



Article

Regulatory Approaches to Cryptocurrencies

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Abstract: The global regulatory landscape for cryptocurrencies has matured rapidly in 2025, reflecting the rising prominence of digital assets in mainstream finance. This article provides a comprehensive overview of current regulatory frameworks, from permissive regimes in Singapore and El Salvador to comprehensive structures in the United States and European Union, and prohibitive stances in China. It explores the global convergence around key pillars such as anti-money laundering (AML), consumer protection, taxation, and the oversight of stablecoins and decentralized finance (DeFi). Drawing on comparative regional approaches, the article analyzes policy innovations like the U.S. GENIUS and CLARITY Acts, the EU's Markets in Crypto-Assets Regulation (MiCA), India's VDA taxation regime, and the proliferation of CBDC initiatives. It also examines ongoing challenges in cross-border enforcement, regulatory fragmentation, and compliance burdens. The article concludes with policy recommendations for striking a balance between innovation and oversight, and identifies trends pointing toward future global harmonization and the institutionalization of crypto markets.

Keywords: Cryptocurrency regulation, digital assets, MiCA, GENIUS Act, CLARITY Act, FATF Travel Rule, AML compliance, stablecoin oversight, decentralized finance (DeFi), CBDC, crypto taxation, virtual digital assets (VDA),

INTRODUCTION

The explosive growth and mainstream adoption of cryptocurrencies have forced regulators around the world to reconsider how financial markets are supervised. As digital assets continue to challenge the boundaries of conventional finance, nations have adopted diverse approaches in their quest to strike a balance between fostering innovation, ensuring market stability, preventing crime, and protecting consumers. This article offers a comprehensive overview of regulatory developments as of 2025, highlighting regional trends, policy innovations, global challenges, and the path toward future harmonization.

The Spectrum of Regulatory Approaches

Cryptocurrency regulation ranges from outright bans to permissive, pro-innovation frameworks. In 2025, countries are converging on best practices, focusing especially on anti-money laundering (AML), consumer protection, taxation, and oversight of stablecoins.

Country/Region	Legal Status	Regulatory Body	Highlights
United States	Legal, Regulated	SEC, CFTC, State AGs	Federal oversight of stablecoins and digital asset markets ^{[1][2]}
European Union	Legal, Regulated	ESMA, EBA	Unified rules via MiCA, focus on investor protection and stability ^{[1][2]}
India	Legal (not tender)	RBI, Govt. of India	Cryptos taxed as VDAs, not recognized as legal tender ^[3]
China	Outright Ban	PBOC	Crypto mining and most transactions banned; CBDC pilot launched ^[1]
El Salvador	Legal Tender	Govt. of El Salvador	Bitcoin adopted as legal tender; tax exemptions for BTC transactions ^{[1][4]}
Singapore	Legal, Licensed	MAS	Strict licensing, stablecoin oversight, innovation encouragement ^[1]
Australia	Legal, Licensed	ASIC, AUSTRAC	Focus on AML, new licensing for exchanges, consumer safeguards ^[5]
UK	Legal, Regulated	FCA	Registration, AML/CTF compliance, stablecoin regulation ^{[5][1]}

Table 1: Comparative snapshot of current crypto regulations (2025)

Key Global Trends in 2025

1. Tightening AML and Consumer Protections

- **Anti-Money Laundering:** 2025 sees nearly all major crypto economies aligning with the Financial Action Task Force (FATF) “Travel Rule,” requiring digital asset businesses to verify their users’ identities and trace transactions.
- **KYC Requirements:** Crypto exchanges must register with authorities, implement Know Your Customer rules, and report suspicious activities^{[6][5]}.
- **Consumer Protection:** Global efforts have increased to warn investors about the risks of crypto trading and require disclosure and insurance for custody providers^[7].

2. Stablecoin and DeFi Oversight

- **Stablecoin Legislation:** The U.S., EU, UK, and Asia-Pacific regions are rolling out new rules that require stablecoin issuers to maintain transparent reserves, pass regular audits, and provide recourse to users. The U.S. GENIUS Act now mandates full reserve backing of USD-pegged stablecoins^{[2][1]}.
- **DeFi Regulation:** Authorities are seeking to extend existing AML laws to decentralized finance, signaling a move toward the “same risk, same rule” approach^[6].

3. Taxation and Legal Classifications

- **Taxation:** India treats cryptocurrencies as Virtual Digital Assets (VDAs), taxing profits and requiring robust reporting, while the U.S. and Canada also tax crypto similarly to property or commodities^{[3][1]}.
- **Legal Status:** Some nations have embraced cryptocurrencies as legal tender, while others strictly ban digital assets or limit their use to regulated investment vehicles^{[1][4]}.

REGIONAL APPROACHES IN DETAIL

United States

- In 2025, the federal government signaled a shift away from “regulation by enforcement” with the passage of multiple landmark bills:
 - **GENIUS Act:** Regulates stablecoin issuance and requires 1:1 backing and audits.
 - **CLARITY Act:** Defines digital asset jurisdiction and seeks to clarify SEC and CFTC roles.

- **Anti-CBDC Surveillance State Act:** Bans a retail central bank digital dollar without congressional approval^{[2][11]}.
- The SEC and CFTC roles are still being defined, but enforcement is expected to relax for utility tokens and memecoins, with stablecoins receiving the most rigorous oversight.

EUROPEAN UNION

- **Markets in Crypto-Assets Regulation (MiCA):** Adopted in 2023, now operational. MiCA creates a unified licensing regime for crypto asset issuers and service providers, with strong investor protection, reserve rules for stablecoins, and mechanisms for cross-border supervision^{[1][2]}.
- **Data Governance & Financial Innovation:** EU regulations promote transparency and risk management, while also encouraging “digital sandboxes” for experimentation^{[2][6]}.

Asia-Pacific

- **Singapore:** Payment Services Act licenses crypto businesses, imposes AML checks, and supports stablecoin development with clear guardrails.
- **Hong Kong SAR:** Licensing regimes cover trading, custody, and over-the-counter activities, with new stablecoin and DeFi rules in planning stages^[2].
- **China:** After years of crackdowns, crypto transactions and mining remain banned, while the digital yuan CBDC is expanding in scope and testing^{[1][4]}.

India

- Cryptos are legal to hold, trade, and invest in—but not recognized as currency. Activities are regulated for tax and AML compliance. The government is developing a CBDC but prohibits crypto in payments to avoid risks to monetary policy^[3].

Chart: Global Regulatory Approaches to Cryptocurrencies (2025)

Bar chart plotting countries by level of regulation (comprehensive, partial, prohibitive, None).
[image:1]

A graphical representation showing global divergence—highlighting the dominance of comprehensive regimes in the West, permissive approaches in specific markets, and outright bans in China and parts of Africa.

REGULATORY CHALLENGES AND THE PATH AHEAD

Fragmentation and Harmonization

- **Fragmentation:** Laws differ drastically, creating compliance challenges for global exchanges and projects^{[4][7]}.
- **Cross-border Enforcement:** Regulators face challenges enforcing rules across jurisdictions or tracing illicit activity due to the borderless nature of blockchain networks^{[5][7]}.
- **Need for Agility:** Fast-changing technology, such as privacy coins and DeFi, often outpaces legal frameworks, prompting regulators to adopt “tech-neutral” standards and sandboxes^{[7][6]}.

Trends to Watch

- **Unified International Standards:** Cross-border cooperation is growing, with organizations like the G20 and IMF promoting best practices and mutual recognition of rules^{[8][2]}.
- **Innovation Sandboxes:** Multiple nations are piloting regulatory sandboxes that allow for experimentation while safeguarding the financial system^{[2][6]}.
- **Rise of CBDCs:** Many states are promoting government-issued digital currencies, which could coexist or compete with decentralized cryptocurrencies^{[1][4]}.

Policy Recommendations

- **Balance Innovation and Security:** Regulate to protect consumers and the financial system while encouraging technological advances and economic growth.
- **Consistency and Clarity:** Strive for regulatory clarity, harmonized global standards, and plain language to reduce confusion.
- **Focus on Education:** Help the public understand risks and benefits, and provide clear information for institutional investors and startups.

CONCLUSION

The ongoing evolution of cryptocurrency regulation in 2025 reflects a global shift towards greater clarity, consumer safeguards, and compliance, balanced with a commitment to financial innovation. As digital assets mature, regulatory harmonization and international cooperation will be essential to ensure mainstream adoption and the integration

of cryptocurrencies within the global financial system.

“The year 2025 marks a turning point, as global regulators move toward unified, risk-based frameworks for cryptocurrencies—taming volatility and boosting trust while fueling the next era of digital finance.”

[image:1]

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