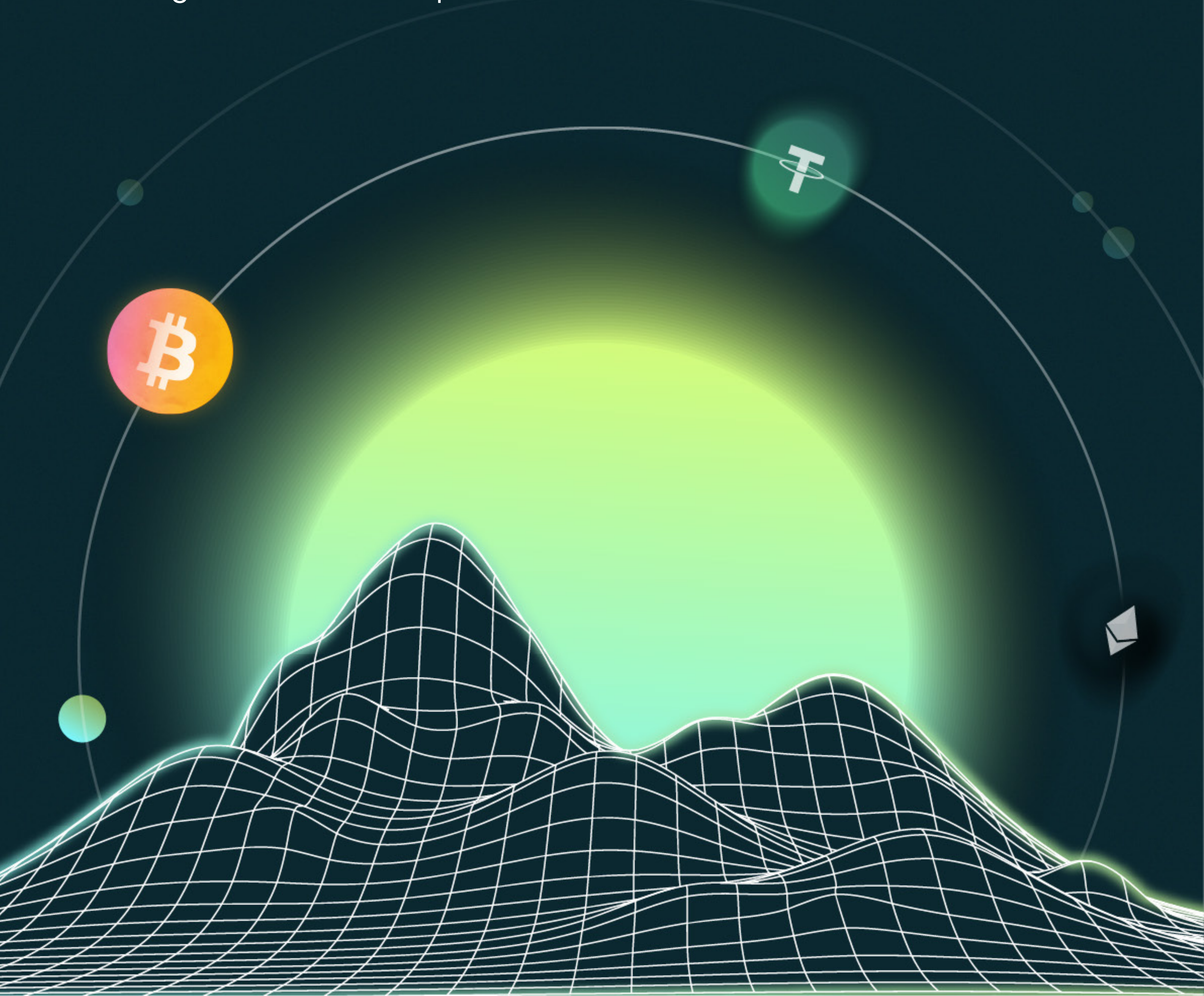
ELLIPTIC

2024 REVIEW

Global Crypto Regulation Landscape

Navigating the evolving landscape of global crypto regulations and compliance



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INTRODUCTION

Global Crypto Regulation Landscape, 2024

The global crypto regulatory landscape is undergoing significant transformation as the ecosystem matures. Regulatory authorities worldwide are now placing a stronger emphasis on crypto compliance, with an intensified focus on consumer protection, financial stability, and the prevention of illicit activities.

This regulatory progression is further reinforced by the entry into the cryptoasset space of more mature institutional players who are contributing to the creation of a more structured and transparent market environment. While these regulatory developments are starting to provide greater clarity and confidence for businesses operating within the space, they also introduce new compliance challenges.

Elliptic's crypto regulatory affairs newsletter provides a fortnightly update of policy progress and legal action related to cryptoassets around the globe. This report looks back on 2024 so far, to assist compliance professionals in deciphering the key trends and developments in crypto regulation around the world, as well as region-by-region.

INTRODUCTION

Global Crypto Regulation Landscape, 2024

So far this year, we have seen significant developments across three key areas: the EU's Markets in Cryptoassets (MiCA) regulation, the expansion of Travel Rule to crypto transactions, and stablecoin regulation.

These three trends are explored further in the regional views that follow. We have also identified existing and pending crypto legislation to help readers track regulatory developments around the world.

- **MiCA sets a precedent for comprehensive crypto regulation,** with other regions looking to it as a model. Initiated by the **European Commission**, MiCA is a comprehensive framework regulating cryptoassets that aims to harmonize crypto regulations across the EU. MiCA goes into effect for stablecoin and e-money token issuers from June 2024 and broader crypto regulation for cryptoasset service providers (CASPs) will come into force at the end of 2024, with some transitional arrangements built in. Read more here.

  While MiCA is an EU-specific regulation, its principles are influencing regulatory approaches in other regions, particularly regarding the need for comprehensive frameworks to manage cryptoasset-related risks.

- **The expansion of the Travel Rule to include crypto transactions is a global trend** aimed at enhancing transparency and combating illicit finance. The Travel Rule requires financial institutions to disseminate information relating to payments above defined value thresholds to the receiving financial institution. This information is meant to combat money laundering and terrorist financing.

  The Travel Rule increases the regulatory burden on virtual asset service providers (VASPs) and demands a more rigorous level of compliance with global anti-money laundering and counter-terrorist financing (AML/CFT) standards. The EU's Travel Rule obligations will come into force at the end of 2024. Other jurisdictions have already made it a requirement, though global implementation remains uneven. More about the Travel Rule here.

- Finally, **there is growing focus globally on regulating stablecoins,** with major jurisdictions like the EU, Singapore, and Hong Kong leading the way. This is driven by concerns about financial stability, consumer protection, and financial crime. Regulators are emphasizing the responsibility of stablecoin issuers to mitigate risks related to the stablecoins they have launched, indicating stablecoins' growing importance in the broader financial ecosystem. To help meet these demands, we launched our Elliptic Ecosystem Monitoring capability in July 2024. This solution enables stablecoin and token issuers to screen their ecosystems for indicators of financial crime risk in real-time.

Global view

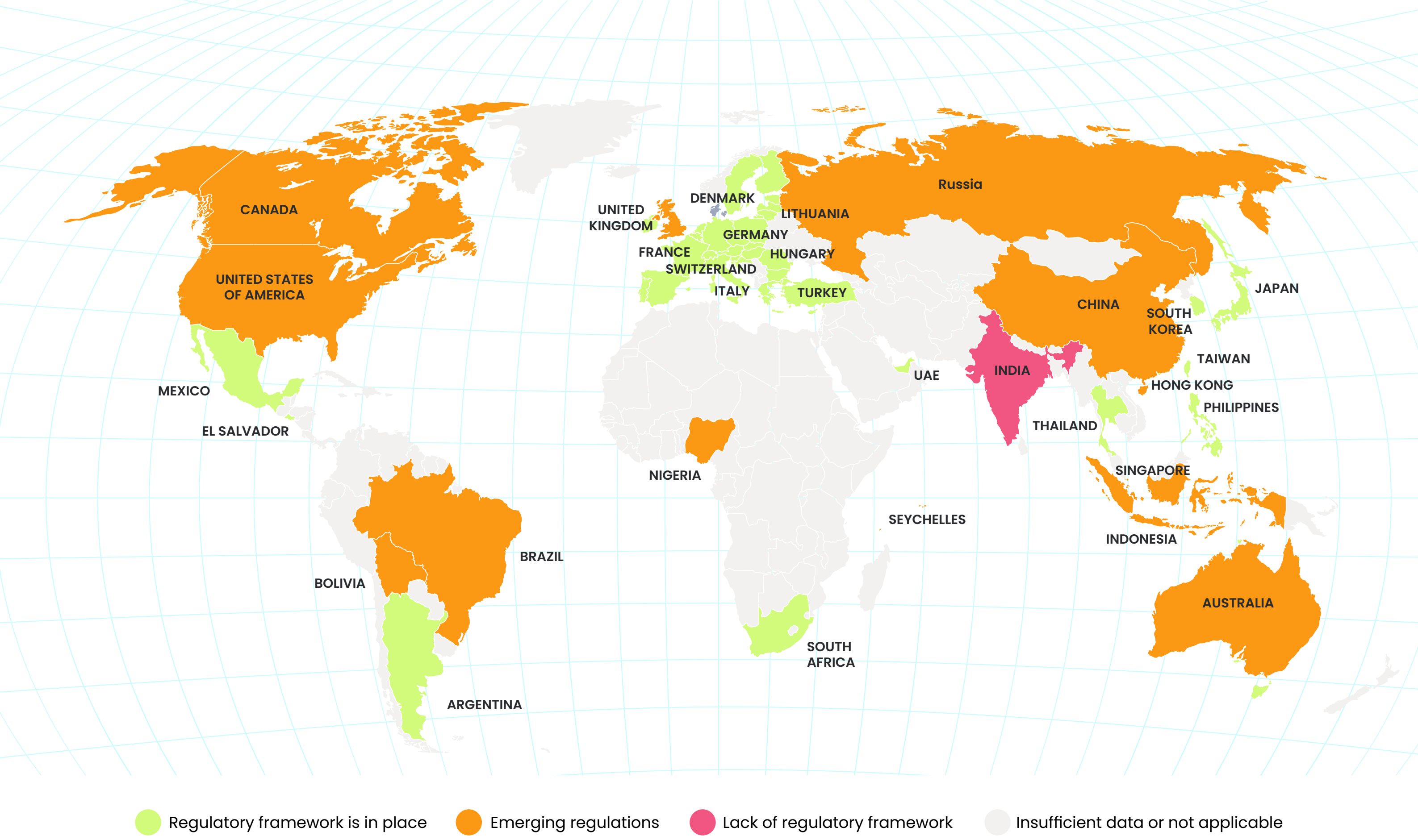
The Financial Action Task Force

On March 28, the **Financial Action Task Force (FATF)**, the global standard-setter for AML/CFT matters, published a report **on the status of implementation of the FATF's standards for virtual assets**. Inputs came from 58 jurisdictions with "materially significant VASP exposure" - jurisdictions that are hosts to large virtual asset service providers (VASPs) such as crypto exchanges, and/or where there are more than one million users of virtual assets. The FATF's goal is to highlight implementation gaps.

The FATF's goal is to highlight implementation gaps. Its report is high-level, indicating that most jurisdictions have conducted a risk assessment of the virtual asset sector and have established a regime for licensing VASPs. However, the picture is more mixed when it comes to implementing ongoing supervision of the sector, such as enforcing VASP compliance and implementing Travel Rule.

A follow-up FATF report issued in July shows slow global implementation of AML/CFT standards for virtual assets, with **75% of jurisdictions being partially or non-compliant**. Key gaps include risk assessments, supervisory inspections, and Travel Rule implementation.

Global regulatory framework snapshot



North America

→ Key trends

Key trends in cryptoasset regulation in North America include increased regulatory scrutiny, the expansion of AML/CFT standards, and debate in the US Congress over the establishment of a federal digital asset regulatory framework.

There is a strong emphasis on ensuring robust sanctions compliance. There is also ongoing debate over stablecoins and the authority of the US Securities and Exchange Commission (SEC). Intense regulatory enforcement in the US crypto market remains a key feature, and the cryptoasset industry continues to make the case that the US requires a more cohesive and clear regulatory framework to foster innovation.

NORTH AMERICA

United States

In the US, authorities are intensifying efforts to oversee the crypto industry, prevent money laundering, and protect consumers. Increased regulatory scrutiny has raised compliance costs for crypto businesses and signals a broader push to treat cryptocurrencies similarly to traditional financial assets. Key regulatory and policy trends include enhancing oversight of activity related to sanctions evasion, addressing stablecoin-related risks, and aggressively enforcing AML/CFT standards.

- The US remains a challenging regulatory environment for crypto market participants owing to the lack of progress in passing legislation related to crypto, and a regulatory posture that relies heavily on enforcement action. Additionally, the US presidential election has brought crypto policy to the fore, with the crypto industry making substantial donations to both Republican and Democratic campaigns in an effort to sway policy outcomes.

- **The SEC has taken an aggressive stance**, targeting DeFi projects like Uniswap for operating unregistered securities exchanges. This has sparked debate over the SEC's jurisdiction and the need for new legislation to clarify regulatory responsibilities.

- The **Financial Innovation and Technology for the 21st Century Act (FIT21)** aims to establish a federal digital asset regulatory framework, clarifying the roles of the SEC and Commodity Futures Trading Commission (CFTC) over digital assets. The bill passed the US House of Representatives in May 2024 but, at the time of writing, has yet to advance in the Senate. Bipartisan division remains a significant impediment to progressing crypto-related legislation.

- While perceived regulatory and legislative clarity at the federal level remains a point of frustration for the cryptoasset industry, at the state level, regulators continue to roll out new frameworks and guidelines for cryptoassets, with the New York Department of Financial Services (NYDFS) in particular taking proactive steps to address topics related to consumer protection, stablecoins, and financial crime risk management.

- The **US has imposed multiple financial sanctions involving cryptoasset activity**, particularly targeting entities involved in illicit activities and in evading US sanctions.

- A **survey identifies crypto as increasingly important to US voters**. Republican nominee Donald Trump is promising to make America the "crypto capital of the planet" if he returns to the White House, while Vice President Kamala Harris has yet to take an official position on cryptocurrency as the Democratic nominee. The cryptoasset industry has generally emphasized that cryptoassets should be a topic that wields bipartisan support in light of the potential of the technology to foster innovation.

Regulation/Legislation:

For more on crypto regulation and legislation in the US see Elliptic's US Country Guide.

- **Financial Innovation and Technology for the 21st Century Act (FIT21)** aims to establish a federal digital asset regulatory framework by clarifying the regulatory responsibilities of the US Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) over digital asset products and transactions. It also aims to update existing securities and commodity laws to account for various blockchain technology applications, including decentralized protocols.

NORTH AMERICA

United States

Regulatory Timeline

Inputs - February 2024

On February 7, the **US Department of the Treasury published three reports that offer a broad view of financial crime impacting the US financial sector**. While it noted that the use of virtual assets for money laundering remains far below that of fiat currency, its [Money Laundering Risk Assessment] **highlights six key areas of risks involving crypto that impact the US financial system**. These are: inconsistent compliance with AML requirements, lack of international AML/CFT implementation, use of obfuscation tools (privacy coins, chain hopping), use of mixers (warranting specific and dedicated efforts to disrupt criminal use), disintermediation (use of unhosted wallets and peer-to-peer transactions outside regulated systems), and the use of DeFi for illicit activities.

The Treasury's two other reports look at Terrorist Financing, specifically the role of crypto in the financing domestic violent extremism; and Proliferation Financing, with a focus on North Korea's use of crypto.

It is important for compliance officers to be aware of the crypto-related components of the Treasury's risk assessments, as the findings of these reports will shape US policies toward crypto going forward.

Inputs - March

On March 6, **Commodity Futures Trading Commission (CFTC)** Chair Rostin Behnam appeared before the US House of Representatives Agriculture Committee, urging Congress to pass the Financial Innovation and Technology for the 21st Century Act (FIT21), which would **give the CFTC oversight of spot markets for Bitcoin**, aiming to avoid future collapses like that of FTX.

However, as we noted in our 2024 regulatory outlook series, it remains unlikely that the US Congress will pass meaningful legislation this year that could help bring greater regulatory clarity to the US crypto market.

In March 2024, the **US Department of the Treasury's Office of Foreign Assets Control (OFAC) imposed multiple financial sanctions** involving cryptoasset activity:

- **March 20:** Sanctioned Ilya Andreevich Gambashidze for spreading disinformation on behalf of the Russian government. OFAC added him to the Specially Designated Nationals and Blocked Persons List (SDN List) and added two Tether addresses he controls.
- **March 25**: Sanctioned 13 entities and two individuals for the development and operation of blockchain-based services which aimed to evade sanctions targeting Russia. These include crypto exchanges Bitpapa and NetExchange.

United States

- **March 26:** Sanctioned Tawfiq Muhammad Sa'id Al-Law for supporting designated terrorist organization Hezbollah with crypto wallets, adding a Tether address belonging to Al-Law to the SDN List.

- **March 27:** OFAC sanctioned Gaza Now for raising funds for Hamas, adding Bitcoin, Ethereum, and Tether addresses controlled by Gaza Now to the SDN List. The UK's Office of Financial Sanctions Implementation (OFSI) announced sanctions on Gaza Now and its founders on the same day. The following day, March 28, the Israeli government identified 42 crypto addresses it alleges are linked to terrorist financing.

> "This flurry of sanctions activity underscores the importance of ensuring comprehensive compliance in the crypto space - including the importance of using robust wallet and transaction screening solutions that can enable the detection of sanctions-related risks.
>
> **Liat Shetret**,
> Director of Global Policy and Regulation

On March 26, the **US Department of Justice charged KuCoin and its founders for violating US sanctions and AML/CFT laws** by operating without adequate compliance programs and facilitating significant illicit transactions – receiving $5 billion and sending over $4 billion worth of illicit crypto transactions.

This was the latest in a string of enforcement actions targeting overseas crypto exchanges that the US alleges are undermining its AML/CFT and sanctions efforts.

Inputs - April

SEC Enforcement on DeFi. On April 3, the SEC's Director of Enforcement, Gurbir Grewal, reiterated the agency's aggressive stance on crypto regulation. On April 10, the SEC took its fight directly to one of the biggest players in the DeFi ecosystem, issuing a Wells notice to Uniswap Labs which is behind the decentralized exchange (DEX) Uniswap, indicating potential enforcement action for operating a securities exchange without registration.

NORTH AMERICA

United States

Inputs - May

On May 7, the US, UK, and Australia jointly sanctioned Dmitry Khoroshev, leader of the LockBit ransomware gang, for his involvement in ransomware attacks. According to the US Treasury, since January 2020 the LockBit gang has received cryptoasset payments totaling more than $500 million by launching ransomware attacks on critical infrastructure such as hospitals and financial institutions.

This marks a trend in which the US and the UK are increasingly coordinating the roll-out of sanctions against actors. In April 2024, they jointly sanctioned Gaza Now, a Hamas-linked exchange service, and in September 2023 they jointly sanctioned members of the Trickbot cybercrime gang.

On May 8, the **US House of Representatives voted to overturn the SEC's Staff Accounting Bulletin 121 (SAB 121)**, which mandates banks to present custody crypto as a liability on their balance sheet. This could cause US banks that custody crypto to incur substantial losses, potentially hindering innovation. **H.J. Resolution 109 would, if passed, reverse SAB 121** and prevent the SEC from undertaking similar further action in the future.

In July, this resolution failed. SAB 121, which imposes strict accounting standards on financial institutions holding cryptoassets, will survive. What is encouraging is that the SEC has shown some flexibility, suggesting potential exemptions for certain firms if they meet specific conditions to protect customer assets.

On May 22, the **US House of Representatives passed the Financial Innovation and Technology for the 21st Century Act (FIT21)**. The bill aims to address the fragmented US regulatory landscape for crypto and includes provisions for consumer protection, clearer definitions of cryptoassets, and more streamlined registration processes with the SEC and CFTC.

> "This is seen as a significant legislative win for the crypto industry in support of innovation-friendly regulation. The bill faces important hurdles to becoming law, however, as SEC leadership has been outspoken in opposition to the bill. FIT21's passage demonstrates that the future of crypto regulation is a topic that is rising in importance on the US political agenda.
>
> **Liat Shetret,**
> Director of Global Policy and Regulation

On May 16, the US Treasury issued its 2024 National Strategy for Combating Terrorist Financing and Other Illicit Activity. The strategy highlights the role of cryptoassets in financial crime, especially in the DeFi space, and outlines plans to adapt the US regulatory framework to keep pace with crypto innovations.

It includes ensuring recommendations for adequate provisions for dealing with the financial crime risks involving stablecoin arrangements, as well as advocating for adequate resources for FinCEN and OFAC to oversee the VASP sector, and increasing regulatory enforcement actions for AML/CFT and sanctions compliance violations related to cryptoassets.

NORTH AMERICA

United States

On May 29, Senators Elizabeth Warren and Bill Cassidy requested information from the Biden administration about **the role of cryptoassets in the global fentanyl trade**. They were particularly concerned with the use of crypto in transactions related to purchasing fentanyl precursor chemicals from China. The administration has previously issued financial sanctions targeting Chinese entities involved in this trade.

On May 30, the **New York Department of Financial Services (NYDFS)**, which supervises crypto exchanges and custodians in New York state under its Bitlicense regime, **issued new guidelines** aimed at ensuring high consumer protection standards within the crypto industry. These guidelines focus on best practices for handling customer service requests and compliance related to crypto trading activities. Key practices include providing multiple mechanisms for submitting requests and complaints, offering regular updates, and maintaining thorough records for NYDFS review.

Inputs - June

On June 18, the **SEC announced it would not pursue enforcement action against Consensys Software, the company behind Ethereum**. Elliptic's Vice President of Policy and Regulatory Affairs, David Carlisle, notes that this decision provides some regulatory clarity and relief to the industry, as there has been ongoing debate over whether Ether qualifies as a security under US law. This move suggests a more favorable regulatory stance towards Ethereum.

> "Coupled with recent news that the SEC intends to fully approve Ether exchange traded funds (ETFs) later this year, the SEC's decision not to pursue enforcement related to Ether suggests that the second largest cryptoasset after Bitcoin increasingly occupies a safe space within the regulatory perimeter.
>
> **David Carlisle,**
> Elliptic Vice President of Policy and Regulatory Affairs

Inputs - July

In July, the **US Securities and Exchange Commission (SEC) decided not to pursue enforcement against Paxos, the issuer of Binance USD (BUSD) stablecoin**. This decision follows a period of uncertainty and concern regarding the SEC's stance on whether stablecoins should be classified as securities. Despite the positive outcome for Paxos, the SEC has not clarified its position on stablecoins more broadly, indicating a potential for continued case-by-case enforcement.

NORTH AMERICA

United States

On July 15, **President Trump** announced **his choice of J.D. Vance**, currently a Senator from Ohio, as his candidate for Vice President. **An outspoken proponent of the innovative potential of crypto,** in late June Vance sponsored draft legislation to provide the US with a regulatory framework for cryptoassets, in part by clarifying the respective responsibilities of the SEC and Commodity Futures Trading Commission (CFTC).

In other legislative moves, on June 28, **the Supreme Court determined in a 6-3 decision to overturn the so-called "Chevron doctrine"** - a legal principle that stood for the past 40 years and that has provided federal agencies with wide discretion in interpreting federal legislation. This new decision by the Court limits federal agencies' discretion in interpreting ambiguous legislation. The decision to overturn Chevron is seen as a positive development by the crypto industry, potentially curbing broad regulatory interpretations by agencies like the SEC.

Inputs - August

On August 8, the **Federal Reserve Board** took an enforcement action against Customers Bank, emphasizing compliance with AML laws and US sanctions. The bank has committed to undertaking a number of specific measures to bolster its compliance controls, including improving customer due diligence, ensuring board oversight of the bank's digital asset strategy, and enhancing its ability to identify suspicious activity and potential sanctions breaches.

Learn more about proactive compliance by banks here: How Your Bank Can Perform Crypto Due Diligence.

Canada

Inputs - August

On August 6, the Canadian Securities Administrators (CSA) and the Canadian Investment Regulatory Organization (CIRO) issued a press release reminding crypto trading platforms (CTPs) of their **obligation to register with the CIRO**, which acts as a SRO for investment dealers in Canada. This notice was initially issued in 2021 with a grace period for registration. Now, CTPs must be registered with the CIRO before offering their service in Canada. There are currently 15 registered CTPs in Canada.

LATAM

Bahamas

The **Central Bank of the Bahamas is planning to roll out regulations that would require domestic banks to offer access to its cen tral bank digital currency (CBDC), known as the Sand Dollar,** to spur adoption of the digital currency.

See Elliptic's Bahamas Country Guide for more crypto regulation insights.

Bolivia

Inputs - June

On June 26, the **Central Bank of Bolivia announced that it has revoked its ban on the use of crypto for trading and payments**. Dating back to 2014, this had been one of the world's longest-standing bans on crypto. Under the new regime, cryptoassets will be permitted for trading and use in payments but must be undertaken by regulated financial institutions.

The change in policy is intended to promote growth and innovation in Bolivia's economy and comes as other countries in Central and South America, such as El Salvador, are increasingly open to cryptoassets.

Brazil

Inputs - May

In May, Brazil's central bank announced plans to begin the **phased roll-out of a crypto regulatory framework before the end of 2024**, with consultations on VASPs and stablecoin oversight expected.

Many crypto watchers have looked to Brazil as a potential hub of crypto activity in the region given the size of its economy, but regulation has been slow to arrive.

See Elliptic's Brazil Country Guide for more crypto regulation insights.

Honduras

Inputs - February

Honduras has taken a restrictive stance on crypto. In February, the **National Banking and Securities Commission of Honduras (CNBS) prohibited domestic banks from engaging in crypto-related activities** – including custody and exchange of crypto and dealing with crypto-related derivatives instruments – citing financial stability concerns. This marks a significant departure from neighboring El Salvador, which adopted Bitcoin as legal tender in 2021.

EMEA

(Europe, Middle East, and Africa)

→ Overview

Across the EMEA region, there is a strong move towards structured, harmonized, and globally aligned regulatory frameworks focusing on consumer protection, market integrity, and the prevention of financial crime.

For more in-depth insight on crypto legislation and regulation per country, see Elliptic's EMEA Country Guides.

United Kingdom

The UK is actively shaping its crypto sector with evolving regulations aimed at protecting consumers, preventing financial crime, and ensuring market integrity. These efforts aim to support innovation while maintaining supervision.

In its ambition to become a leader in the crypto space, the UK has recently made significant strides in stablecoin regulation. However, the new legislation that would require stablecoin issuers to register with the Financial Conduct Authority (FCA) and comply with consumer protection and AML/CFT regulations has been temporarily placed on hold in light of the UK's July 2024 general election. **With the start of a new government**, key initiatives such as fiat-backed stablecoin regulation, will need to be reviewed and prioritized by the government.

Despite this delay, and subject to the new government's priorities, we expect that the proposals to move forward on fiat-backed stablecoins with similar standards as originally set out by HM Treasury. The details and the timeline are not known at this stage, but it is possible that the legislation will come into force in the first half of 2025, when also considering the FCA Handbook rules that will need to be consulted on.

The FCA has approved 44 firms under its cryptoasset framework, reflecting a careful approach to regulatory approvals. Additionally, the FCA's approval of crypto-backed Exchange Traded Notes (cETNs) for institutional traders marks a significant step forward, balancing innovation with careful oversight.

Regulation/Legislation:

See Elliptic's UK Country Guide for more crypto legislation and regulation insights.

- **Financial Services and Markets Act (FSMA) 2000**: Established the **Financial Conduct Authority (FCA)** as a regulatory authority regulating financial markets in the UK. The FCA has used its powers under FSMA to bring certain crypto-related activities within its regulatory perimeter, particularly focusing on anti-money laundering (AML) and consumer protection.

- **Anti-Money Laundering Regulations (MLRs) 2017:** The UK's Money Laundering, Terrorist Financing, and Transfer of Funds (Information on the Payer) Regulations 2017 were amended in 2020 to include cryptoasset businesses. Cryptoasset firms must now register with the FCA and comply with AML regulations, including customer due diligence and reporting suspicious activity.

- **Financial Promotion and Regulation:** The UK government has proposed extending financial promotion regulations to cover cryptoassets, meaning that firms promoting crypto investments to UK consumers would need to meet certain standards to obtain FCA approval. This is aimed at improving consumer protection.

EMEA

United Kingdom

- UK's crypto Travel Rule, which applies to VASP-to-VASP transactions, came into force on September 1, 2023. Part 7A of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 introduced these changes, obliging VASPs to send originator and beneficiary information, and to take certain actions in relation to assessing control of a self-hosted wallet, when interacting with such wallets.

- The UK's **Payment Services Regulations 2017 and Electronic Money Regulations 2011** apply to certain crypto services, particularly those involving the use of cryptoassets as a means of payment. These regulations impose requirements on firms, such as safeguarding client funds and providing clear information to consumers.

- **Regulation of Stablecoins:** The UK government is actively exploring the regulation of stablecoins, recognizing their potential for payments but also the associated risks.

- **The FCA's Ban on Crypto Derivatives (effective 2021):** Bans the sale, marketing, and distribution of crypto-derivatives and exchange-traded notes (ETNs) to retail consumers. Implemented due to concerns about the high risk of losses for retail investors given the complexity and volatility of these products.

Regulatory Timeline

Inputs - February

On February 29, the **UK government** took a significant step in the fight against financial crime by expanding **law enforcement's powers to seize cryptocurrencies.** The newly published amendments to the Economic Crime and Corporate Transparency Act give the UK's National Crime Agency (NCA) increased authority to quickly confiscate cryptoassets suspected of being involved in criminal activities.

This move marks a crucial development in how the UK addresses the misuse of digital currencies, as it allows law enforcement to directly seize funds from exchanges and custodians within the country. Furthermore, these measures provide a legal framework for the destruction and disposal of seized assets, signaling a robust stance against the illicit use of cryptoassets.

United Kingdom

Inputs - March

On March 11, the **Financial Conduct Authority (FCA) indicated it would not object to regulated institutional traders creating a market for crypto-backed Exchange Traded Notes (cETNs)**, a type of financial product similar to ETFs, though they will be subject to appropriate controls. cETNs will not be available to retail traders. This demonstrates the FCAs recognition of growing demand for these assets and that it believes there is sufficient market data now to allow institutional investors to make informed decisions regarding risk.

HM Treasury launched a consultation in March on the effectiveness of UK Money Laundering Regulations (MLRs). Among others, the consultation will consider alignment of the MLRs with the Financial Services and Markets Act (FSMA) on the **scope and criteria for assessment of a 'controller' (e.g., director) of a crypto firm**. Firms covered by the FSMA crypto regime will naturally comply, but firms within scope of the MLRs only should prepare for broader criteria affecting who can act as a controller. The consultation also **indicated that non-fungible tokens (NFTs) and utility tokens may present financial crime risks** that are not currently covered by existing AML/CFT requirements for crypto firms. It is considering changes to its AML/CFT regime to include NFT marketplaces within regulatory scope. Other topics raised for consultation include how customer due diligence can be made more proportionate and effective, and how system coordination could be strengthened through formal data-sharing gateways. Consultation closed on June 9. We await the outcomes.

In parallel with the consultation, HM Treasury is running a survey on the cost of compliance with the MLRs. This will help HM Treasury to understand better how regulated businesses comply with the regulations and to assess the impact of future changes to the MLRs.

Inputs - April

The UK government planned to **finalize legislative updates on crypto and stablecoins by July 2024**, requiring stablecoin issuers to register with the FCA and comply with consumer protection and AML/CFT regulations. The outcome of the consultation, published in April, confirms the government's intention to legislate to bring certain stablecoins, where used as a means of payment, into the regulatory perimeter. To do so it will amend existing electronic money and payments legislation (Electronic Money Regulations 2011 and Payment Service Regulations 2017); extend the applicability of Part 5 of the Banking Act 2009 relating to risk and supervision by the Bank of England to include stablecoin activities; and ensure relevant stablecoin-based payment systems are subject to appropriate competition regulation by the Payment Systems Regulator (PSR). As of September 2024, these updates were on hold given the change in government following the UK election of July 2024.

EMEA

United Kingdom

Inputs - April

The UK government planned to **finalize legislative updates on crypto and stablecoins by July 2024**, requiring stablecoin issuers to register with the FCA and comply with consumer protection and AML/CFT regulations. The **outcome of the consultation**, published in April, confirms the government's intention to legislate to bring certain stablecoins, where used as a means of payment, into the regulatory perimeter.

To do so it will amend existing electronic money and payments legislation (Electronic Money Regulations 2011 and Payment Service Regulations 2017); extend the applicability of Part 5 of the Banking Act 2009 relating to risk and supervision by the Bank of England to include stablecoin activities; and ensure relevant stablecoin-based payment systems are subject to appropriate competition regulation by the Payment Systems Regulator (PSR). As of September 2024, these updates were on hold given the change in government following the UK election of July 2024.

Inputs - June

CryptoUK, the self-regulatory trade association for the UK cryptoasset industry **released guidance designed to assist local firms in complying with the requirements of the Travel Rule**. The Travel Rule Good Practice Guide sets out tips for operational implementation of the Travel Rule data sharing requirement that all UK-registered cryptoasset trading firms have had to comply with since September 2023. Elliptic co-chaired an industry Travel Rule Working Group at CryptoUK and was involved in all steps leading to the legislation and guidance.

On June 20, the **FCA and Metropolitan Police announced that they had collaborated to dismantle a major unregistered crypto exchange**, reinforcing the UK's commitment to enforcing its crypto registration regime. The unregistered exchange had facilitated more than $1 billion in unauthorized crypto swaps.

Inputs - August

On August 7, the UK's Financial Conduct Authority (FCA) ramped up enforcement on its crypto advertising rules, issuing warnings and removing non-compliant apps from marketplaces. The FCA also published a guide to good and poor practice to assist the private sector in complying with crypto promotion regulations. To read Elliptic's previous analysis of the UK's financial promotion rules for cryptoassets, see here.

EMEA

European Union

Regulation/Legislation:

Markets in Cryptoassets (MiCA): Proposed in 2020 and passed in 2023, MiCA came into force in June 2024 for stablecoins and E-money tokens, and broader CASP regulation will take effect by end 2024, with some transitional arrangements built-in. Initiated by the **European Commission**, MiCA is a comprehensive framework for regulating cryptoassets. It aims to harmonize crypto regulations across the EU, supporting innovation and fair competition while ensuring a high level of protection of retail holders and the integrity of markets in cryptoassets. MiCA requires that cryptoasset service providers (CASPs) meet obligations related to market conduct, consumer protection, and prudential regulation. It also allows CASPs to "passport" their services across the entire EU if they receive approval from a national supervisory authority in just one member state.

Travel Rule and the Transfer of Funds Regulation (TFR): Recast in 2021 to include crypto, TFR oversees the implementation of FATF's crypto Travel Rule in the EU. The Travel Rule for CASPS will take effect on December 30, 2024. There is no minimum threshold on crypto transactions; EU CASPs must comply with Travel Rule obligations for crypto asset transfers for every transaction, regardless of its amount.

Regulatory Timeline

Inputs - March

On March 25, the European Securities and Markets Authority (ESMA) published its first report outlining rules for cryptoasset service providers (CASPs) under Markets in Cryptoassets (MiCA). The report set out technical guidelines and requirements for authorization.

MiCA's provisions for CASPs take effect from the end of 2024, requiring that CASPs ensure the soundness of their platforms, adhere to enhanced reporting requirements, and prevent market abuse, among other measures.

Inputs - June

On June 13, the **European Banking Authority (EBA)** published guidelines **aimed at enabling the technical application of key components of its MiCA regulation**. The EBA clarified expectations for issuers of stablecoins regarding prudential requirements under MiCA. Standards include liquidity requirements of issuers and expectations for issuers' liquidity risk management policies and procedures.

> "With MiCA's stablecoin-related measures taking effect on June 30, these technical standards will be critical for issuers of stablecoins in the EU to understand and navigate.
>
> **David Carlisle,**
> Elliptic Vice President of Policy and Regulatory Affairs

EMEA

European Union

On June 30, the , ushering in a new era of regulatory oversight for innovators in the crypto space. As MiCA regulation takes effect, stablecoin issuers must now obtain approval from relevant member state authorities before offering their tokens within the EU, or when offering stablecoins pegged to the euro or other member state currency. Key requirements include adequate reserves, redemption rights, governance arrangements, reporting, risk mitigation, and compliance with the Travel Rule.

> "Crypto industry has generally reacted positively to MiCA's stablecoin framework, hailing it as an example of robust and comprehensive regulation, and a welcome alternative to the current state of affairs in the United States, where Congress still has yet to make substantial progress on stablecoin legislation.
>
> **Mark Aruliah,**
> Head of EMEA Policy and Regulatory Affairs

Inputs - July

On July 1, the US-based stablecoin issuer Circle became the first issuer to obtain full approval under MiCA, receiving a license from France's Autorité de Contrôle Prudentiel et de Résolution (ACPR) to operate as an Electronic Money Institution (EMI). As an EMI, Circle can issue its stablecoins USDC and EURC within the EU.

> "This makes Circle the first fully compliant stablecoin issuer to receive approval in Europe under MiCA, and signals a potentially hospitable regulatory environment for stablecoin issuers in the EU. More recently, we have also seen the launch of Banking Circle's MiCA compliant Euro stablecoin, EURI.
>
> **Mark Aruliah,**
> Head of EMEA Policy and Regulatory Affairs

On July 4, the **European Banking Authority (EBA) issued guidance to assist cryptoasset service providers (CASPs) in complying with the Travel Rule**, which will take effect on December 30, 2024. The guidelines provide clarity on handling incomplete or missing payment information. It includes the steps a CASP can take to request additional information about a transaction or relevant originator or beneficiary from counterparties, as well as the appropriate record keeping procedures if they undertake a transfer despite the lack of complete information.

To learn more, see our on-demand webinar on compliance with the Travel Rule.

See Elliptic's EMEA country guides for more detailed regulatory and legislative information.

France

France has been proactive in regulating crypto and virtual currencies. In July 2023, the Autorité des Marchés Financiers (AMF) officially started accepting applications from CASPs to operate under the MiCA regulations. This move aimed to position France as a leading hub for crypto innovation in Europe for CASPs that want to take advantage of MiCA's passporting provisions.

For more insight into crypto legislation and regulation in France, **see Elliptic' Country Guide**.

Regulation/Legislation:

In **April 2017**, the AMF, France's financial markets regulator, amended its AML/CFT regulations to include cryptocurrency exchange platforms. This amendment required crypto exchanges to register with the AMF. In **June 2018**, the French government proposed the Action Plan for Business Growth and Transformation (PACTE) Law, which included provisions for regulating crypto assets.

In 2020, France implemented stricter AML/CFT regulations for CASPs in compliance with the Financial Action Task Force (FATF) guidelines. In **2021**, the AMF published a report on digital asset securities and released guidelines on stablecoins. In **2022**, France began MiCA and Travel Rule compliance preparations. In **July 2023**, the AMF officially started accepting applications from CASPs to operate under the MiCA regulations.

Regulatory Timeline

Inputs - February

The AMF administers a registration framework for businesses seeking to offer trading, custody and other services within France, and has already registered more than 100 CASPs.

> "The prospect of France serving as a hub for crypto innovation is generating confidence among incumbent financial sector firms as well. Societe Generale, for example, launched a stablecoin in 2023 with the AMF's approval as part of its own innovation drive.

David Carlisle,
Vice President of Policy and Regulatory Affairs

France

Inputs - July

In July 2024, Autorité de Contrôle Prudentiel et de Résolution (ACPR), France's primary AML supervisory agency, granted US-based stablecoin issuer Circle a license to operate as an Electronic Money Institution (EMI).

> "This approval, making Circle the first global stablecoin issuer to achieve compliance under MiCA, positions France as a first mover, says Aruliah. However, political uncertainty in the country may introduce a note of wariness into investment decisions and the sector's outlook.
>
> **Mark Aruliah,**
> Head of EMEA Policy and Regulatory Affairs

Inputs - August

In a post issued on its website on August 2, the AMF confirmed that it has been accepting applications from CASPs to operate under MiCA since July 1. With MiCA's provisions for CASPs due to come into effect from the end of 2024, the AMF is now opening up the process for CASPs to get full approval under MiCA. **CASPs already registered under the AMF's more limited regime must obtain approval under the new MiCA regime by 1 July 2026**, or must cease operations in France.

Italy

Italy has made an ongoing effort to regulate cryptocurrencies and virtual assets in alignment with broader European Union standards. Its regulations address money laundering and consumer protection concerns. As part of the European Union, Italy is expected to fully implement MiCA regulations by 2024.

For more insight into crypto legislation and regulation in Italy, **see Elliptic' Country Guide**.

Regulation/Legislation:

In **2017**, Italy's Ministry of Economy and Finance (MEF) began exploring the regulation of cryptocurrencies and blockchain technology. This was followed by **Law Decree No. 90** in **2018**, mandating that service providers, including exchanges and wallets, register with the MEF and comply with anti-money laundering (AML) rules. By **2019**, all Virtual Asset Service Providers (VASPs) were required to register with the Organismo Agenti e Mediatori (OAM), which maintains a special registry for crypto-related entities. In **2020**, Italy adopted the EU's Fifth Anti-Money Laundering Directive (AMLD5), strengthening AML requirements for crypto firms. Oversight tightened in **2021** with the financial market regulator, Consob, increasing scrutiny of crypto activities. Guidelines for transparent advertising of cryptocurrency services were introduced in **2022**, while **2023** saw the alignment of Italian regulations with MiCA and the introduction of a crypto tax.

Inputs - June

On June 20, 2024, **Italy adopted new rules to impose fines (up to €5.4 million) for crypto market conduct violations**, aligning with MiCA's provisions for market manipulation and insider trading. These new measures designate Italy's central bank and market watchdog Consob as the authority overseeing cryptocurrency activities to preserve financial stability and the orderly functioning of markets.

The decree paves the way for Italy to implement MiCA's provisions for cryptoasset services providers (CASPs), which come into effect from the end of 2024.

Denmark

Inputs - June

On June 25, the **Danish Financial Supervisory Authority (FSA)** published guidance **related to the assessment of decentralization in cryptoasset markets under MiCA**, clarifying criteria for determining if a service is fully decentralized and thus exempt from MiCA regulations. The Danish FSA's guidance is the first attempt by an EU member state supervisor to clarify how it will interpret whether a service offering is fully decentralized.

> "While the Danish FSA's guidance only applies to activity that falls within its jurisdiction, it sets an important template for how other regulators in the EU may attempt to address issues around DeFi under MiCA
>
> **Mark Aruliah,**
> Head of EMEA Policy and Regulatory Affairs

For more insight into crypto legislation and regulation in Denmark, **see Elliptic' Country Guide**.

Hungary

Inputs - March

In March, **Hungary's Economy Ministry introduced draft legislation allowing institutions (banks, asset managers, and investment funds) to handle crypto, with oversight by the central bank**. The measure aligns with MiCA and aims to bolster the country's crypto regulatory framework.

The measure took effect from June 30 with t he passing of Act VII of 2024 by the Hungarian legislature. The legislation designates the Central Bank of Hungary (CBH) as the competent authority responsible for ensuring the compliance of cryptoasset service providers with MiCA regulation.

Switzerland

The Swiss Financial Market Supervisory Authority (FINMA) oversees virtual currency regulation. The country has been at the forefront of crypto and virtual currency regulation, attracting over 1,000 blockchain and crypto businesses, including Ethereum.

Regulation/Legislation:

The Swiss Parliament's **Blockchain Act**, a legislative framework aimed at integrating blockchain technology into Swiss law came into force in **September 2020**, modernizing the Swiss legal framework for distributed ledger technologies (DLT) and blockchain. In **January 2021** amendments established a new legal category for DLT-based securities, and in **September 2021** FINMA published guidelines on stablecoins, particularly focusing on the regulatory classification and risk management. In 2023, FATF improved regulations for crypto oversight came into force. In **May 2024**, the Swiss Federal Council proposed adopting the Cryptoasset Reporting Framework (CARF) for better tax transparency.

For more insight into crypto legislation and regulation in Switzerland, **see Elliptic' Country Guide**.

Switzerland

Inputs - July

On July 26, the **Swiss Financial Market Supervisory Authority (FINMA)** published new **guidance on stablecoins, particularly focusing on the obligations of issuers and banks** providing default guarantees.

The guidance aims to ensure issuers understand whether their token has features of a **deposit or an investment** scheme and how to **comply with relevant regulations**. Where the token functions as a deposit, it requires the issuer to have a banking license or a default guarantee from a licensed Swiss bank. The guidance emphasizes AML/CFT compliance, even for non-banking stablecoin issuers.

> "FINMA's guidance to stablecoin issuers aims to enhance transparency and risk management in the stablecoin sector. This aligns with moves by major regulatory authorities around the world to clarify rules and expectations around stablecoins. It comes within a month of the European Union's own rules for stablecoin issuers taking effect, and demonstrates that Swiss financial watchdogs are now focused on oversight of this key component of the crypto ecosystem.
>
> **David Carlisle,**
> Vice President of Policy and Regulatory Affairs

United Arab Emirates (UAE)

The **UAE's 2021 Fintech Strategy** outlined the country's vision for becoming a global fintech hub for digital asset innovation, with a particular focus on blockchain and crypto technologies. Abu Dhabi has a long-standing crypto regulatory framework in place while Dubai has emerged as a sought-after destination for both crypto-native firms and more traditional financial services firms getting involved in crypto. Dubai's robust regulatory framework, which includes the establishment of the world's first crypto-specific supervisor, the Virtual Assets Regulatory Authority (VARA), provides confidence to firms seeking to invest in the dynamic and growing markets of the Middle East and North Africa regions.

The UAE is aligning with international standards such as the **FATF's Travel Rule**, ensuring that VASPs implement robust AML and KYC procedures. **While MiCA is an EU-specific regulation, its principles are influencing global standards, including in the UAE**, where there is a strong emphasis on consumer protection and market integrity. Key developments include the UAE's Central Bank Digital Currency (CBDC) Strategy and the Dubai Financial Services Authority's (DFSA's) enhancement of its Crypto Token Regime, which focuses on clearer reporting requirements and compliance with the Travel Rule.

To learn more about the UAE's regulatory framework for crypto, **see our UAE country guide**.

United Arab Emirates (UAE)

Regulation/Legislation:

- **CBDC Strategy (2023):** Includes the development and implementation of the digital dirham, the UAE's central bank digital currency (CBDC). The digital dirham has been used in cross-border transfers. The UAE Central Bank conducted its first cross-border transfer using the digital dirham, sending 50 million digital dirhams to China over the mBridge platform.

- **Dubai Virtual Assets Regulatory Authority (VARA) Framework (2022):** VARA, the world's first crypto-specific regulatory body, rolled out a comprehensive regulatory framework for virtual asset service providers (VASPs) looking to operate from Dubai. It includes regulations on licensing, consumer protection, market integrity, and anti-money laundering (AML). This approach aligns with the FATF standards. This framework is attracting global crypto firms to Dubai.

- **Stablecoin legislation:** On June 3, 2024, the Board of Directors of the Central Bank of the UAE (CBUAE) approved the issuance of a regulation for licensing and overseeing stablecoins called the "Payments Token Services Regulation". The CBUAE's framework will focus on stablecoins pegged to the AED, and which can be used as a means of payment within the UAE.

Regulatory Timeline

Inputs - January

In January, the UAE took the first step in solidifying its CBDC Strategy which it had previously announced in 2023, by undertaking the first cross-border transfer of its central bank digital currency. It sent 50 million digital dirhams (~$13 million) from the UAE to China over mBridge, a platform that allows countries and financial institutions to experiment with using CBDCs for cross-border wholesale payments. Its next steps include establishing CBDC bridges with India, and a proof of concept for a CBDCs use in domestic retail and wholesale payments.

In addition to its VARA framework, Dubai Financial Services Authority (DFSA) and supervisors in nearby Abu Dhabi and Ras Al Khaimah have established comprehensive regulatory regimes.

These actions show the UAE continuing to cement its status as a global and regional hub for well-regulated crypto innovation.

Inputs - March

On February 23, the **FATF announced that it had removed the UAE from its Grey List** owing to the country's "significant progress in addressing the strategic AML/CFT deficiencies previously identified.

This is a vote of confidence from the international standard setter in the UAE's ambitions to drive innovation in financial services and establish a robust regulatory framework through VARA, DFSA and the Abu Dhabi Financial Services Regulatory Authority (FSRA).

EMEA

United Arab Emirates (UAE)

Inputs - June

On June 3, the UAE Central Bank **approved the issuance of regulations for licensing and overseeing stablecoin arrangements**. Under the proposed framework, the UAE Central Bank will have oversight of UAE dirham-backed stablecoins. This framework is part of the UAE's Financial Infrastructure Transformation Program aimed at promoting innovation and digitization in the economy. Currently, non-UAE dirham backed stablecoins (known as fiat-referenced virtual assets) are regulated within Dubai by the Virtual Assets Regulatory Authority (VARA).

> Over the past two years, the UAE has made clear that it wishes to become a hub for well-regulated blockchain and cryptoasset activity. This proactive effort by regulators is an important pillar of a comprehensive regulatory regime, giving the market confidence.
>
> With other jurisdictions such as the EU, Hong Kong, UK, and Singapore making progress on their own stablecoin regulatory frameworks, advancing a framework locally is important to ensuring the UAE can achieve its aspirations.
>
> **Mark Aruliah,**
> Head of EMEA Policy and Regulatory Affairs,

The **Dubai Financial Services Authority (DFSA)**, an independent regulatory body that oversees activity in the Dubai International Financial Centre (DIFC) free trade zone, has introduced **amendments to its Crypto Token Regime**.

They include clearer reporting requirements for custodians, application fees for token authorization, and compliance with the Travel Rule. These changes aim to bolster the existing framework to keep up with market developments.

Inputs - August

On August 20, the Financial Services Regulatory Authority (FSRA) of Abu Dhabi published a consultation seeking input on its proposed regulatory framework for fiat referenced tokens (FRTs), or stablecoins backed by high quality, liquid assets denominated in the same fiat currency as the FRT. Abu Dhabi's approach aligns with emerging international standards for the regulation of stablecoins, such as those being adopted in jurisdictions such as the European Union, Hong Kong, New York, and Singapore.

Abu Dhabi's move also aligns with the broader effort by the United Arab Emirates to position itself as a global leader in cryptoasset innovation, and comes as neighboring Dubai continues to develop its own regulatory framework for digital assets. The FSRA's consultation on the framework will run through October 3.

Qatar

Inputs - September

On September 1, **Qatar** rolled out its [Digital Asset Framework] for asset tokenization, supporting innovation without allowing crypto trading. This signals a cautious but forward-looking stance.

Turkey

Inputs - March

On February 20, **Ömer İleri, Deputy Chairman of Turkey's ruling AK Party, announced plans to regulate the crypto industry to protect investors and promote innovation**. The measures, aimed at securing Turkey's removal from the FATF Grey List, are likely to require VASPs to seek licensure from Turkey's Capital Markets Board (CMB).

Financial Action Task Force (FATF) is the global standard setter for anti-money laundering and countering the financing of terrorism (AML/CFT) measures. Turkey has been on the FATF Grey List and subject to increased monitoring since 2021 due to strategic deficiencies in its anti-financial crime frameworks.

Inputs - May

On May 16, the Turkish Parliament was presented with a draft bill to provide a **comprehensive regulatory framework for cryptoassets**. The bill aimed to give the Turkish Capital Markets Board (CMB) adequate authority to oversee virtual asset service providers (VASPs) operating in the country, requiring them to obtain a license and comply with AML/CFT, market conduct, and consumer protection requirements. The legislation cleared its first hurdle in the Turkish Parliament on May 30.

The Turkish Parliament's Planning and Budget Commission approved the bill providing the country with a supervisory regime for VASPs. The bill still requires full passage by parliament, but this move marks progress towards FATF compliance and enhancing domestic supervision of VASPs.

Once passed, this legislation will equip Turkey with a regulatory framework that is more aligned with that of countries in the nearby European Union (EU), enabling it to position itself as a hub for crypto innovation in the region alongside the United Arab Emirates.

Kenya

Inputs - February

Kenya is taking steps to align its regulatory framework with FATF standards. The government has formed a working group to draft policy recommendations on regulating crypto market participants. This could potentially lead to the creation of a stand-alone Kenyan regulatory agency for crypto.

This would mirror Dubai's VARA approach, suggesting a trend toward specialized crypto regulatory bodies in the region.

This could indicate a trend toward more tailored and focused regulatory approaches. This could lead to a more standardized global framework over time.

Seychelles

Inputs - July

The **Seychelles adopted new legislation to enable the regulation of crypto exchanges and other VASPs. The Virtual Asset Service Providers Bill, 2024**, empowers the Seychelles Financial Services Authority (FSA) to oversee the VASP sector, including requiring VASPs to obtain a license prior to operating in or from the Seychelles, and to carry out enforcement where it identifies noncompliance with requirements related to AML/CFT and other requirements.

The new legislation also addresses high financial crime risks identified in its 2022 national risk assessment.

South Africa

Inputs - March

South Africa's Intergovernmental Fintech Working Group aims to set out recommendations for stablecoin regulation by December 2024. It already has regulations in place that require crypto asset service providers (CASPs) to comply with anti-money laundering (AML) regulations, but it has not yet implemented a comprehensive framework that would require stablecoin issuers to ensure adequate reserves, protect the rights of holders, or meet other obligations, as is the case in the EU, Singapore, and other jurisdictions

In April 2024, South African **CASPs Luno, Zignaly, and VALR confirmed they received approval by the Financial Services Conduct Authority (FSCA)** under the country's new regulatory framework (which came into effect in 2023). The approval includes AML/CFT measures and capital reserve requirements. These are the **first of 60** CASP licensing applications expected to be approved. Another 250 applications are under review.

The FSCA's progress in approving nearly five dozen applications so far suggests the country may be positioning itself as a hub for crypto activity within Africa.

ASIA PACIFIC

→ Overview

In this region key trends are the introduction of licensing and regulatory frameworks for VASPs, stablecoin regulation, AML/CFT compliance, and consumer protection and market integrity.

These trends highlight a shift towards more structured and stringent regulatory approaches across the APAC region, emphasizing the need for compliance and the integration of global regulatory standards.

Hong Kong

Hong Kong is establishing itself as a leading crypto hub in Asia, rolling out robust regulation that can promote responsible innovation. This includes regulated retail crypto trading services, a comprehensive framework for stablecoin issuers and regulation aimed at protecting consumers and preventing fraud.

Watch Elliptic's on-demand webinar about Hong Kong's crypto regulatory framework and crypto hub ambitions. Learn more with **Elliptic's Hong Kong country guide**.

Regulation/Legislation:

- **Virtual Asset Trading Platforms (VATPs) Licensing Regime (2024):** Requires all VATPs to be licensed by the Securities and Futures Commission (SFC). This licensing regime includes Virtual Asset Service Providers (VASPs). More on deemed licensing here.

- **Stablecoin Regulation (Proposed 2024):** The Hong Kong Monetary Authority (HKMA) plans to regulate stablecoin issuers, with legislative changes expected to take effect from early 2025.

Regulatory Timeline

Inputs - February

In February, the Financial Services and Treasury Bureau (FSTB) of Hong Kong announced plans to consult on how to deal with **unlicensed over-the-counter (OTC) crypto brokers** as it appeared they played a role in enabling investors to use unlicensed exchanges. This took place amid a looming **regulatory registration deadline for exchanges** – virtual asset trading platforms (VATPs) had to submit a licensing application to the SFC by February 29 or shut their doors by May 31 of this year.

> In our crypto regulation outlook in early 2024 we highlighted Hong Kong as a potential global crypto hub. Hong Kong with its strong stance on regulation stands out as a center for crypto innovation in the APAC region, including for retail trading. It may allow retail traders access to assets on a token allowlist with the right regulatory controls to protect consumers in the volatile crypto market.
>
> **David Carlisle,**
> Vice President of Policy and Regulatory Affairs

Hong Kong

Inputs - March

Crypto custody guidelines. On February 20, the Hong Kong Monetary Authority (HKMA) published guidelines for financial institutions offering crypto custody services. The guidelines noted that a growing number of authorized institutions in Hong Kong were seeking to custody digital assets for clients as **the asset class grows in popularity**. They also emphasized risk management, segregation of clients' assets from authorized institutes assets, and adequate disclosures.

On March 12, the HKMA launched a **regulatory sandbox for stablecoin issuers**, enabling them to run their projects under supervision with strict controls. The sandbox aims to obtain feedback on proposed regulatory requirements for stablecoin issuers, which include maintaining adequate reserves and complying with AML/CFT measures. In June, HKMA accepted five initial participants to the program.

Inputs - April

In April, the Hong Kong Securities and Futures Commission (SFC) gave several firms **conditional approval to offer spot Bitcoin and Ether ETFs**. This includes Hong Kong-based digital assets platform OSL, which will be serving as a sub-custodian partner for ETFs. The move comes **four months after the US Securities and Exchange Commission (SEC) approved 11 Bitcoin ETFs,** as it also considers whether to approve Ether ETFs for trading in the US.

> "This move is further indication that Hong Kong is emerging as an important hub for crypto market innovation in the Asia-Pacific region, with a clearly defined regulatory perimeter, notes Carlisle. Few markets worldwide accommodate Spot BTC/ETH ETFs, so Hong Kong's initiative places it alongside pioneering regions such as Canada, Germany, Switzerland and now also the UK and Thailand.
>
> **David Carlisle,**
> Vice President of Policy and Regulatory Affairs

Inputs - May

Facing a June 1 deadline to register with regulators, a number of prominent **crypto exchanges withdrew their applications to set up shop in Hong Kong**. As of May 27, several prominent crypto exchanges, including **OKX, Gate.io, KuCoin, Binance, and HTX, withdrew their applications for a VATP license** from the SFC. Only two local firms have been approved to operate under Hong Kong's regulatory framework thus far, while a further 18 are awaiting approval.

ASIA PACIFIC

Hong Kong

Inputs - June

In early June, The Hong Kong Securities and Futures Commission (SFC) approved 11 crypto exchanges, including Crypto.com and Bullish, to continue operating while awaiting full licensure.

This conditional approval comes as a relief, indicating progress after concerns about Hong Kong's regulatory environment. To date, only two VATPs have received full approval from the SFC - OSL Exchange and HashKey Exchange.

Inputs - July

On J**uly 17, the Hong Kong Monetary Authority (HKMA) and the Financial Services and Treasury Bureau (FSTB) published their response to a consultation on stablecoins** that launched back in December and announced sandbox participants. Key highlights include:

- **Regulatory framework:** Focuses on fiat-referenced stablecoins (FRS) with legislative changes expected later this year.
- **Licensing regime:** Will apply to both Hong Kong-registered issuers and foreign issuers offering HKD-referenced stablecoins in Hong Kong.
- **Prerequisites for issuers:** Include full reserve backing, segregation of reserve assets, risk assessment, and AML/CFT compliance, including the Travel Rule.
- **Stablecoin issuer sandbox:** Five initial participants have been accepted to test their projects on a limited scale. The sandbox was initially announced in March.

Inputs - August

On August 28, HKMA announced the launch of **Project Ensemble, a regulatory sandbox initiative designed to enable financial institutions to experiment with the tokenization of real-world assets**. Project Ensemble enables banks in Hong Kong to connect their own tokenized deposit platforms to the sandbox to enable interbank settlement with other participating institutions. The sandbox will focus on testing "interbank settlement using experimental tokenized money, focusing on transactions involving tokenized assets."

With the launch of Project Ensemble, regulators in Hong Kong have made clear that they see asset tokenization as a critical component of financial innovation that can bolster Hong Kong's competitiveness in financial markets.

Singapore

Singapore aims to enhance its position as a global fintech hub while ensuring that crypto activities are well-regulated. Singapore continues to offer an important base for institutional players seeking to leverage the technology in a well-regulated environment, and the country's regulatory framework for stablecoins offers a potentially compelling opportunity for firms seeking to launch stablecoins from Singapore.

Learn more about Singapore's regulatory framework for **crypto with Elliptic's Singapore country guide**.

Regulation/Legislation:

- **Payment Services Act (2020):** Regulates digital payment token services, including crypto exchanges, and requires them to comply with anti-money laundering and counter-terrorism financing (AML/CFT) requirements.
- **Digital Payment Token Service Providers Licensing (ongoing):** A framework for licensing and regulating crypto service providers.

Regulatory Timeline

Inputs - July

Paxos, the US headquartered issuer of the PAXUSD stablecoin, received approval from the Monetary Authority of Singapore (MAS) to offer its stablecoin, becoming a Major Payments Institution.

Paxos said DBS Bank will act as the custodian for its reserve assets that will back its USD-pegged stablecoin. This approval aligns with MAS's forthcoming stablecoin regulatory framework, which emphasizes compliance and reserve asset security.

Inputs - August

On August 6, **Singapore's Parliament passed the Anti-Money Laundering and Other Matters Bill, which enhances authorities' ability to combat illicit finance, including in the crypto sector**. Key provisions include lowering due diligence thresholds for casinos, improved data sharing between tax and customs authorities to enhance financial intelligence, and easing requirements for prosecutors to secure a money laundering conviction (they only need to show that someone had reasonable grounds to believe they were handling illicit property).

This law strengthens Singapore's ability to address emerging financial crime risks and aligns with Financial Action Task Force (FATF) standards.

China

With crypto trading banned in China, underground activities have continued, making it more difficult to monitor and regulate. This has prompted further regulatory measures to prevent financial instability and illicit activities associated with cryptocurrencies.

Learn more about China's regulatory framework for crypto with **Elliptic's** **China country guide**.

Regulation/Legislation:

- Payment Services Act (2020): Regulates digital payment token services, including crypto exchanges, and requires them to comply with anti-money laundering and counter-terrorism financing (AML/CFT) requirements.

- Digital Payment Token Service Providers Licensing (ongoing): A framework for licensing and regulating crypto service providers.

Inputs - January

In late January 2024, a United Nations report indicated that cryptoassets, and stablecoins in particular, were playing an increasingly important role in money laundering in China. Earlier, in the first half of 2023, the US government also used financial sanctions to target China-based facilitators of North Korea's crypto-related activity.

This has spurred mainland China financial sector authorities to introduce anti-money laundering (AML) measures for crypto as part of its legislative changes to the country's AML laws, due to become law in 2025.

North Korea

An isolated and heavily sanctioned economy, North Korea continues to engage in illicit crypto activities, making it a significant focus of global AML and sanctions enforcement efforts. The regime's interest in cryptocurrencies is largely driven by the need to evade international sanctions, access foreign currencies, and fund various activities, including its weapons program.

State-sponsored hacking groups like the Lazarus Group have been linked to major cryptocurrency heists. North Korea has reportedly engaged in **cryptocurrency mining operations**, particularly Bitcoin, as another means of generating income. Mining allows the regime to obtain new cryptocurrency units without direct involvement in trading or purchasing, which could be traceable and subject to sanctions. Despite global efforts, North Korea continues to develop **sophisticated methods for laundering stolen cryptocurrencies**, including the use of mixers and privacy coins, making it difficult to track and recover stolen assets.

In June 2023, Elliptic's analysis suggested that the Group was responsible for $35 million stolen from users of Atomic Wallet. In November 2023, $112.5 million in cryptocurrency was stolen from crypto exchange HTX and its cross-chain bridge, HECO Bridge. Elliptic attributed this theft to North Korea's Lazarus group. Since March 13, 2024, more than $100 million in ETH from the HTX/HECO thefts has been laundered through Tornado Cash, a decentralized, smart contract-based mixer. More insight here.

Regulation/Legislation:

North Korea does not have publicly known legislation regarding cryptocurrency.

Sanctions and Restrictions (ongoing): North Korea has faced international sanctions due to its use of cryptocurrencies for illicit activities, including money laundering and funding its nuclear program. These include United Nations Sanctions Committee Reports and US Department of the Treasury Reports' sanctions of individuals and entities.

South Korea

South Korea has taken a proactive approach to regulate the cryptocurrency sector. It is moving toward stricter regulation with regard to compliance, consumer protection and AML. South Korea is influenced by global regulatory trends, including Travel Rule and MiCA regulation, and is expected to align its regulations with these global standards to ensure consistency and prevent regulatory arbitrage.

Learn more about South Korea's regulatory framework for crypto with **Elliptic's** **South Korea country guide**.

Regulation/Legislation:

Special Financial Transactions Information Act (SFIA) Amendments (2020): This amendment came into effect in March 2021. It requires cryptocurrency exchanges to register with the Financial Services Commission (FSC) and comply with AML regulations. Exchanges must also partner with local banks to provide real-name verified accounts for users. Many smaller exchanges were forced to shut down due to the stringent requirements.

Digital Asset Basic Act (DABA) (Proposed): With this Act, South Korea aims to create a comprehensive regulatory framework for the digital asset ecosystem. The DABA is expected to include provisions for regulating crypto assets, security tokens, and stablecoins. The Act aims to provide clarity on the legal status of digital assets and establish guidelines for market participants.

Regulation on Stablecoins (Proposed): The Financial Services Commission (FSC) has indicated plans to introduce specific regulations for stablecoins. These regulations would likely include requirements for issuers to maintain adequate reserves and ensure transparency in operations.

Influential Reports:

2024 Regulatory Outlook: This report discusses the government's plans to enhance regulatory oversight of crypto exchanges, with a focus on consumer protection, AML measures, and market integrity.

FSC Reports on Crypto Exchanges (2022-2023): The FSC has released several reports detailing the compliance status of crypto exchanges, including their adherence to AML requirements and real-name account verification – and have led to increased enforcement actions against non-compliant exchanges, resulting in fines, suspensions, or closures.

Report on the Collapse of Terra UST (2022): The report examines the factors leading to the collapse of the Terra UST stablecoin which erased ~$40 billion in value from the digital-currency markets, and the regulatory gaps that allowed it to happen. Terra UST founder Do Kwon is a native South Korean. The report recommends measures to prevent similar incidents in the future, prompting South Korean regulators to consider stricter regulations for stablecoins and increased oversight of crypto projects.

South Korea

Inputs - February

On February 5, **South Korea's Financial Services Commission (FSC) announced plans to enhance scrutiny of crypto firms operating in the country**. If adopted, it will require that executives of regulated crypto exchanges be approved by the FSC prior to their appointment and give the FSC the authority to suspend a company's license if its executive members are under investigation.

On February 12, the Financial Services Commission (FSC) indicated that it would revoke domestic licenses and expel from the country international crypto exchanges that fail to meet the FSC's standards.

Inputs - July

The **Korean Financial Services Commission introduced a token review listing process** for the 29 registered crypto exchanges in South Korea, requiring regular reviews of their listings of tokens to ensure compliance with consumer protection standards. The deadline to have processes in place was 19 June.

In rolling out a token listing framework, South Korea will join other jurisdictions such as Japan, the UAE and New York state, which have set out rigorous regimes that govern crypto exchange's handling of tokens they offer for trading.

Thailand

Inputs - March

On March 12, **Thailand's Securities and Exchange Commission (SEC) allowed institutional investors to invest in US Bitcoin exchange traded funds (ETFs)**. Asset managers and retail investors are not yet permitted to invest in US Bitcoin ETFs. Further review by the SEC will decide whether asset managers and others will be able to trade in US Bitcoin ETFs.

This follows the US Securities and Exchange Commission's approval of Bitcoin ETFs in January, increasing institutional investor interest in crypto. The Thai SEC's willingness to allow institutional investors to access US Bitcoin ETFs is an indication of global demand for this new asset class.

Learn more about Thailand's regulatory framework for crypto with our **Thailand country guide.**

Philippines

Inputs - May

The central bank of the Philippines is paving the way for virtual asset service providers (VASPs) and financial institutions to begin issuing stablecoins with regulatory guardrails in place.

On May 9, VASP Coins.ph received approval from the Bangko Sentral ng Pilipinas (BSP) to pilot a Philippine Peso-backed stablecoin (PHPC) within the BSP's regulatory sandbox with use cases such as remittances, cryptoasset exchange, and as collateral and liquidity in decentralized finance (DeFi) applications. BSP will assess its functionality and impact on the country's financial system. The stablecoin will be pegged 1:1 to the Philippine Peso and will be backed by cash and cash equivalents in domestic bank accounts.

This news from the Philippines comes amid increasing action on stablecoin regulation globally and marks yet another important stablecoin-related development in the APAC region.

You can download our on-demand webinar hosted by Elliptic's David Carlisle on the stablecoin landscape in the APAC region **here**.

Learn more about the regulatory framework for crypto in the Philippines **with our country guide**.

Australia

Australia has been slow to implement a regulatory framework to govern digital assets, despite its citizens' growing adoption of crypto – almost a third (31.6%) of Aussie adults hold or have held digital assets. The Federal Budget's 2024 allocation of $7.5 million over four years to 'modernize regulatory frameworks for financial services enabled by new technology' may provide impetus. A strong framework will support local crypto industry growth and help investors to make informed decisions.

Learn more about Australia's regulatory framework for crypto with our **country guide**.

Inputs - May

The Australian Tax Office (ATO) plans to request data from over 1 million users of Australian cryptoasset exchanges to **identify crypto tax evaders**. In Australia, crypto is considered property for tax purposes. Users must pay capital gains taxes after they sell crypto or use it to pay for goods and services.

Australia is not the first country to pursue unpaid taxes from crypto users. The US and UK have sought bulk data from exchanges for tax enforcement purposes.

Australia

Inputs - June

The Australian Treasury plans to include stablecoin provisions in upcoming crypto legislation, aiming to provide a regulatory framework by the end of 2024. The June announcement marked the first time that the Treasury had acknowledged plans to include provisions in the draft bill that would provide Australia with a regulatory framework for stablecoins.

For industry participants in Australia, the announcement is a positive sign that the country could be on its way to joining others in the Asia-Pacific region such as Japan, Hong Kong, the Philippines and Singapore in setting out a pathway for the offering of regulated stablecoins.

Taiwan

Inputs - May

In early May, Taiwan's Ministry of Justice proposed stricter penalties for crypto exchanges that fail to comply with AML/CFT laws. Amendments to Taiwan's AML/CFT laws, if passed, would enable Taiwanese regulators to pursue criminal charges against operators of crypto exchanges.

The proposals land as organizations around the world, such as the Financial Action Task Force (FATF), have called on more jurisdictions to bolster their enforcement of AML/CFT laws related to crypto assets in an effort to combat financial crime.

Learn more about Taiwan's regulatory framework for crypto with **our country guide**.

Indonesia

Inputs - May

In May, Indonesia's Commodities Future Trading Supervisory Agency (Bappebti), formed a dedicated crypto monitoring committee to ensure the smooth implementation of the country's regulatory framework for cryptoassets, launched in January.

One of the APAC industry's largest economies, Indonesia has been slower than some others in the region to develop a regulatory framework for crypto. This move indicates progress.

Learn more about Indonesia's regulatory framework for crypto with **our country guide**.

MEET THE TEAM

The Elliptic Global Policy and Research Team

David Carlisle

VP of Policy and Regulatory Affairs

David is the Vice President of Policy and Regulatory Affairs at Elliptic. He brings a wealth of experience to the role, having previously worked for the US Department of the Treasury. David's expertise extends to the Asia-Pacific region, where he acted as a liaison for the Treasury when engaging with governments on financial crime issues.

Liat Shetret

Director of Global Policy and Regulation

Liat Shetret is Director of Global Policy and Regulation at Elliptic and has spent the past 15 years working with regulators, law enforcement and financial institutions on global anti-money laundering and counter-terrorism finance projects and programs.

Mark Aruliah

Head of EMEA Policy and Regulatory Affairs

Before joining Elliptic, Mark spent nearly 25 years at the UK's Financial Conduct Authority in various roles, most recently developing the financial markets infrastructure (FMI) cryptoassets sandbox with HM Treasury and the Bank of England.

Before that, in the Financial Crime Advisory Team, he was responsible for delivering the UK's cryptoasset amendments to the AML regulations and providing cryptoasset technical and training support to the Authorization and Supervision teams. Mark spent three years in Brussels as financial attaché in the UK's Representation to the EU. He has also been responsible for the FCA's Markets Policy regulatory engagement, when in the FCA's International Dept.

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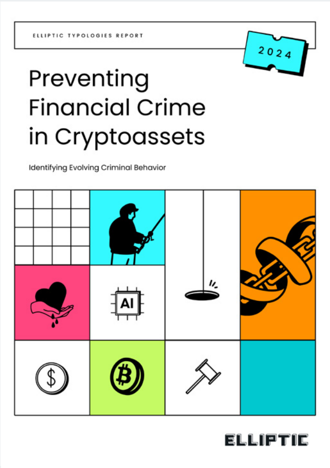

Typologies 2024

This year's report reflects important and rapid developments impacting the nexus between cryptoassets and financial crime and includes chapters on:

- The convergence of AI and cryptoassets and how it is impacting criminal activity
- Stablecoins and the significant changes in this component of the cryptoasset ecosystem
- Major law enforcement and regulatory actions with additional case studies

Plus, learn how you can leverage Elliptic's best-in-class, enhanced blockchain analytics capabilities to enhance your detection of financial crime typologies.

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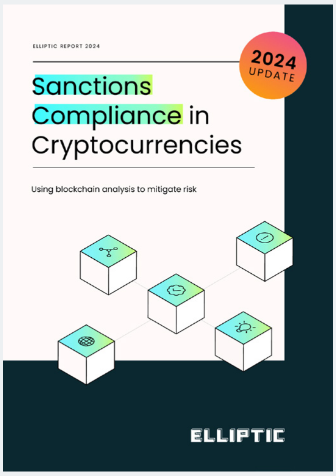

Sanctions Compliance in Cryptocurrencies

Over the past year, sanctions enforcement in the crypto space has continued to accelerate. We've seen further crypto related sanctions targeting Russia, and sanctions continue to be directed at mixers such as Sinbad, identified by Elliptic as a rebranded and relaunched version of Blender.io.

Compliance teams will need to be alert to potential sanctions evasion activity involving sanctioned jurisdictions such as Russia, Iran and North Korea, as well as entities and individuals on sanctions lists, and they should take these risks seriously.

Download this practical guide as we share five key steps to navigate the challenge of cryptocurrency sanctions compliance with success.

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AI-enabled crime in the cryptoasset ecosystem

The rise of artificial intelligence has shown huge potential for driving innovation, not least within crypto. However, as with any emerging technology, there remains a risk of threat actors seeking to exploit new developments for illicit purposes.

Supported by case studies, this report identifies five emerging typologies of AI-enabled crime in the cryptoasset ecosystem, enabling compliance professionals and investigators to monitor and mitigate the evolving risks.

By investigating these typologies, this report aims to support the sustainable, safe and secure development of both the crypto and AI sectors for the benefit of everyone.

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