



# Regulating Cryptocurrency: Legal Responses to Emerging Financial Technologies in Global Markets

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**Abstract:** The rapid advancement of blockchain technology and the proliferation of cryptocurrencies have posed significant regulatory challenges for legal systems worldwide. Traditional financial regulations often struggle to keep pace with the decentralized, borderless, and highly volatile nature of digital assets. This journal explores the legal responses adopted by various jurisdictions—including the United States, the European Union, selected Asian economies, and emerging markets—to address the complexities of regulating cryptocurrencies and other emerging financial technologies. Using a normative legal approach and comparative analysis, this paper identifies key legal, institutional, and policy gaps while highlighting the need for international regulatory harmonization. The study concludes by offering policy recommendations aimed at balancing innovation, investor protection, and global financial stability in the evolving digital finance ecosystem.

**Keywords:** Cryptocurrency, Financial Regulation, Legal Framework, Blockchain, Fintech, Global Markets, Regulatory Harmonization

## Introduction

The rise of cryptocurrency has marked a pivotal moment in the evolution of global financial systems. What began with Bitcoin in 2009 has expanded into a broad ecosystem including altcoins, stablecoins, decentralized finance (DeFi), and non-fungible tokens (NFTs). These technologies offer innovation and disruption in areas such as payments, fundraising, and asset management. However, they also raise regulatory concerns related to market manipulation, cybercrime, consumer protection, and money laundering. Governments are now challenged to create legal frameworks that address these issues without stifling innovation.

In response, countries have adopted varied legal approaches, often reflecting their broader economic and political goals. For example, the United States employs a fragmented system where agencies such as the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) regulate crypto assets depending on whether they are classified as securities or commodities. Meanwhile, the Bank Secrecy Act (BSA) requires crypto exchanges to comply with anti-money laundering (AML) regulations. In the European Union, the recent adoption of the Markets in Crypto-Assets (MiCA)

Regulation (2023) represents a comprehensive attempt to unify crypto regulations across member states, including licensing requirements and consumer safeguards.

In Asia, regulatory responses vary sharply. China, for instance, has taken a prohibitionist stance, culminating in the People's Bank of China's (PBOC) 2021 blanket ban on cryptocurrency trading and mining, citing concerns over financial stability and capital flight. In contrast, Singapore, under the Payment Services Act (2019), has established a licensing regime that allows regulated operation of crypto service providers while maintaining strong AML/CFT requirements. Indonesia, through Regulation No. 5 of 2019 issued by BAPPEBTI, permits crypto assets to be traded as commodities on futures exchanges but does not recognize them as legal tender.

This paper aims to analyze and compare these divergent legal responses to cryptocurrency across major jurisdictions. By studying the regulatory strategies in the U.S., EU, China, Singapore, and selected emerging markets, the paper identifies legal trends and policy rationales underlying each approach. It also examines the implications of these frameworks for global cooperation and legal harmonization, particularly in the context of cross-border transactions and enforcement challenges. Ultimately, the study advocates for a balanced approach that fosters innovation while ensuring legal clarity, investor protection, and financial integrity.

## Methodology

This study uses a qualitative, comparative legal approach to examine cryptocurrency regulations in selected jurisdictions, including the United States, European Union, China, Singapore, and Indonesia. Primary legal sources such as statutes, regulatory frameworks, and official policy documents are analyzed alongside secondary sources like academic journals and international reports.

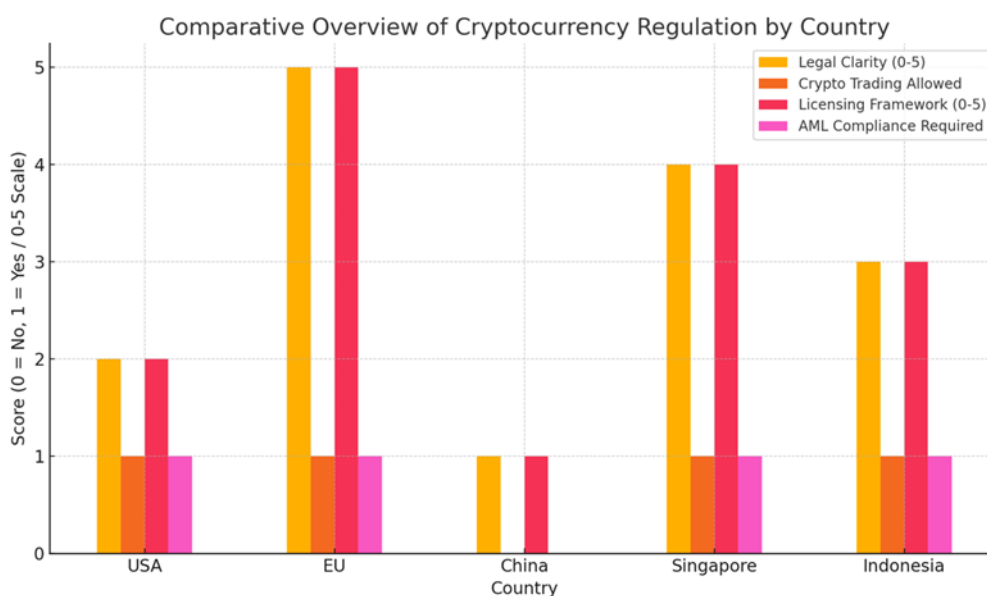
A doctrinal method is employed to interpret legal texts, while a comparative method is used to identify differences and similarities in areas such as licensing, anti-money laundering (AML) rules, and consumer protection. Key legal instruments examined include the MiCA Regulation (EU, 2023), Payment Services Act (Singapore, 2019), SEC and CFTC regulations (USA), PBOC directives (China, 2021), and BAPPEBTI Regulation No. 5/2019 (Indonesia).

The research also considers the influence of global standards from bodies like the Financial Action Task Force (FATF) and IOSCO, offering insight into the challenges of harmonizing regulation in a borderless digital economy.

## Results and Discussion

The comparative analysis reveals that global approaches to cryptocurrency regulation are fragmented, reflecting each jurisdiction’s legal traditions, economic priorities, and risk perceptions. Despite growing consensus on the need for oversight, the legal classification of crypto assets varies significantly across countries, influencing how these assets are regulated and enforced.

In the United States, regulatory uncertainty persists due to overlapping jurisdiction between agencies such as the SEC and CFTC. The SEC treats many crypto tokens as securities under the Howey Test, while the CFTC considers certain assets as commodities. This duality has led to inconsistent enforcement and confusion among industry players, as seen in ongoing lawsuits involving major crypto exchanges like Coinbase and Binance.



The European Union, in contrast, has adopted a more unified approach through the Markets in Crypto-Assets (MiCA) Regulation (2023). MiCA provides a clear licensing framework for crypto-asset service providers (CASPs), including requirements for capital, governance, and consumer protection. The regulation also introduces stablecoin-specific rules, making the EU a global frontrunner in crypto regulation.

China has opted for prohibition. Since 2021, all crypto-related transactions and mining have been banned under directives from the People’s Bank of China (PBOC). This move aims to maintain financial stability, limit capital outflows, and pave the way for its state-backed Digital Yuan. While effective in curbing domestic crypto activity, the ban has pushed operations underground or abroad.

Singapore presents a balanced model. Under the Payment Services Act (2019), crypto service providers are required to register and comply with anti-money laundering (AML) standards. The country encourages innovation through its fintech sandbox but remains

cautious about retail investor exposure. Similarly, Indonesia allows crypto trading as commodities via BAPPEBTI Regulation No. 5/2019, while continuing to ban their use as legal tender in line with Bank Indonesia regulations.

The analysis also shows that international cooperation remains limited. While organizations like the Financial Action Task Force (FATF) have issued AML guidelines, enforcement relies on national implementation. Cross-border differences in regulation create regulatory arbitrage risks, allowing actors to exploit lenient jurisdictions.

In summary, global regulatory approaches range from restrictive to facilitative. Unified frameworks like MiCA show promise, while fragmented or unclear regimes, such as in the U.S., hinder legal certainty. There is an urgent need for greater international coordination to address cross-border challenges and create a more predictable legal environment for the evolving crypto ecosystem.

## Conclusion

The regulation of cryptocurrency remains a complex and evolving challenge for governments worldwide. As shown in this study, legal responses to crypto assets vary significantly across jurisdictions, reflecting differing priorities, risk perceptions, and legal infrastructures. While some countries, such as the European Union and Singapore, have developed clear, structured frameworks that foster innovation while maintaining regulatory oversight, others like the United States continue to struggle with fragmented authority and inconsistent enforcement. In contrast, China has opted for strict prohibition, prioritizing financial control and state-backed digital currency development.

The analysis also reveals that countries like Indonesia are taking cautious, commodity-based approaches, allowing crypto trading under regulatory supervision while restricting its use as currency. Despite these differences, most jurisdictions acknowledge the need for anti-money laundering (AML) compliance and investor protection, showing a degree of convergence in regulatory goals.

However, the lack of global harmonization poses ongoing challenges. Regulatory fragmentation opens the door to arbitrage, undermines enforcement efforts, and creates uncertainty for market participants. As cryptocurrencies continue to reshape financial ecosystems, a more coordinated international approach—possibly led by organizations such as FATF, IOSCO, or the G20—will be essential.

Ultimately, this paper concludes that while no one-size-fits-all regulatory model exists, successful frameworks share three core traits: legal clarity, technological adaptability, and strong institutional coordination. Balancing innovation and risk will remain central to future regulatory strategies in an increasingly digital financial landscape.

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