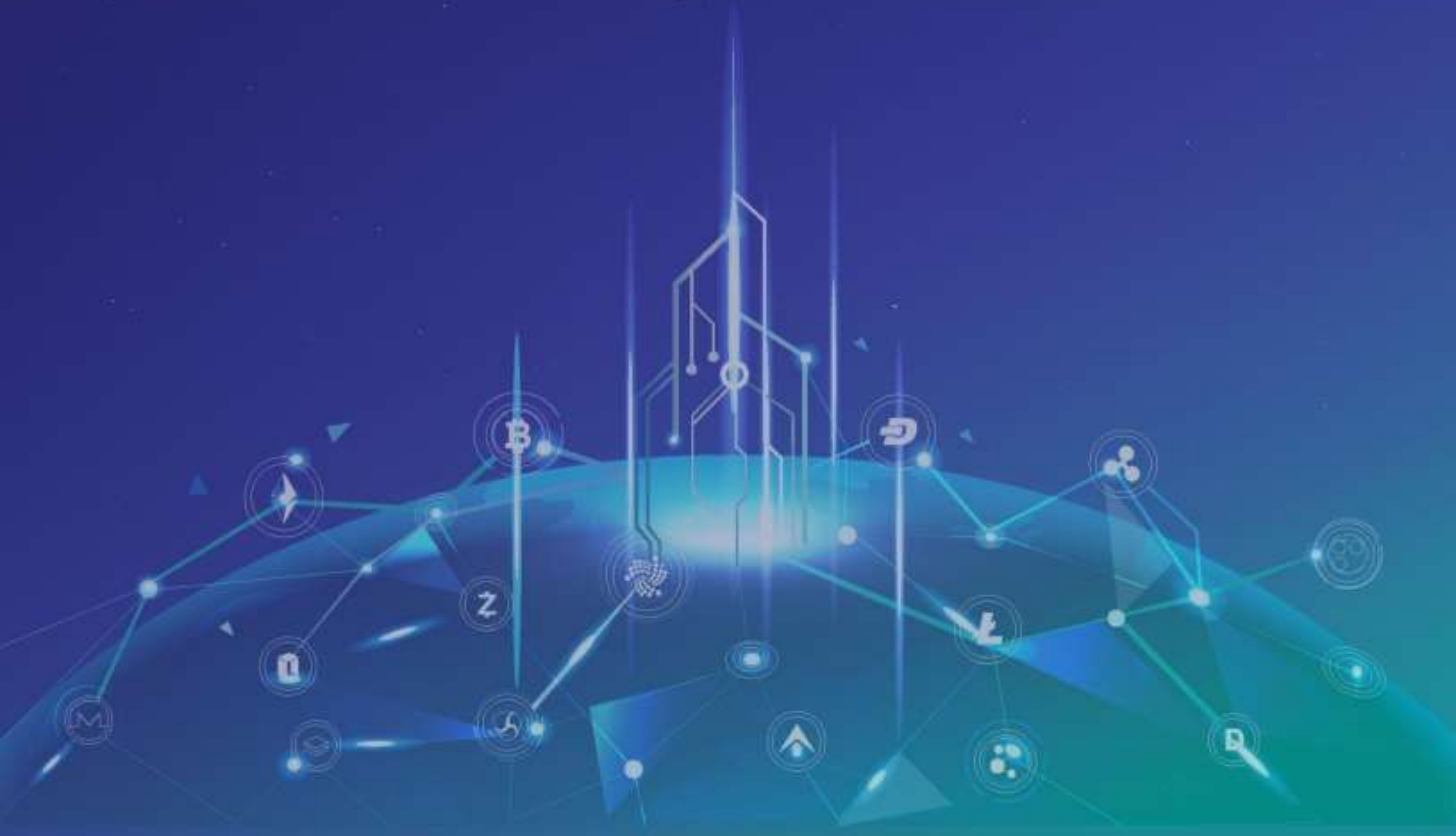
CRYPTO & BLOCKCHAIN ASSOCIATION
MIDDLE EAST, AFRICA & ASIA

Crypto & Blockchain Regulations in

MIDDLE EAST, AFRICA & ASIA



Contents

CRYPTO

REGULATIONS

Crypto Regulations

The regulatory focus on digital assets, also known as cryptocurrencies, has indeed increased in recent years as the market has grown and become more mainstream. Many governments and financial regulators around the world have been working to develop frameworks for how to handle digital assets, with some taking a more permissive approach while others have implemented stricter regulations. This increased regulatory attention has led to further scrutiny of the market and its participants, which has also contributed to the volatility seen in the prices of digital assets.

Cryptocurrencies were initially designed to operate outside of traditional financial systems and government control. However, as the market has grown and become more mainstream, the lack of a robust global regulatory framework has become a concern for many industry participants and regulators. The lack of clear regulations can lead to uncertainty and a lack of trust in the market, which can be detrimental to its growth and development. Additionally, without proper regulations in place, it can be difficult to protect consumers from fraud and other illegal activities. A well-designed regulatory framework can help to mitigate these risks and foster innovation in the sector.

The year 2022 was a challenging one for the cryptocurrency market, with several high-profile hacks, collapses, and bankruptcies. The FTX contagion had a significant impact on the market and raised concerns about the stability and security of cryptocurrencies. To be clear, there are gaping holes in the global regulatory frameworks for digital assets.

Most countries lack robust financial regulations applicable to crypto firms in the areas of consumer protection, safeguarding of customers' funds, capital and liquidity requirements, concentration risk management and disclosure requirements.

Sometimes new technologies require new approaches to regulations. The current approach has long put emphasis on anti-money laundering and sanction compliance at the expense of consumer protection, understanding the foundational aspects of the technology and the varied services available to consumers.

To be clear, more AML legislation would not have helped in preventing what happened at FTX, which was primarily the fault of its poor governance structure.

Prioritizing redundant legislation is not helpful, as it gives consumers a false sense of protection and further erodes confidence in global financial systems. A better approach would involve stepping through each defined product and service to determine appropriate rules for each business model.

There is no doubt that all of this requires a modicum of effort from legislators to educate themselves. It is far easier to attempt to push through yet another anti-money laundering bill.

The regulatory landscape for cryptocurrency can vary widely between countries, making it difficult for companies operating in multiple jurisdictions to navigate and comply with the different laws and regulations. Some countries have adopted more lenient approaches to cryptocurrency, while others have outright banned it. This lack of standardized regulation can create challenges for crypto firms in terms of compliance, legal risk, and the ability to operate smoothly across borders.

NFT

REGULATIONS

NFT Regulations

The NFT regulatory landscape is currently an oasis of fresh opportunities that often come with new technology. However, legislators are becoming increasingly aware of the risks that come alongside these opportunities, including issues around intellectual property, consumer welfare, and money laundering. Any businesses which intend to explore this new world should be aware of the increasing pressure on jurisdictions to regulate their actions within it.

So far, regulators have focused more on cryptocurrencies than NFTs. But as the use cases multiply, there will be increased scrutiny and regulation. Further, regulators will likely diverge on how they define and classify an NFT: in some jurisdictions, NFTs may be viewed as securities or derivatives, while in others, it could depend on what the NFT represents in the physical world. Crypto firms involved with NFTs will want to keep a careful eye out for regulatory developments in this area.

The most promising use cases for non-fungible tokens have been recently in the intellectual property space. NFTs have shown promise as a medium for not only evolving the way we create, use, and monetize intellectual property but also how artists and brands engage with their audiences. Additionally, last year we saw the rise of financialized NFTs, including platforms where borrowers can use NFTs as collateral and projects offering yield opportunities to investors. These may be subject to lending, securities and/or other financial regulations.

There is a rising danger of regulators adopting a one-size fits all approach that leads to treating all NFTs as financial assets. The current chairman of the Securities and Exchange Commission in the US (SEC), Gary Gensler, has taken the position that most fungible tokens are securities. If other regulators take a similarly sweeping view of the NFT market, it will chill the momentum of the innovation in the space. Regulatory constraints specific to securities would be imposed because of the technology these NFTs use, not because they are fit for purpose. Among other drawbacks, transferability of creative works would be severely limited, and artists could inadvertently become investment companies.

Securities laws issues have often driven crypto policy, but when it comes to non-fungible tokens, a distinction must be made in the regulatory approach according to the respective use case of NFTs. For non-financial use cases, the focus must be on intellectual property interests. Treating all NFTs as financial assets will damage the commercial prospects of this emerging technology. It is critical that policy efforts encourage and protect intellectual property rights holders who are expanding their creative portfolios through NFTs. The challenge is to apply an adequate level of regulation that protects property rights, users from Fraud and Market Abuse without drowning NFT issuers under the weight of rules that are applicable to underwriters of financial instruments.

Additionally, NFTs real world applications in Finance and Trade have been increasing. NFTs can take any type of information, be it a contract, any form of asset or liability and give it a form of uniqueness and tangibility by making it cryptographically unique from any other batch of data — even if otherwise identical.

This means that NFTs represent a fundamentally more useful form of digital information. The data encoded into an NFT cannot be altered, counterfeited, or in any way accessed by anyone, not in possession of the appropriate cryptographic keys. Even if an attacker should manage to steal an NFT, the history and destination would still be completely visible to everyone.

Financial instruments, such as fixed income products and investment notes, can securely move along the blockchain in a manner that brings transparency, facilitates seamless settlement, and extends liquidity. At the same time, smart contracts eliminate intermediaries, reduce counterparty risk and preserve the integrity of deliverables. This is an area where the regulatory approaches have been wildly different according to jurisdiction, while some regulators prohibit the issuance of NFTs, others are evaluating them as a security. Some regulators are shying away completely from the field. The need for more clarification regarding NFT’s has been recognised by the intergovernmental Financial Action Task Force (FATF). Its recent guidance has explained to regulators when and how they should identify and regulate NFT’s as virtual assets.

The FATF guidance clarifies that NFT’s are not considered virtual assets based on their general use, and the evaluation of them should be conducted on a case-by-case basis. The FATF says that they should be regulated as virtual assets when the use of them conforms to the definition of a virtual asset.


NFT Collections in 2022
Survey conducted Dec 15-26 2022, among a representative sample of 7,126 crypto investors worldwide, with an unweighted margin of error of up to +/-2 percentage points.
75%
Will definitely buy NFT in the future
25%
Is depends on the situation
5%
Refuse to buy an NFT in the coming years
1
Bored Ape Yacht Club
$1.57 billion
Bored Ape Yacht Club amassed more than $1.5 billion in deals as excitement kept the collection going through most of 2022.
2
Mutant Ape Yacht Club
$1.14 billion
Despite the significantly lower average costs for this set, Mutant Ape Yacht Club managed to surpass $1.1 billion in sales this year.
3
Otherside
$1.1 billion
Otherside is easily the largest new NFT launch of 2022, with the initial mint and secondary sales producing $561 million in value within 24 hours.
4
AZUKI
Azuki
$849.9 million
Azuki launched in January and prospered for months until the NFT market imploded in May, amassing around $850 million worth of trading to date.
5
Moonbirds
$613.4 million
Moonbirds, a collection of 10,000 pixel owl avatars that swiftly produced $280 million in minting and trading within two days of launch.
6
CloneX
$600.5 million
The vibrant, anime-inspired collaboration between the Nike-owned Web3 studio RTFKT and popular artist Takashi Murakami, has continued to grow this year, producing slightly over $600 million in trading volume.
7
CryptoPunks
$575.2 million
Even Punks were free to mint at launch, five years later, they still topped half a billion dollars worth of annual trading.
8
Doodles
$391.6 million
Doodles has generated over $391 million in secondary trading activity this year, with a high of $122 million in January.
9
Sorare
$318.1 million
Despite falling NFT price, Web3 fantasy soccer game Sorare maintained pretty constant sales throughout 2021, eventually totaling roughly $318 million in trade volume so far this year.
10
Axie Infinity
$291.1 million
Axie churned up billions of dollars in trading in 2021 as its token awards enticed millions of participants to acquire NFTs and participate, but progress stalled in 2022.
TK VENTURES
CoinWire
Source: Decrypt
IV. NFT & Web3 Gaming | NFT
76

DeFi

DECENTRALIZED FINANCE

Decentralized Finance (DeFi)

DeFi eliminates the need for a centralized entity and provides transparency, it also creates new risks such as market manipulation, lack of recourse for disputes, and security vulnerabilities. These risks need to be addressed and regulated to ensure a stable and secure DeFi ecosystem. Additionally, as DeFi grows, it may have systemic impacts on the larger financial system and hence, regulators may need to step in to mitigate potential risks.

In conclusion, while DeFi offers a different approach to finance, it still needs to be regulated to protect investors and ensure the stability of the financial system. However, the approach to regulation should be flexible and not stifle innovation in the DeFi space.

Decentralized finance (DeFi) is a financial system that uses blockchain technology and smart contracts to facilitate direct, peer-to-peer transactions without the need for traditional intermediaries. DeFi has led to the emergence of new financial products and services such as crypto savings accounts, peer-to-peer lending, and cross-border transactions. However, these transactions can also carry higher risk, especially in jurisdictions with high corruption or lax money-laundering controls. As DeFi evolves, DeFi platforms and virtual asset service providers (VASPs) need to be aware of their counterparty risks and the risks posed by their customers. They should ensure they have implemented robust customer due diligence measures and be cautious of transactions involving unlicensed or unregistered VASPs and un-hosted wallets.

“DeFi is reclaiming the power from central authorities and returning it to the people.”

Ameen Soleimani, CEO of SpankChain

CRYPTO & BLOCKCHAIN ASSOCIATION
MIDDLE EAST, AFRICA & ASIA

METAVERSE

Metaverse

The metaverse will need real-world controls to protect users from abuse, fraud, and loss. This is important for ensuring a safe and secure environment for users to live and do business in. The builders of the metaverse can take proactive steps, such as creating a metacode of conduct, to set guidelines and standards for behavior within the virtual world. However, it is important to note that regulation of the metaverse is a complex issue that will likely involve collaboration between governments, private companies, and other stakeholders. Additionally, it will take a huge amount of time for regulation to be developed and implemented globally.

The metaverse is a rapidly evolving space, and it is important for regulators and architects to work together to ensure that it is safe and secure for users. Some of the issues that need to be addressed include:

- Ensuring the protection of users' personal and financial information
- Developing guidelines and regulations for the use of virtual currencies and assets
- Implementing consumer protection measures for virtual goods and services
- Creating mechanisms for tracking and preventing illegal activities such as money laundering and cybercrime
- Establishing a framework for resolving disputes and addressing grievances

To make any financial regulation viable in the metaverse, there need to be strong links between virtual and real-life personas, and adherence to many of the same principles that make the real financial world safe. Know your customer (KYC) requirements, tax laws, risk management methodologies and so on will all have their place in virtual reality as it evolves.

In Asia-Pacific, countries such as Singapore, Indonesia and South Korea are already starting to experiment with the metaverse and will likely develop their regulatory approach in collaboration with industry. South Korea's Ministry of Science and ICT (MSIT) signed an MoU with GSMA in February 2022 at MWC Barcelona to cooperate and develop Metaverse strategies nationally and internationally and to identify opportunities and issues related to policies, standards, and commercially sustainable business models. In 2022, Indonesia tasked the state carrier, PT Telecom, with creating a metaverse to promote local firms that compete with foreign services. The EU Commission will likely join the race in 2023.

"People don't understand NFTs, Metaverse, and crypto today the same way they didn't understand online shopping in 1995."

Anuj Jasani – CEO of Just Brandable

CRYPTO & BLOCKCHAIN ASSOCIATION
MIDDLE EAST, AFRICA & ASIA

STABLECOINS

Stablecoins

Stablecoins are a type of cryptocurrency that are pegged to the value of a fiat currency, such as the US dollar, in order to reduce volatility. They have the potential to bring traditional financial systems onto the blockchain, but their rapid growth has raised concerns about regulatory risks to the wider financial sector. It is important for global regulations to be comprehensive, consistent, and focused on the structural features and use of stablecoins to mitigate contagion risks.

Additionally, oversight should be increased for systemic stablecoin arrangements in order to protect the financial system. The growth of stablecoins is closely linked to the growth of the crypto markets and decentralized finance (DeFi) as they are used as a "currency" within DeFi and enable other financial services. However, it should be noted that DeFi can have varying degrees of centralization.

The ongoing bear market did little to curb the rising use of stablecoins. On the contrary, dollar-pegged coins like USDT and USDC saw a parabolic growth in market cap this year, becoming a defacto settlement currency of the crypto industry.

As the use of unregulated stablecoins continues to grow, the risks associated with them also increase.

First, the value of stablecoins against reference assets may still fluctuate more than existing digital instruments like e-money. Second, while stablecoins are by nature less susceptible to speculative bubbles of the type that Bitcoin and other cryptocurrencies have experienced, their market capitalisation may nonetheless rise and fall rapidly with purchases and redemptions by investors. Worse yet, without additional private or public backstops, stablecoins can be subject to severe price discounts or self-fulfilling runs, especially when backed by risky or opaque assets and in times of market turmoil. Furthermore, if stablecoins were to gain significant usage, runs on stablecoins could provoke fire sales of the assets used to back their value. This could have negative spillovers on the rest of the financial system.

However, stablecoins that are supported by high-quality and liquid reserves have the potential to become a stable store of value, which could further the goal of many stablecoins, which is to create a credible and widely accepted means of exchange.

Currently, stablecoins are mainly used within the crypto ecosystem, but they have the potential to be widely accepted and interconnected with existing financial entities and payment infrastructures in the future. It is important for regulations to be put in place to mitigate these risks and ensure the stability of the financial system.

CRYPTO REGULATIONS

MIDDLE EAST, AFRICA & ASIA

Crypto regulations in Middle East, Africa & Asia

Countries	Regulatory Framework	AML/CTF
Bahrain	Regulation in place	Regulation in place
Qatar	Prohibits cryptocurrencies	Prohibits cryptocurrencies
Kuwait	Process Initiated	Process Initiated
Oman	Process Initiated	Process Initiated
Saudi Arabia	Prohibits cryptocurrencies	Prohibits cryptocurrencies
Turkey	Process not Initiated	Regulation in place
United Arab Emirates	Regulation in place	Regulation in place
Nigeria	Process Initiated	Regulation in place
South Africa	Process Initiated	Regulation in place
Japan	Regulation in place	Regulation in place
Malaysia	Regulation in place	Regulation in place
Singapore	Regulation in place	Regulation in place
South Korea	Process Initiated	Regulation in place
Thailand	Process Initiated	Regulation in place
Hong Kong	Regulation in place	Regulation in place

CRYPTO REGULATIONS IN

MIDDLE EAST

Middle East

Regulations of digital assets, including cryptocurrency, vary in the Middle East. Some countries, such as Egypt, Saudi Arabia, and Iran, have outright banned the use of digital assets, while others, such as the United Arab Emirates (UAE) and Bahrain, have embraced them and are working on developing a regulatory framework for them.

In the UAE, the Central Bank has issued regulations for cryptocurrency-related activities and has established a framework for the registration and licensing of crypto-assets service providers. In Bahrain, the Central Bank has established a regulatory sandbox for fintech firms, which includes digital assets and blockchain-based companies.

In general, the Middle East has been cautious about digital assets due to their association with illegal activities and lack of regulation. However, some countries are starting to recognize the potential benefits of blockchain technology and are beginning to explore ways to incorporate it into their economies.

Countries	Regulations Status
Bahrain	Legal
Cyprus	Legal
Iran	Legal
Iraq	Absolute Ban
Israel	Legal
Jordan	Uncertain
Kuwait	Uncertain
Lebanon	Implicit Ban
Oman	Uncertain
Qatar	Absolute Ban
Saudi Arabia	Absolute Ban
Syria	Legal
Turkey	Implicit Ban
United Arab Emirates	Legal
Yemen	Legal

CRYPTO & BLOCKCHAIN ASSOCIATION
MIDDLE EAST, AFRICA & ASIA

CRYPTO REGULATIONS IN

BAHRAIN

Bahrain

The Central Bank of Bahrain has recently issued amendments to its Crypto-assets ("CRA") Module in March 2023, after consulting with industry stakeholders. These amendments are aimed at addressing the evolving developments in the crypto-assets markets and aligning with industry best practices while ensuring investor protection, as part of the CBB's efforts to develop the crypto-assets market in line with the Kingdom's Economic Recovery Plan.

One of the key changes in the amendments is the expansion of the scope of regulated crypto-assets activities to include "Digital Token Offerings." This means that any offers of digital tokens that exhibit characteristics of securities will now be regulated by the CBB. In determining whether a digital token qualifies as a security, the CBB will assess its underlying economic purpose, structure, characteristics, and the rights attached to it.

Additionally, the amendments outline new requirements to enhance the safeguarding of clients' assets, aiming to provide high levels of protection for investors. This emphasizes the CBB's commitment to ensuring that investors' assets are adequately safeguarded in the crypto-assets market.

Furthermore, the amendments also allow crypto-assets licensees, with prior approval from the CBB, to engage in additional activities that are not covered under the regulated crypto-asset services as stipulated by the existing regulations. This expansion of activities may provide more flexibility for crypto-assets licensees to adapt to the evolving crypto-assets landscape while complying with regulatory requirements.

Overall, these amendments to the CRA Module by the Central Bank of Bahrain reflect the regulator's proactive approach towards regulating the crypto-assets market, promoting investor protection, and supporting the development of the crypto-assets industry in line with the Kingdom's Economic Recovery Plan.

CRYPTO & BLOCKCHAIN ASSOCIATION
MIDDLE EAST, AFRICA & ASIA

CRYPTO REGULATIONS IN IRAN

Iran

Iran has had a complicated relationship with cryptocurrency. In 2018, the Central Bank of Iran banned the use of cryptocurrencies for domestic transactions, citing concerns about money laundering and financing of terrorism. However, the ban was not enforced, and Iranians continued to use cryptocurrencies, particularly for buying and selling goods and services on the black market.

In 2020, the Iranian government announced that it would begin to regulate and legalize the use of cryptocurrencies in the country. The Central Bank of Iran issued a draft of regulations for cryptocurrency mining, which included requirements for miners to register with the government, pay taxes, and adhere to anti-money laundering and know-your-customer regulations.

In 2021, the Iranian government announced that it would launch a state-backed cryptocurrency to help bypass US sanctions and promote the use of digital currencies in the country. The cryptocurrency, called the "PayMon," is based on the blockchain technology and will be used to facilitate transactions between Iranian banks and other financial institutions.

However, the usage of cryptocurrencies in Iran is still restricted and not widely adopted, the Government and Central bank of Iran is still trying to balance the use of digital currencies with the need to maintain financial stability and combat illegal activities.

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MIDDLE EAST, AFRICA & ASIA

CRYPTO REGULATIONS IN

UAE

United Arab Emirates

The United Arab Emirates (UAE) aims to establish itself as a leading global virtual asset hub. Through its federal system and free zones, the UAE has fostered a healthy competition between jurisdictions to attract crypto asset ventures and its supporting eco system. The UAE follows a federal civil law system. Each of its seven member states have instituted their own regulations in areas where there is no federal law.

The Abu Dhabi Global Market launched the first crypto assets regulations in the UAE in June of 2018. It is one of the most competitive in the region in terms of ease of doing business, evidenced by the high-profile global names that established their offices in the free zone. The Financial Services Regulatory Authority of the ADGM has an established criteria for approving tokens, adopted strong consumer protections regulations in addition to rules governing the conduct of business of virtual asset providers.

Not to be outdone, in the Emirate of Dubai, Dubai International Financial Center (DIFC) introduced one of the most comprehensive crypto token frameworks in the region in 2022. The framework opens the opportunity for existing licensees the ability to offer virtual asset services within the scope of their respective licenses. The authority has published exhaustive and clear criteria it takes into consideration to approve the provision of services in a specific token. Furthermore, its regime opens the door to funds to invest in crypto assets in addition to brokers, investment managers, exchanges and other types of licensees that can now undertake virtual assets services under the new regime.

Dubai launched another authority that is solely dedicated to further advance the competitiveness of the Emirate as a Crypto Hub, the Virtual Assets Regulatory Authority (VARA). The authority is building its regulatory framework through open engagement with market players.

The financial and capital markets are, by and large, governed by the Central Bank of the UAE (CBUAE) and the Securities and Commodities Authority (SCA). The UAE federal criminal laws, such as the federal AML laws, apply to both mainland and offshore. The CBUAE is establishing its position in communicating permissible virtual asset activities to local banks. These include opening accounts for Virtual Asset Service Providers (VASPs).

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MIDDLE EAST, AFRICA & ASIA

CRYPTO REGULATIONS IN

QATAR

Qatar

The state of Qatar is a small country located in the Middle East. Bitcoin and other cryptocurrencies are completely banned in the country's Qatar Financial Center (QFC). Qatar states that the reason behind the ban is weak compliance with know your customer (KYC) and anti-money laundering (AML) regulations. These regulations are enforced globally by the Financial Action Task Force (FATF), and they require banks and other financial services providers to verify their customer profiles and determine the source of funds that they are transferring inside and outside the country. In fact, the Qatari Central Bank was quick to warn citizens in May 2022 about dealing with any unregulated financial firm after CoinMENA, a Muslim law compliant exchange launched in the country. Qatar is a Muslim country and follows the Sharia Law.

CRYPTO REGULATIONS IN

AFRICA

Africa

The adoption of cryptocurrencies has been growing rapidly in emerging countries, especially in Africa. The African continent now accounts for 16.5% of the global total of estimated 53 million cryptocurrency owners, with Nigeria being the country with most number of owners, over 22 million. Nigeria was second only to the US for Bitcoin trading in July 2021 and the dollar volume of crypto received by users in Nigeria in May 2021 was USD 2.4 billion, up from USD 684 million in December 2020. The growth in crypto adoption is due to several factors such as political repression, currency controls, rampant inflation, and the need for protection against exchange rate fluctuations. In February 2021, the government of Nigeria banned cryptocurrency transactions through licensed banks, but later introduced a central bank-issued digital currency (CBDC), eNaira, which can be exchanged through text messages on mobile phones. The Central African Republic became the first African country to give Bitcoin legal tender in April 2022. However, widespread adoption of digital currencies might be limited, and the use of Bitcoin is associated with high levels of volatility.

06	27	04	17
Legal	Implicit Ban	Absolute Ban	Uncertain

08 - AFRICA

Countries	Regulations Status
Algeria	Absolute Ban
Angola	Uncertain
Benin	Implicit Ban
Botswana	Legal
Burkina Faso	Implicit Ban
Burundi	Implicit Ban
Cameroon	Implicit Ban
Cape Verde	Uncertain
Central African Republic	Legal tender
Chad	Implicit Ban
Comoros	Implicit Ban
Côte d’Ivoire	Implicit Ban
Democratic Republic of the Congo	Implicit Ban
Djibouti	Uncertain
Egypt	Absolute Ban
Equatorial Guinea	Implicit Ban
Eritrea	Uncertain
Eswatini	Legal
Ethiopia	Uncertain
Gabon	Implicit Ban
Gambia	Uncertain
Ghana	Implicit Ban
Guinea	Uncertain
Guinea-Bissau	Implicit Ban
Kenya	Legal
Lesotho	Implicit Ban
Liberia	Uncertain

Countries	Regulations Status
Libya	Implicit Ban
Madagascar	Uncertain
Malawi	Implicit Ban
Mali	Implicit Ban
Mauritania	Uncertain
Mauritius	Legal
Morocco	Absolute Ban
Mozambique	Uncertain
Niger	Implicit Ban
Nigeria	Implicit Ban
Republic of the Congo	Implicit Ban
Rwanda	Implicit Ban
Sao Tome and Principe	Uncertain
Senegal	Implicit Ban
Seychelles	Legal
Sierra Leone	Uncertain
Somalia	Uncertain
Somaliland	Uncertain
South Africa	Legal
South Sudan	Uncertain
Sudan	Implicit Ban
Tanzania	Implicit Ban
Togo	Implicit Ban
Tunisia	Absolute Ban
Uganda	Implicit Ban
Zambia	Uncertain
Zimbabwe	Implicit Ban

CRYPTO & BLOCKCHAIN ASSOCIATION
MIDDLE EAST, AFRICA & ASIA

CRYPTO REGULATIONS IN

SOUTH AFRICA

South Africa

South Africa is amongst the few countries that's ahead of the curve in this space. Crypto Assets to Be Treated as Financial Products in South Africa, Regulator declares crypto assets are financial products and authorities to begin licensing platforms from June 2023.

In the wake of increased crypto adoption, the South African regulatory authorities have taken proactive steps in the past few years to address the regulatory requirements around crypto assets.

"We are not legitimizing crypto assets," Du Toit said. "We are not giving credence to crypto assets."

The introduction of regulations follows two major crypto scams that originated in South Africa, both of which led to the disappearance of billions of dollars in investments. Digital currencies have moved from the periphery of the finance world to the mainstream over the past few years, leading to deeper scrutiny worldwide to prevent providers operating unfettered.

The new rules will enable clients to complain about crypto exchanges that don't comply with existing laws in South Africa and give the regulator the mandate to act on non-compliance. They'll also allow the FSCA to request information from the crypto companies to enable it to better understand their business models and practices. Registration of crypto platforms will take between June 1 and Nov. 30, 2023, with the currently unregistered companies allowed to continue trading until then.

CRYPTO & BLOCKCHAIN ASSOCIATION
MIDDLE EAST, AFRICA & ASIA

CRYPTO REGULATIONS IN

CENRAL AFRICA REPUBLIC

Central African Republic

The Central African Republic is a landlocked country in Central Africa. The committee tasked with drafting the cryptocurrency bill in the Central African Republic (CAR) is made up of 15 experts from five different government ministries. These include the Ministry of Mines and Geology, Ministry of Waters, Forest, Hunting and Fishing, Ministry of Agriculture and Rural Development, Ministry of Town Planning, Land Reform, Towns and Housing, and the Ministry of Justice, Promotion of Human Rights and Good Governance. This diversity of representation from various sectors suggests that the government is taking a comprehensive approach to regulating the use of cryptocurrencies and tokenization in the country. The adoption of cryptocurrencies as a legal tender by the Central African government is seen as a way to improve the well-being of the residents and promote monetary recovery. President Touadéra is a strong supporter of Bitcoin, describing it as "universal money". He has encouraged residents to understand the merits of the primary digital asset, which could help them generate long-term wealth in times of surging inflation, global military conflicts, and economic crises. The President believes that acknowledging the disruptive power of cryptocurrencies is crucial to bring long-term prosperity and has called for strength and unity in choosing the right path during difficult times.

CRYPTO & BLOCKCHAIN ASSOCIATION
MIDDLE EAST, AFRICA & ASIA

CRYPTO REGULATIONS IN

NIGERIA

Nigeria

The latest strategy paper from the Central Bank of Nigeria marked the necessity to create a legal framework for stablecoins. Published under the headline “Nigeria Payments System Vision 2025”, the 83-page report from the Central Bank of Nigeria (CBN) considers the development of a regulatory framework for the potential usage of stablecoins. The document outlines the need to develop a framework, given that stablecoins are likely to become a successful payment mechanism in the country. The report also pays attention to the regulation of initial coin offerings (ICOs). It highlights the current absence of regulation in the area, causing investor losses. However, the CBN sees potential for adopting ICOs as a new approach to fundraising for capital projects, peer-to-peer lending, and crowdfunding. Hence, a regulatory framework is also needed “in the event of adoption of an ICO-based investment solution.”

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MIDDLE EAST, AFRICA & ASIA

CRYPTO REGULATIONS IN

KENYA

Kenya

The government of Kenya has yet to implement specific regulations for cryptocurrencies, but it has announced that it plans to establish a framework for their use. The government also has not banned the use of cryptocurrencies, individuals and businesses are free to use and trade in it.

In 2020, the Capital Markets Authority (CMA) issued a statement stating that it does not recognize cryptocurrencies as securities, and it is not under its jurisdiction to regulate them. However, it urged the public to be cautious when dealing with virtual currencies due to the lack of regulation and the potential for fraud.

In summary, Kenya has yet to implement specific regulations for cryptocurrencies, but it has acknowledged the potential benefits of digital currencies and is in the process of developing a regulatory framework. However, its usage is not widespread, and people are urged to be cautious when dealing with them.

CRYPTO REGULATIONS IN

ASIA

Asia

Regulatory frameworks for digital assets in Asia have been evolving in recent years. In 2022, Hong Kong passed a licensing regime for exchanges, and South Korea introduced a bill to govern digital assets. Japan also announced plans to relax tax regulations, making it easier for companies to issue tokens in the country. These developments suggest that governments in Asia are beginning to take a more active role in regulating the digital asset market.

Singapore has considered tightening regulations for digital assets to reduce the risk to retail investors. However, strict regulations in the region also create opportunities for businesses to find ways to circumvent them. For example, investors in Japan have been known to use gray OTC channels to avoid high taxes. Additionally, despite China's harsh stance on digital assets, it is estimated that a significant portion of FTX users, about 8%, are based in the country. These examples suggest that despite regulatory efforts, there is still a significant level of demand for digital assets in the region, and some investors may be willing to take on additional risk to access them.

The collapse of digital asset platforms such as Luna and FTX have added urgency to regulatory efforts in Asia. In the coming year, it is expected that Asian regulators will issue regulatory frameworks on stablecoins. Hong Kong is also continuing to consult on requirements for allowing retail investment. Both Japan and Singapore have also indicated that they are looking into regulating decentralized finance (DeFi) platforms.

In addition, global exchanges with a presence in the region have been acquiring smaller, locally regulated exchanges in order to gain a foothold in the local market. For example, Binance has acquired Sakura in Japan and Tokocrypto in Indonesia. It is likely that this trend of mergers and acquisitions will continue in 2023, as larger players look to acquire more local players in order to expand their presence in the region.

16	07	04	07
Legal	Implicit Ban	Absolute Ban	Uncertain

09 - ASIA

Countries	Regulations Status
Afghanistan	Absolute Ban
Armenia	Uncertain
Azerbaijan	Uncertain
Bangladesh	Absolute Ban
Bhutan	Implicit Ban
Brunei	Uncertain
Burma	Implicit Ban
Cambodia	Implicit Ban
China	Absolute Ban
Cyprus	Legal
Georgia	Legal
India	Legal
Indonesia	Legal
Japan	Legal
Kazakhstan	Implicit Ban
Kyrgyzstan	Legal
Laos	Legal
Malaysia	Legal
Maldives	Uncertain
Mongolia	Legal
Nepal	Absolute Ban
North Korea	Legal
Pakistan	Implicit Ban

Countries	Regulations Status
Palestine	Uncertain
Philippines	Legal
Singapore	Legal
South Korea	Legal
Sri Lanka	Implicit Ban
Turkmenistan	Legal
Uzbekistan	Legal
Vietnam	Implicit Ban
Tajikistan	Uncertain
Thailand	Legal
Timor-Leste	Uncertain
Turkmenistan	Legal
Uzbekistan	Legal
Vietnam	Implicit Ban

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CRYPTO REGULATIONS IN

CHINA

China

China has embraced blockchain technology and has encouraged its use in various industries but has taken a strict stance on cryptocurrency mining and trading.

Chinese governments and tech companies have shown interest in developing the metaverse, but due to restrictions on cryptocurrency, they plan to create a unique "token-less" metaverse with their own characteristics. Major companies like Tencent, Baidu, and Alibaba have announced plans to enter the space and play a key role in its development.

Seems, China will soon loosen restrictions on crypto. The Chinese government has implemented a tax on cryptocurrency transactions, indicating that it views cryptocurrencies as a legitimate form of wealth. Tax authorities have been conducting investigations into the revenues of 'crypto whales' to tax their income. The implementation of a tax framework should boost cryptocurrency adoption in China and provide a clear regulatory framework for individuals and businesses. The Chinese government's views on cryptocurrencies are complex, with different departments sending competing signals. While cryptocurrencies have been illegal in China since 2021, the government has shown more openness to other forms of digital assets. The Chinese government continues to expand the rollout of its own central bank digital currency, the digital yuan, across 26 cities and 5.6 million merchants.

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CRYPTO REGULATIONS IN

JAPAN

Japan

The Government has indicated web3.0 as one of the key pillars for the growth of the Japanese economy.
The Japan Virtual and Crypto Assets Exchange Association, the governing body that deals with crypto assets in Japan, released documents of plans to further ease crypto laws in the country.

These new steps from Japanese regulators come in the hopes of revamping the local crypto scene and making it easier for startups to get a foot in the door.

Japan has been considering the growing crypto scene as the government revises laws and regulations. In August, officials said they will consider implementing tax reforms to prevent crypto startups from leaving. This came shortly after Japanese crypto groups called on regulators to end taxing paper gains.

Japanese Prime Minister Fumio Kishida said the government will be making an effort to promote the use of new Web3 technologies. Specifically, he mentioned the usage of nonfungible tokens (NFTs) and the Metaverse. The government of Japan issued NFTs as rewards for good work to local authorities.

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CRYPTO REGULATIONS IN

MALAYSIA

Malaysia

Malaysia has a relatively high percentage of cryptocurrency owners, but the country's central bank, the Bank Negara, does not issue any cryptocurrency and it is not considered a legal tender. The Securities Commission of Malaysia regulates cryptocurrency through the Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019, which states that all digital currencies and digital tokens meeting certain requirements will be considered securities. Interested individuals can buy digital currencies on registered exchanges in Malaysia.

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CRYPTO REGULATIONS IN

HONG KONG

Hong Kong

Hong Kong is committed to becoming a regional hub for cryptocurrency and virtual assets through implementing a harmonized regulatory framework. The Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) are working to expand regulations over activities related to virtual assets. Despite the ongoing industry crisis, the government of Hong Kong remains committed to the development of cryptocurrency infrastructure. Different regulators in Hong Kong have different responsibilities for crypto, with the Hong Kong Monetary Authority looking into stablecoins and the Securities and Futures Commission responsible for enforcement. The Hong Kong government and the Securities and Futures Commission (SFC) announced further measures to support the development of virtual assets in Hong Kong at the Hong Kong Fintech Week 2022. The FSTB noted the number of developments showcasing Hong Kong's readiness to calibrate its legal and regulatory regime to ensure the sustainable development of Virtual Assets.

The amendment to Hong Kong's anti-money laundering laws will introduce a licensing regime for crypto exchanges in Hong Kong. The bill is expected to come into force on 1st March 2023

- The government declared its openness to future review of property rights for tokenized assets and the legality of smart contracts to provide a legal foundation for their development.
- The HKMA's consultation on the licensing regime for Stablecoins
- Explore pilot projects: issuing non-fungible tokens, tokenizing government green bond issuances for subscription by institutional investors, and launching e-HKD, Hong Kong's central bank digital currency

The Financial Services and the Treasury Bureau (FSTB) in Hong Kong has issued a policy statement recognizing the potential of virtual assets (VA), particularly in relation to distributed ledger technology (DLT), Web3.0 and the Metaverse. This policy statement outlines the government's vision, approach, and proposed future steps to facilitate a "sustainable and responsible" development of the VA sector in Hong Kong.

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CRYPTO REGULATIONS IN

SINGAPORE

Singapore

Singapore is trying to balance two goals - being conservative and protecting consumers and establishing itself as a modern fintech hub. Due to corporate taxes on token issuance in Japan and a less friendly approach from Hong Kong, Singapore's established regulatory framework for crypto has made it a more predictable home for many companies. Despite this, some crypto companies have had issues in Singapore, leading to a focus on risk management and consumer protection. This has resulted in some Singaporeans viewing crypto exchanges as digital banks for on ramping their salaries and investing in yield products, as their banking system is too conservative to offer similar products without high fees.

The Monetary Authority of Singapore (MAS) is considering regulatory measures for stablecoins and reducing consumer harm in retail crypto markets. The measures being considered include restrictions on lending out retail customers' tokens and risk disclosures for lending and staking. However, the regulator is leaning towards outright prohibition, which may reduce the offerings of DeFi protocols such as Automated Market Makers. There are also concerns about the level of technology risk requirements expected from crypto companies by MAS, as well as the impact of capital requirements on stablecoin issuers. The regulatory changes, expected to be issued later this year, will only apply to licensed firms, raising the potential risk of unlicensed and unregulated service providers becoming more attractive to the public for digital asset trading. The MAS announced on 2nd November that its first industry pilot, Project Guardian which explores potential decentralized finance (DeFi) applications in wholesale funding markets has completed its first live trades. Under the first industry pilot, DBS Bank, JP Morgan and SBI Digital Asset Holdings successfully conducted foreign exchange and government bond transactions against liquidity pools comprising of tokenized Singapore Government Securities Bonds, Japanese Government Bonds, Japanese Yen (JPY) and Singapore Dollar (SGD). MAS is launching two new industry pilots.

- **Trade Finance**: Standard Chartered Bank is leading an initiative to explore the issuance of tokens linked to trade finance assets. The project aims to digitize the trade distribution market, by transforming trade assets into transferable instruments that are more transparent and accessible to investors.

- **Wealth Management**: HSBC and UOB are working with Market node to enable native digital issuance of wealth management products, enhancing issuance efficiency and accessibility for investors.

Mr. Sopnendu Mohanty, Chief FinTech Officer, MAS, said, “The live pilots led by industry participants demonstrate that with the appropriate guardrails in place, digital assets and decentralized finance have the potential to transform capital markets. This is a big step towards enabling more efficient and integrated global financial networks. Project Guardian has deepened MAS’ understanding of the digital asset ecosystem and has contributed to the development of Singapore’s digital asset strategy”.

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CRYPTO REGULATIONS IN

SOUTH KOREA

South Korea

South Korean lawmakers are recognizing the increasing importance of cryptocurrencies and digital assets as a new investment class and are working to create regulations to handle the risks associated with trading in these assets. The Financial Services Commission (FSC), the country's financial regulator, is also supporting the need for rules to address these risks. Lawmakers are currently preparing to amend existing crypto regulations, which would give them more authority over crypto exchanges. The recent incident involving the FTX exchange has motivated governments worldwide to accelerate the process of regulating the crypto market.

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CRYPTO REGULATIONS IN

THAILAND

Thailand

Bank of Thailand has disclosed plans to allow virtual banks to operate in the country for the first time. Financial firms will be able to provide services by 2025.

Thailand's goal of becoming Southeast Asia's leading trading center for digital assets has suffered a setback, following moves by regulators to tighten rules in the wake of trading irregularities and the collapse of a major acquisition involving a crypto exchange.

The country was the first in the region to implement digital-asset legislation in 2018, which helped attract droves of so-called millennials to put their money into cryptocurrencies.

Regulations and supervision for virtual banks will be the same as those for traditional commercial banks under the licensing framework. Moreover, qualified applicants will need to meet certain requirements.

The central bank also noted:

According to the central bank, virtual banks will be under a "restricted phase" during their first years of operation, which includes close monitoring to prevent financial systemic risks. Thailand's Securities and Exchange Commission recently announced plans to tighten rules for crypto, aiming to expand investor protection. A strict set of guidelines for crypto ads is also being developed by the authority.

Thailand recently entered into a technology cooperation agreement with Hungary to support the adoption of blockchain technology, amid a fast growth of demand for mobile payments, e-commerce, and cryptocurrencies in the country.

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CRYPTO REGULATIONS IN

INDIA

India

India does not currently have a specific regulatory framework for virtual currencies, and they cannot be used as legal tender or a medium of exchange. In 2021, the Indian government introduced the "Cryptocurrency and Regulation of Official Digital Currency Bill," aimed at establishing a framework for the development of a Central Bank Digital Currency while prohibiting private cryptocurrencies, albeit with exceptions for specific use cases and technologies. This bill, however, has not yet been presented in parliament. The government has emphasized the necessity for any measures pertaining to the regulation or prohibition of virtual currencies to be executed in collaboration with other nations, acknowledging the potential global repercussions of such actions.

Both the Indian government and the Reserve Bank of India (RBI) have expressed similar apprehensions regarding stablecoins as with other forms of cryptocurrencies. The RBI is particularly concerned about certain stablecoins, often pegged to foreign currencies, potentially impinging on the autonomy of India's monetary policy framework. While no specific regulations or laws have been announced for stablecoins, it is anticipated that the existing regulations for other cryptocurrencies will likely apply to stablecoins as well.

India's finance minister, Nirmala Sitharaman, has suggested the taxation of digital assets, prompting further deliberation on the permissibility of cryptocurrencies within the country. While many view the government's move to tax virtual currencies as an initial step toward their formal recognition, no official statement has been issued regarding their legal status in India.

Although the absence of regulation might suggest an implicit prohibition on cryptocurrencies in India, significant statements from the governor of the Reserve Bank of India and other government representatives, including the finance minister, indicate that while unregulated, cryptocurrencies are not expressly prohibited. Notably, the Indian government recently pledged a 30% tax on cryptocurrency earnings and a 1% tax withheld at source as part of the Union Budget 2022.

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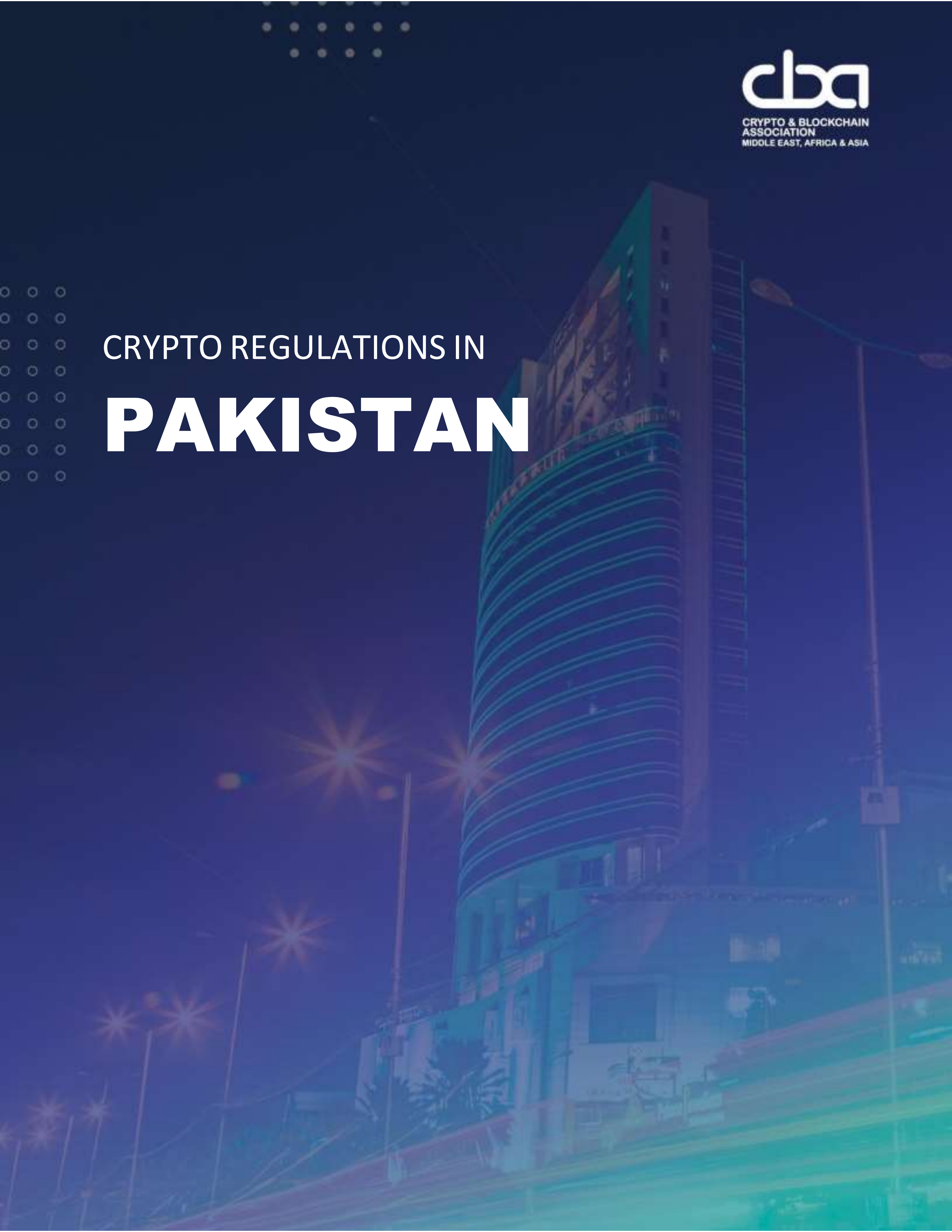
CRYPTO REGULATIONS IN

PAKISTAN



Pakistan

Regulations of cryptocurrency in Pakistan are still in the early stages of development. The State Bank of Pakistan (SBP) has issued warnings about the potential risks associated with cryptocurrency but has not yet established a clear regulatory framework for it.

In April 2018, the SBP issued a circular that warned financial institutions and other regulated entities about the potential risks associated with virtual currencies and prohibited them from dealing with or settling virtual currencies. However, the Central Bank also formed a task force to explore the potential benefits of blockchain technology and digital currencies in the country.

In 2019, the government proposed a bill to legalize and regulate cryptocurrencies, but it has not yet been passed.

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