



FULL REPORT

Thought Leadership Whitepaper

Navigating the Complexities: Major Regulatory Challenges for the Digital Assets Industry in the Asia-Pacific Region

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NAVIGATING THE COMPLEXITIES: MAJOR REGULATORY CHALLENGES FOR THE DIGITAL ASSETS INDUSTRY IN THE ASIA-PACIFIC REGION

Executive Summary

The rapid growth of the digital assets industry in the Asia-Pacific (APAC) region presents a multitrillion-dollar opportunity, but it also poses significant regulatory challenges. As financial institutions and regulators aim to establish a balanced framework, the task of ensuring security, consumer protection, and compliance while fostering innovation has become increasingly complex.

This report highlights the major regulatory challenges faced by businesses across the APAC region and offers recommendations for harmonizing digital asset regulations to support both innovation and compliance. The study is based on a comparative review of nine selected APAC jurisdictions, empirical research through a survey of 30 digital asset businesses in the region, and a case study analysis, followed by key findings and recommendations.

This research reveals that regulatory frameworks remain inconsistent, fragmented, and challenging to navigate, especially across multiple jurisdictions. The lack of harmonized regulations, along with complex licensing, AML/KYC requirements, and cross-border compliance issues, creates obstacles for businesses—particularly small and medium enterprises (SMEs) and startups—that drive innovation in this space.

Encouragingly, businesses and regulators are making proactive efforts to collaborate and advance this important sector through open dialogue. This report, alongside the planned roundtable discussions, aims to assist in this process by facilitating meaningful exchanges and coordinated actionable insights.

3.1 Key Findings from Research

1. **Emerging Digital Assets Taxonomy:** Although considerable progress has been made in developing a taxonomy for digital assets globally, this field remains highly dynamic. Variations in terminology, differences across jurisdictions, and rapid technological innovations pose challenges for establishing standardized definitions. A clear and consistent taxonomy is essential for coherent regulation and to ease cross-border operations for businesses. The report proposes one possible variation of such taxonomy, based on the latest research.
2. **Evolving Regulatory Responses:** Regulatory responses to digital assets have followed an evolutionary pattern, from applying traditional laws to retrofitting existing frameworks, and now moving toward the development of bespoke regulatory structures. However, the pace

and approach of these legal reforms vary significantly by jurisdiction, creating a patchwork of regulations that complicates compliance for businesses operating across borders.

3. **High Compliance Costs:** More than 80% of surveyed businesses reported that regulatory compliance accounts for 6-20% of their operational budgets. The most substantial cost drivers are licensing and AML/KYC requirements, which are particularly burdensome for smaller businesses. High compliance costs can stifle innovation and discourage market entry, especially for startups and SMEs, who drive the innovation.
4. **Regulatory Uncertainty and Capture:** Approximately 43% of businesses rate the regulatory environment for digital assets in their jurisdictions as unclear. This uncertainty often stems from ambiguous product classifications and a lack of consistent guidelines for cross-border transactions and from regulatory capture, leaving new businesses hesitant to innovate and expand.
5. **Challenges in Cross-Border Transactions:** Over half (55%) of businesses encounter occasional challenges with cross-border transactions due to varying regulatory standards, while 25% report frequent difficulties. This lack of alignment complicates operations and inhibits seamless business growth across APAC.
6. **Demand for Harmonization:** A recurring theme from respondents was the call for regulatory harmonization across APAC. Harmonized regulations could simplify compliance, reduce costs, and create a more stable environment for digital asset innovation, benefiting particularly startups and SMEs that are driving innovation in this sector.

3.2 Conclusions

1. **Need for Regulatory Clarity:** Ambiguous regulations contribute to high compliance costs and hinder innovation, underlining the need for clear, consistent guidelines that reduce uncertainty for businesses.
2. **Importance of Cross-Border Collaboration:** Regulatory alignment across APAC, often initiated by international organisations, is crucial for facilitating business operations, reducing compliance burdens, and enhancing market stability and security.
3. **Role of Technological Innovation:** Blockchain-native tools offer potential efficiencies for regulatory compliance, yet many jurisdictions still apply traditional financial regulations that may not fully align with the digital asset ecosystem's needs.

3.3 Recommendations for APAC Policymakers

1. **Promote Regional Harmonization:** Collaborate on implementing a unified digital asset regulatory framework across APAC, establishing forums for regulatory dialogue to reduce operational complexity and compliance costs.
2. **Issue Clear and Consistent Guidelines:** Provide adaptable guidelines in collaboration with industry stakeholders to reduce ambiguity and support innovation while ensuring consumer protection.

3. **Encourage Proactive Industry Dialogue:** Regular roundtables and consultations with industry representatives are essential for developing relevant, innovation-friendly regulations.
4. **Support for Startups and SMEs:** Implement a tiered regulatory framework and regulatory sandboxes to ease compliance for smaller, innovative businesses.
5. **Ensure Equitable Enforcement:** Enforce regulations fairly, preventing bias toward incumbents and allowing a level playing field for new market entrants.
6. **Adopt Blockchain-Native Solutions:** Embrace blockchain-based compliance tools, such as transparent ledgers, to streamline regulatory processes.
7. **Focus on Continuous Regulatory Innovation:** Regulators should monitor the industry and adjust regulations in real time, addressing new risks and opportunities. Establishing innovation hubs or regulatory sandboxes will support ongoing innovation under regulatory oversight.
8. **Prioritize Ongoing Education and Certification:** Invest in continuous education programs and certification standards for regulators and industry participants to ensure a thorough understanding of evolving digital asset technologies and regulatory requirements.

3.4 Key Message for the Roundtable Discussion

Advancing clear digital asset taxonomy and regulations within jurisdictions and harmonizing them across APAC will unlock significant economic potential by reducing compliance burdens, fostering innovation, and ensuring market integrity. Recognizing and supporting the leading role of startups and SMEs as drivers of market innovation is essential to building a dynamic and inclusive digital asset ecosystem.



About Global Fintech Institute

Global Fintech Institute (GFI), based in Singapore, is a non-profit organization focused on advancing fintech through research, education, and global credentialing. It plays a vital role in shaping fintech regulatory standards across the APAC region by promoting innovation and expanding access to digital financial services. GFI is globally recognized for producing insightful academic and industry reports and offering policy guidance that influences both local and international regulatory frameworks.

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Disclaimer

The findings, interpretations, and conclusions expressed in this report are based on primary market research including surveys and interviews with businesses operating in digital assets in the APAC region and a comparative analysis of digital asset regulations. Findings from the survey sample can be interpreted as an indication of trends only rather than statistically valid representation for the entire industry. The findings and conclusions do not necessarily reflect the views of any affiliated organisations or financial entities. While every effort has been made to ensure the accuracy and reliability of the information provided, the author assumes no responsibility for any errors or

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1. Introduction and Context

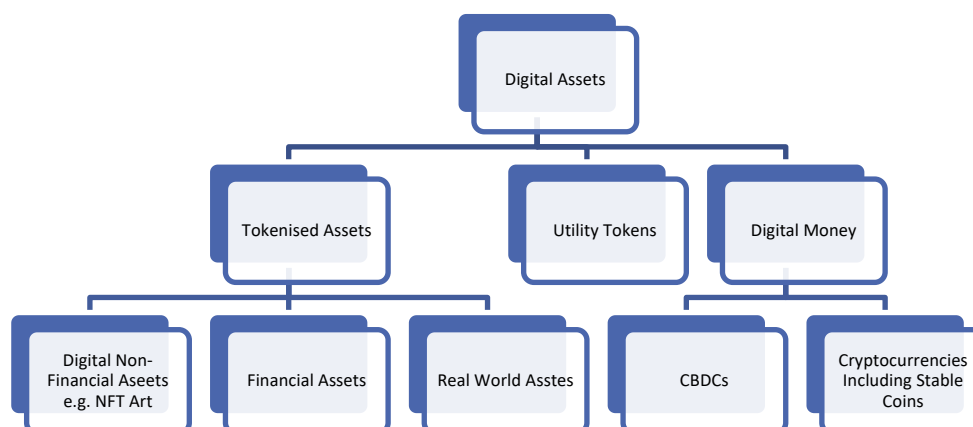
1.1 Digital Assets Economy: Context for Regulations

Digital assets are the building blocks for the new digital economy, which is one of the fastest-growing sectors globally, and continues to redefine economic progress in the 2020s.¹ This multi-trillion-dollar sector is projected to account for 25% of global GDP by 2030, driving productivity growth by more than 75% compared to the previous decade.² The Asia-Pacific (APAC) markets, particularly in South-East Asia (SEA), are emerging as the most dynamically-growing region in digital economy, fuelled by a young population hyperconnected to the mobile internet.³ By leapfrogging traditional financial infrastructure (TradFi), which often had limited access in emerging economies, young demographics can now participate in the new borderless digital economy. Powered by distributed ledger technologies (DLT), the new digital ecosystem - also referred to as web3 - addresses TradFi's inefficiencies in accessibility, speed and security and enables the creation (tokenisation) and ownership of new digital assets.⁴

The market for digital assets has the potential to become one of the world's largest but universal standards and internationally harmonised regulations are yet to emerge.⁵ For example, the term 'digital assets' is not universally used across jurisdictions and different names such as 'virtual assets' in Dubai and 'crypto assets' in the European Union (EU) are also used to describe a similar asset class.¹ The digital assets taxonomy (see Figure 1) is still evolving. In the narrow sense, digital assets refer to all traded crypto tokens broadly captured under the total market cap and estimated at over USD 2.4 trillion in October 2024.⁶ However, when total transaction volume on chain is considered, the value multiplies to over USD \$10 trillion from which 60% is in stable coins.⁷ While the use of crypto tokens is legal in most jurisdictions, partial and total ban of this asset class is still common across many countries, such as China and Saudi Arabia, which poses challenges for globally operating businesses.⁸

¹ For example, in Australia the currently proposed reform to AML/CTF laws, will change the name 'digital currency' to 'virtual assets' from 2026.

Figure 1. Visualisation of Digital Asset Taxonomy – Author’s contribution based on sources referenced in section 1.1.



In a broader sense, the digital DLT-based assets, exceed the category of cryptocurrencies and include tokenised national money (Central Bank Digital Currencies, CBDC), tokenised traditional financial assets, such as securities, and non-financial assets, including non-fungible art, carbon credits and game tokens.⁹ The latest technological innovations allowing for tokenising anything, expand the definition of digital assets even further to include any real-world assets (RWA), such as commodities and real estate. This broadest category of the new asset class is estimated to reach a market value of USD \$16 trillion by 2030.¹⁰

The evolving landscape of digital tokenised assets offers new economic opportunities by lowering transactional costs, unlocking new assets’ liquidity, and increasing accessibility and financial inclusion. The technological advancement and the use of DLT architecture for the creation and transfer of digital assets makes them truly global, borderless and instant for P2P transactions. At the same time, a lack of internationally accepted standards, typologies and regulations, can pose significant challenges to securely unlocking the new levels of economic prosperity.

1.2 The importance and challenges of regulating digital assets

The fast-paced innovation within the digital asset space has introduced new risks to consumers, investors, and market stability, calling for urgent regulatory frameworks. Historical incidents, both in traditional finance (TradFi) and the digital asset markets, have revealed vulnerabilities that followed up with regulatory responses. Just like the 2008 Global Financial Crisis exposed weaknesses in regulatory frameworks calling for stricter regulations, the 2014 Mt Gox crypto exchange collapse revealed inadequate security and auditing practices resulting in the introduction of licensing system in Japan and the 2022 FTX collapse accelerated efforts to develop comprehensive crypto regulations in the U.S.¹¹ In parallel, tax authorities worldwide have been exploring how to classify and tax crypto assets, with many countries, implementing specific guidelines for reporting crypto transactions and paying capital gains tax on crypto profits.¹² Unfortunately, the reactive regulatory responses to the new global and borderless asset class’s ecosystem remain globally unsynchronised and often reflect the current national regulations of traditional financial assets, while in over 30% of jurisdictions adequate regulations are missing altogether, as reported by the Bank of International Settlement (BIS).¹³

Furthermore, creating the right regulations is a balancing act for policymakers. Another study by BIS found that while some fintech-specific regulations can promote innovation, excessive intervention may bring negative impact by impeding innovation and competitiveness.¹⁴ Regulators must be cautious not to stifle innovation within the digital assets space, as highlighted by Tapscott and Tapscott, who warn against regulatory tactics that incumbents often employ to maintain their market dominance¹⁵. By lobbying for burdensome regulations that disproportionately affect startups and SMEs, established firms can create barriers that hinder competition and slow down technological advancement. It is essential for policymakers to recognize the value that startups bring to the economy as catalysts for innovation and growth. Avoiding regulatory capture and creating a balanced regulatory environment that supports emerging players while ensuring fair competition will be crucial for harnessing the full potential of the digital assets' ecosystem.

The challenge of striking a balance for regulators is further increased by the key innovative features of digital assets being borderless, decentralised, and often open source, as highlighted in a special report by the World Economic Forum (WEF).¹⁶ This means that there is now a new class of digital assets built on decentralised technology, which may not be owned or controlled by any single company. These assets are transferable across various global jurisdictions that lack a harmonised approach for categorising, monitoring, regulating, and effectively enforcing laws regarding them, the report points out. This poses new economic opportunities but also new risks for managing these assets. A coordinated cross-border effort for harmonising digital asset regulations appears needed now more than ever.

1.3 About this Report

Unlike many other reports that primarily focus on the regulators' viewpoint, this study seeks to provide a balanced perspective by highlighting the experiences and challenges faced by innovating businesses operating in the digital assets space, who are directly impacted by digital asset's regulations or lack thereof. It is reasonable to expect that more regulations, while bringing clarity, consumer protection and investor confidence on the one hand, may also increase compliance costs and entry barriers for businesses, limit innovation and lead to market consolidation among the established players and incumbents.¹⁷

To provide a comprehensive overview of the current state of digital asset regulations within the cross-border context of the APAC region, this report employed the following methodologies:

- A comparative literature review of digital asset regulations and regulatory institutions across nine selected jurisdictions, conducted in consultation with qualified legal experts from each jurisdiction.
- A comprehensive quantitative and qualitative online survey, completed by executive-level leaders from over 30 businesses operating in digital assets across the selected APAC jurisdictions.
- Focus-group discussions and individual interviews with executive management and professionals from Binance, a leading global company in digital assets.
- Critical Discourse Analysis and Latent Content Analysis of qualitative data.

These diverse sources of data were designed to provide critical insights into the key regulatory challenges faced by businesses. The resulting evidence-based analysis reflects the real-world implications of current regulations, offering regulators and policymakers a more nuanced

understanding of the industry's needs and challenges. This report seeks to contribute to the development of more effective, industry-aligned regulatory frameworks within the APAC region.

2. International Regulatory Landscape for Digital Asset Regulations

2.1. International cross-border regulatory institutions and initiatives

International and national policy responses have been developed to coordinate the regulation of cross-border transfers of digital assets over the last decade. The first wave of regulations focused on investor and consumer protection and fraud prevention while ensuring market integrity. Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT) and Know Your Customer (KYC) regulations have been central to the international regulatory framework for digital assets. Several international institutions have been instrumental in setting up and promoting these regulations.

- The Financial Action Task Force (FATF) serves as the primary global standard-setter for AML and CFT regulations.¹⁸ FATF's 2019 guidance introduced a risk-based approach to virtual assets and Virtual Asset Service Providers (VASPs), which has been widely adopted by jurisdictions worldwide. A key component of this guidance is Recommendation 16, commonly referred to as the "Travel Rule," which mandates that VASPs share both the originators and beneficiary's information for digital asset transfers in situations such as VASP to VASP and VASP to Financial Institution's transfers. This requirement aims to enhance transparency in digital asset transactions and mitigate risks associated with money laundering and terrorism financing. However, the Travel Rule has faced significant controversy and hasn't been widely and fully implemented due to challenges in compliance and operational complexities. FATF continues to review the progress of these recommendations annually, and the guidance was updated in 2023 to address evolving risks in the digital assets space. FATF's standards also call for jurisdictions to assess risks associated with digital financial activities and ensure that VASPs are licensed, registered, and subject to national supervision or oversight.
- The Financial Stability Board (FSB), a leading standard-setting body, has developed a global regulatory framework for crypto-asset activities, guided by the principle of "same activity, same risk, same regulation."¹⁹ This framework includes high-level recommendations aimed at regulating both crypto-asset activities and global stablecoin arrangements (excluding Central Bank Digital Currencies). The primary focus is on addressing financial stability risks while promoting responsible innovation. The framework draws on lessons from recent market disruptions, as well as public feedback, and aims to ensure consistent regulatory practices across jurisdictions. Additionally, the FSB fosters international cooperation between financial authorities and standard-setting bodies to achieve uniform regulatory standards and support a harmonized approach to overseeing crypto-assets globally.

- The Basel Committee on Banking Supervision (BCBS), operating under the Bank for International Settlements (BIS), has issued recommendations for the prudential treatment of banks' exposures to crypto-assets.²⁰ These guidelines extend beyond AML/CFT regulations, offering comprehensive recommendations on managing and disclosing banks' digital asset exposures. They include guidance on managing risks, conducting due diligence, classifying digital assets (such as tokenized traditional assets and cryptocurrencies), and implementing ongoing monitoring procedures. The BCBS framework also addresses capital requirements, liquidity management, leverage ratios, and supervisory functions for banks holding or dealing with digital assets. While these guidelines are considered soft law—meaning they are not directly enforceable—they are intended to be voluntarily implemented by national regulators, ensuring that banks maintain prudent exposure to the evolving digital asset landscape.
- Similar AML/CFT guidelines and digital assets regulatory recommendations have been issued by other international institutions such as, the International Monetary Fund (IMF) providing policy advice, World Bank (WB) offering advice to developing economies, and International Organisation on Securities Commission (IOSC) developing international standards for broader digital asset regulations.²¹

In addition to international organisations, various regional and national advancements in digital asset regulations have emerged globally, with the European Union's Markets in Crypto-Assets (MiCA) regulation standing out as particularly influential. Enacted in 2023, MiCA represents one of the first comprehensive regulatory frameworks for crypto assets in a major economic region. Its approach to categorising and regulating different types of crypto assets (e.g., utility tokens, asset-referenced tokens, e-money tokens) has provided a model for other jurisdictions to consider.²² Other globally influential jurisdictions leading digital asset regulations, especially in the APAC region include, Singapore, Hong Kong and Dubai, which are discussed in depth in the following sections.

2.2 Types of key national regulatory institutions

The regulation of digital assets varies significantly across jurisdictions, driven largely by the type and structure of the regulatory institutions involved. These institutions typically fall into one or more of the following categories, each playing a crucial role in shaping the legal landscape for digital assets:²³

- **Financial Market and Securities Regulators:** Oversee financial markets, including digital asset exchanges, regulate securities, ensuring market integrity, investor protection, and anti-fraud measures. They set licensing and compliance standards for service providers.
- **Central Banks:** Ensure financial stability by monitoring digital asset exposure in the banking sector and implementing monetary policies for digital currencies, such as stablecoins and CBDCs.
- **Prudential Supervisors:** Focus on the financial health of banks and intermediaries with digital asset exposure, addressing capital requirements, liquidity, risk management, and due diligence.

- **Financial Intelligence Units (FIUs):** Enforce AML/CFT regulations by monitoring digital asset transactions and ensuring VASPs comply with KYC procedures.
- **Taxation Regulators:** Responsible for establishing guidelines and frameworks to tax digital assets and transactions. They determine how digital assets are classified for tax purposes (e.g., as property, commodities, or currency) and set rules for reporting taxable events, such as capital gains from trading or earning interest on digital assets.

The involvement of diverse regulatory institutions—each focusing on different aspects of digital asset oversight— can create a fragmented regulatory environment, both within a jurisdiction and across borders. This fragmentation poses significant challenges for achieving harmonized global standards, making it difficult for businesses to comply with varying regulations in different jurisdictions.

2.3 Approaches to adopting digital asset regulations across jurisdictions

Different jurisdictions have adopted various approaches to regulate digital assets, aiming to strike a balance between promoting innovation and ensuring consumer protection and financial stability. These regulatory approaches are often shaped by the type of legal system, which influence the regulator’s responses including their level of collaboration with the private sector and broader international frameworks:^{24 25}

Legal System:

- **Legal Foundation:** Identify whether the jurisdiction follows a common law, civil law, or mixed legal system (including Sharia or customary law). This shapes how regulations are developed, with common law jurisdictions relying more on judicial precedent, while civil law systems tend to codify laws comprehensively.

Regulatory Responses:

- **Use of Existing Laws:** Does the jurisdiction regulate digital assets through existing financial or securities regulations? This is often the case in early-stage digital asset regulation, where traditional laws are applied to new technologies.
- **Retrofitting Laws:** Has the jurisdiction modified existing regulations to accommodate digital assets? For example, securities laws may be updated to include digital tokens or new AML rules for exchanges.
- **Bespoke Regulations:** Has the jurisdiction created new, tailor-made regulatory frameworks for digital assets? These bespoke laws are often designed specifically for crypto assets and the digital economy.

Collaboration with the Private Sector:

- **Industry-Led Initiatives:** Some jurisdictions collaborate closely with the private sector by encouraging self-regulation and industry-led standards. This approach allows the industry to develop guidelines and codes of conduct, which can be more adaptive and responsive to technological changes.
- **Regulatory Sandboxes:** Has the jurisdiction set up regulatory sandboxes to test innovative financial products and services? Sandboxes allow firms to experiment in a controlled environment with reduced regulatory requirements while providing regulators with insights into emerging technologies.

General Approach:

- Is the jurisdiction progressive, cautious, or reactive in its regulatory development for digital assets?
- International Alignment: Are there efforts to align with global standards like those set by FATF, FSB, or Basel III, or is there a more independent regulatory path?
- Challenges and Implementation: Is there a phased or delayed approach to implementing digital asset regulations? What challenges have been noted, such as stakeholder collaboration, technology neutrality, or enforcement?

3. Overview of selected APAC jurisdictions and institutions regulating digital assets

The following selection of jurisdictions offers a comprehensive review of the regulatory landscape for digital assets in the APAC region. It highlights key markets and their respective regulatory bodies, focusing on how digital assets are regulated and the overall regulatory approaches in each jurisdiction. This analysis enables a thorough comparison of various regulatory strategies and their impacts on the digital asset ecosystem across the region. The jurisdictions covered include Australia, Hong Kong, Indonesia, Japan, Malaysia, Singapore, South Korea, Thailand, and the United Arab Emirates (Dubai). The jurisdictions are presented in alphabetical order for clarity and structure.

3.1 Australia



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3.1.1 Key regulatory institutions:

- **Australian Securities and Investments Commission (ASIC):** Primary regulator for financial services and financial products, including crypto-assets and tokens, where those crypto-assets and tokens meet the definition of "financial product" or "financial service". ASIC provides guidance on digital assets in Information Sheet 225, and educates, licenses (where applicable) and regulates the sector.
- **The Treasury:** Leads policy development for financial services, including digital asset regulation and payment (including stablecoin) reforms.
- **Australian Prudential Regulation Authority (APRA):** Responsible for prudential regulation of the financial services industry (particularly banks, insurers and superannuation funds) and guidance on prudential treatment of crypto asset exposures for banks.
- **Australian Transaction Reports and Analysis Centre (AUSTRAC):** Regulates anti-money laundering and counter-terrorism financing (AML/CTF) compliance and requires registration of digital currency exchange providers and remittance.
- **Attorney-General:** Leads policy development for AML/CTF and Privacy regulation (crypto asset exchanges must comply with AML/CTF and Privacy laws)
- **Australian Taxation Office (ATO):** Regulates and provides guidance on tax treatment of crypto assets and other digital assets.
- **Reserve Bank of Australia (RBA):** Central bank that monitors the impact of digital assets on monetary policy and financial stability, and determines policy on payments innovation. Leads research on central bank digital currencies (CBDCs) and co-regulates alongside ASIC and APRA, large stored value facilities, called Purchased Payment Facilities (PPFs).
- **Australian Competition and Consumer Commission (ACCC):** Enforces consumer protection laws that may apply to digital assets and services that are not classified as financial products. The ACCC has granted a delegation to ASIC to allow it take action

under the Australian Consumer Law relating to crypto assets where behaviour is misleading or deceptive – even when the crypto asset is not a financial product. The ACCC also runs Scamwatch, which provides information to consumers about how to recognise, avoid and report scams, including those scams involving crypto assets.

- **Office of the Australian Information Commissioner (OAIC):** Oversees and regulates privacy laws that apply to digital asset businesses handling personal data.

3.1.2 Legal status of digital assets/cryptocurrencies in Australia²⁶:

- Property not legal tender status: Crypto assets, crypto tokens (also called cryptocurrencies and digital currencies) are generally treated as a form of intangible property in Australia. They are not illegal to own, self-custody, or use as a form of payment if a trader is willing to accept them. However, they are not recognised as legal tender.²⁷
- Financial product classification: Some digital assets may be classified as financial products under *the Corporations Act 2001*, depending on their characteristics. If classified as a financial product or financial service, they fall under the regulatory purview of ASIC and are subject to financial services laws, which include licensing obligations.
- Taxation: Digital assets, as property, are subject to capital gains tax and income tax.²⁸
- AML/CTF regulation: Crypto asset exchanges and certain other crypto-related businesses are subject to AML/CTF regulations and must enrol with AUSTRAC as reporting entities and, if converting fiat to crypto asset or vice versa, register on the Digital Currency Exchange Register.
- The Travel Rule is not at the time of publishing, mandated in Australia and is subject to public and policy debates. However, there are currently proposed reforms to the AML/CTF laws before the Australian Parliament that seek to introduce the Travel Rule.
- Consumer protection: While not all crypto assets fall under financial services laws, they are still subject to Australian Consumer Law, which prohibits misleading or deceptive conduct. If the crypto assets are classified as financial products, in addition to prohibitions against misleading or deceptive conduct, there are licensing obligations and prohibitions against hawking (unsolicited selling), disclosure requirements and market misconduct.

3.1.3 Approaches to Digital Asset Regulations

Australia's approach to digital asset regulation is less progressive compared to jurisdictions like Singapore, despite both countries being influenced by English common law systems. The Australian Treasury plans to regulate digital asset platforms under the existing Australian Financial Services License (AFSL) framework, avoiding the creation of a separate regime. This approach targets service providers that control or facilitate trade in digital assets, applying risk-based thresholds, particularly to exchanges holding significant assets.

Under the proposed framework, digital asset platforms will need to comply with standard AFSL obligations, as well as meet additional industry-specific requirements. The government is expected to release draft legislation in early 2025, which aims to ensure international alignment and technology neutrality. However, it remains uncertain how effective this will be given the absence of an exposure draft at the time of writing.

In collaboration with industry stakeholders, the government is advancing its policy development to address emerging issues, such as staking and tokenization. While Australia aims to establish a robust, flexible, and internationally competitive regulatory environment for digital assets, the process has been delayed, and the country is not considered a "first mover" in this space.

3.2 Hong Kong



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3.2.1 Key regulatory institutions²⁹:

- **Securities and Futures Commission (SFC):** Regulates Hong Kong's securities and futures markets, including virtual assets. Oversees licensing and regulation of Virtual Asset Service Providers (VASPs).
- **Hong Kong Monetary Authority (HKMA):** Regulates banks and payment systems, including their engagement with digital assets. Leads research on Central Bank Digital Currencies (CBDCs).
- **Financial Services and the Treasury Bureau (FSTB):** Develops financial services policies, including digital assets.
- **Inland Revenue Department (IRD):** Provides guidance on taxation of digital assets.
- **Customs and Excise Department:** Oversees AML regulations, including money service operators, and is proposed to act as licensor for over-the-counter digital asset trading.
- **Office of the Privacy Commissioner for Personal Data (PCPD):** Regulates data privacy relevant to digital asset businesses.

3.2.2 Legal status of digital assets/cryptocurrencies in Hong Kong:

- **Property Status:** Digital assets are recognized as property under Hong Kong law but are not considered legal tender.³⁰
- **Classification:** Cryptocurrencies are classified as "virtual assets" under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO), which defines them as digital representations of value used as a medium of exchange or for investment.
- **Licensing:** Virtual asset trading platforms (VATPs) must be licensed by the SFC under the Securities and Futures Ordinance and AMLO. These platforms must meet disclosure and governance requirements and are subject to insurance/compensation mandates, particularly for asset custody.
- **Taxation:** Profits from cryptocurrency trading are subject to profits tax.
- **AML/CFT Compliance:** VASPs must adhere to AML/CFT regulations, including customer due diligence and record-keeping.
- **Travel Rule:** Hong Kong has implemented the FATF Travel Rule, requiring VASPs to obtain and record originator and recipient information for transfers exceeding HK\$8,000.
- **Consumer Protection:** Digital assets fall under consumer protection laws, ensuring investor protection and disclosure requirements for virtual asset-related products.

3.2.3 Approaches to Digital Asset Regulations:

Hong Kong operates under a common law system, preserving its legal autonomy within the "One Country, Two Systems" framework. While its legal system is independent from mainland China, it is based on English common law, which places significant importance on judicial precedent. In terms of digital asset regulation, Hong Kong employs a comprehensive, risk-based framework. The Financial Services and the Treasury Bureau's (FSTB) *2022 Policy Statement on Development of Virtual Assets* outlines the principle of "same activity, same risk, same regulation" for virtual assets.³¹ This regulatory vision is further supported by the establishment of the Task Force on Promoting Web3 Development in June 2023, which aims to strike a balance between appropriate regulation and innovation promotion.

The licensing regime, led by the Securities and Futures Commission (SFC), requires all Virtual Asset Service Providers (VASPs) to comply with strict regulatory standards. Hong Kong employs a risk-based approach, tailoring its regulations to address the specific risks posed by different digital asset activities, thereby ensuring robust investor protection. A key focus is on safeguarding retail investors through strict eligibility criteria and comprehensive educational initiatives. The framework also encourages the participation of traditional financial institutions in the digital asset space under regulatory supervision.

Hong Kong's regulatory structure aligns with international standards, positioning it as a global leader in the digital asset sector. The city also leverages sandboxes, operational under the SFC and Hong Kong Monetary Authority (HKMA), to allow for controlled, innovative digital asset experiments. Additionally, the framework is designed to be technologically neutral, adaptable to future advancements. Collaborative development plays a key role, as the government actively engages with industry stakeholders to ensure that regulations are both practical and effective.

3.3 Indonesia^{32 33 34}



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3.3.1 Key regulatory institutions:

- **Commodity Futures Trading Regulatory Agency (Bappebti):** Currently serves as the primary regulator for crypto assets, overseeing trading activities and exchanges.
- **Financial Services Authority (OJK):** Set to assume regulatory oversight for crypto assets from Bappebti by January 2025.
- **Bank Indonesia:** The central bank that prohibits the use of cryptocurrencies as a payment instrument.
- **Ministry of Trade:** Oversees Bappebti and is responsible for issuing regulations related to crypto asset trading.

- **Indonesian Financial Transaction Reports and Analysis Center (PPATK):** Monitors and investigates suspicious financial transactions, including those involving cryptocurrencies.
- **Ministry of Communications and Informatics (Kemenkominfo):** Regulates electronic system providers (PSE) through policies and guidelines for registration, obligations, and supervision of digital platforms.

3.3.2 Legal status of digital assets/cryptocurrencies in Indonesia:³⁵

- **Commodity Status:** Cryptocurrencies in Indonesia are recognized as commodities and can be traded on futures exchanges; however, they are not recognized as legal tender. It is anticipated that they will be classified as securities after the Financial Services Authority (OJK) assumes regulatory oversight in January 2025.
- **Trading Regulation:** Crypto asset trading is regulated under Bappebti Regulation No. 8/2021, with the most recent amendments made under Bappebti Regulation No. 8 of 2024.
- **Taxation:** Crypto transactions are subject to Value Added Tax (VAT) and income tax, as specified by the Minister of Finance Regulation No. 68/PMK.03/2022.
- **AML Regulation:** Cryptocurrency businesses must comply with strict Anti-Money Laundering (AML) regulations, including implementing AML/CFT programs, meeting reporting obligations to the PPATK (Indonesian Financial Transaction Reports and Analysis Center), and following know-your-customer (KYC) standards that incorporate biometric data integration. In October 2021, Indonesia implemented the Travel Rule, which mandates the collection of comprehensive sender and recipient information for transactions equal to or exceeding USD 1,000 (or its equivalent in Indonesian Rupiah).
- **Payment Prohibition:** The use of cryptocurrencies as a payment instrument is prohibited by Bank Indonesia (BI). The central bank has also published a white paper outlining the development of Indonesia's Central Bank Digital Currency (CBDC), the "Digital Rupiah," under "Project Garuda."
- **Consumer Protection:** Although Indonesia has limited specific consumer protection laws for crypto assets, general consumer protection regulations apply to crypto-related activities.
- **Digital Platform Status:** Digital platforms in Indonesia are regulated by the Ministry of Communications and Informatics (Kemenkominfo) under Government Regulation No. 71/2019 and MOCI Regulation No. 5/2020 (as amended by MOCI Regulation No. 10/2021). These regulations govern the registration, obligations, and supervision of Electronic System Providers (PSEs).

3.3.3 Approaches to Digital Asset Regulations:

Indonesia's approach to digital asset regulation is progressively evolving, emphasizing a balance between fostering innovation, ensuring consumer protection, and maintaining financial stability. The country's legal system is primarily based on civil law, but it is influenced by customary law, sharia elements, and increasingly, common law practices. Indonesia is currently undergoing a regulatory transition, with authority over crypto assets shifting from the Commodity Futures Trading Regulatory Agency (Bappebti) to the Financial Services Authority (OJK) by January 2025. This transition marks a move towards broader financial sector oversight.

In terms of expanding its market, the government has increased the number of tradable cryptocurrencies to 545 as of February 2024, showcasing a cautious openness to the crypto market. To operate legally, crypto trading businesses are required to obtain a license as a crypto physical trader from Bappebti, with plans to transfer this licensing responsibility to OJK. The establishment of the Commodity Futures Exchange in 2023 has provided a pathway for businesses holding a “prospective” license to transition to a full crypto physical trader license.

Risk management is a key regulatory focus, with measures in place to mitigate risks associated with fraud, market manipulation, and anti-money laundering (AML). OJK's Digital Asset Roadmap (IAKD Roadmap 2024-2028) outlines a phased approach for building an innovative, stable, and consumer-protective digital financial sector, with three distinct phases: strengthening the foundation (2024-2025), accelerating development (2026-2027), and ensuring sustainable growth (2027-2028). The roadmap reflects a gradual implementation of regulations, allowing for industry adaptation while maintaining flexibility to accommodate future technological advancements.

Indonesia is also working to align its crypto regulations with global standards, focusing on enhancing bilateral cooperation with international regulators, especially in AML/CFT compliance. Additionally, the country has established a regulatory sandbox for fintech startups, providing a controlled environment to test new products, including those in the cryptocurrency space.

3.4 Japan^{36 37 38 39 40}



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3.4.1 Key regulatory institutions:

- **Financial Services Agency (FSA):** The primary regulator for financial services, including crypto assets. It oversees the registration and supervision of Crypto Asset Exchange Service Providers (CAESPs).
- **Japan Virtual and Crypto Assets Exchange Association (JVCEA):** A self-regulatory organization recognized by the FSA to create industry standards and guidelines.
- **National Tax Agency:** Provides guidance on the taxation of crypto assets.
- **Bank of Japan:** The central bank that monitors the impact of digital assets on monetary policy and financial stability.
- **Ministry of Finance:** Involved in policy-making related to crypto assets, especially regarding cross-border transactions. It also oversees CAESPs through the Regional Finance Bureaus.
- **Japan Financial Intelligence Center (JAFIC):** Responsible for anti-money laundering (AML) and counter-terrorism financing (CFT) measures related to crypto assets.

3.4.2 Legal status of digital assets/cryptocurrencies in Japan:

- **Legal property status:** Crypto assets are recognized as legal property under the Payment Services Act (PSA). They are not considered legal tender but can be used as a means of payment. The PSA defines a crypto asset as property value that can be used with unspecified persons for the purchase of goods or services and can be transferred electronically.

- Regulatory classification: Crypto assets are regulated under the PSA and the Financial Instruments and Exchange Act (FIEA).
- Taxation: Individuals' gains from crypto assets are classified as "miscellaneous income" and are subject to income tax. Corporate gains from crypto assets as part of business activities are subject to corporate tax.
- AML/CFT regulations: CAESPs must comply with strict AML/CFT requirements, including customer due diligence and transaction monitoring.
- Travel Rule: Japan has implemented the FATF Travel Rule, requiring virtual asset service providers to comply with the rule for tracking originators and beneficiaries of transactions.
- Consumer protection: The PSA and FIEA include provisions to safeguard users, such as segregation of user assets and clear disclosure requirements.

3.4.3 Approaches to Digital Asset Regulations:

Japan's legal system is primarily based on civil law but incorporates significant hybrid elements, blending codified laws with an increasing role for judicial decisions and precedents. When it comes to digital asset regulation, Japan has taken a proactive and comprehensive approach. It was one of the first countries to recognize Bitcoin as a legal form of payment, setting the foundation for its robust regulatory framework.

A key aspect of Japan's regulatory landscape is the requirement for Crypto Asset Exchange Service Providers (CAESPs) to register with the Financial Services Agency (FSA) and adhere to strict operational and security standards. This ensures that the platforms maintain high levels of compliance. The regulations follow a risk-based approach, addressing specific risks associated with different types of crypto assets and services, demonstrating Japan's adaptability in handling the rapidly evolving crypto space.

Japan's innovation-friendly approach is evident through its support for regulatory and technical sandboxes, positioning the country as a global leader in promoting stablecoin experimentation by the private sector. The Japan Virtual and Crypto Assets Exchange Association (JVCEA), a self-regulatory organization, plays an essential role in complementing government regulations by setting industry standards and offering guidance.

Investor protection is another core focus, with stringent measures such as the segregation of customer assets and clear disclosure requirements. While prioritizing user protection, Japan also aims to encourage innovation in the crypto sector by maintaining a balance between safeguarding consumers and fostering technological advancements.

Japan actively participates in international discussions on crypto regulations, aligning its standards with global practices. The country regularly updates its regulatory framework to address emerging risks and incorporate technological developments, ensuring it remains at the forefront of digital asset regulation.

3.5 Malaysia ^{41 42 43}



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3.5.1 Key regulatory institutions:

- **Securities Commission Malaysia (SCM):** The primary regulator for digital assets, overseeing the registration and supervision of digital asset service providers.
- **Bank Negara Malaysia:** The central bank responsible for monitoring the impact of digital assets on monetary policy and financial stability.
- **Ministry of Finance:** Involved in policy-making related to digital assets and their development.
- **Inland Revenue Board of Malaysia:** Provides guidance on taxation for digital assets.
- **Malaysian Communications and Multimedia Commission:** Regulates aspects of digital asset activities that intersect with communications and multimedia laws.

3.5.2 Legal status of digital assets/cryptocurrencies in Malaysia:

- **Securities Status:** Digital assets are recognized as securities under the Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019. A digital currency is considered a security if traded on a platform that offers returns. Digital tokens are classified as securities if they are acquired as consideration, involve pooled returns, and generate income from assets or business activities.
- **Not Legal Tender:** Digital assets are not recognized as legal tender or official payment instruments in Malaysia.
- **Regulatory Classification:** Digital assets are classified as either "digital currency" or "digital token" depending on their characteristics. The Malaysian courts have also recognized cryptocurrency as commodities.
- **Taxation:** Although the taxation of digital assets is still evolving, profits from crypto trading are generally subject to income tax. Digital currency gains are taxed as revenue if they result from frequent trading, but long-term investments may be subject to capital gains tax treatment.
- **AML/CFT Regulations:** Participants in the digital ecosystem must adhere to strict anti-money laundering (AML) and counter-terrorism financing (CFT) regulations. This includes customer due diligence, transaction monitoring, and compliance with the Travel Rule.
- **Consumer Protection:** The regulatory framework in Malaysia ensures that operators are subject to oversight, fostering transparency and customer protection. This includes mitigating risks such as fraud and money laundering through measures like mandatory disclosure, fund segregation, and complaint handling processes.

3.5.3 Approaches to Digital Asset Regulations:

Malaysia's legal system operates predominantly under common law, but it also includes a parallel Islamic law system for Muslims, primarily in matters related to personal status and family law. In the

realm of digital asset regulation, Malaysia takes a cautious yet progressive approach, aiming to balance the fostering of innovation with robust investor protection and ensuring financial stability.

One of the key pillars of this regulatory framework is the registration system, which mandates that digital players—including Digital Asset Exchanges, Initial Exchange Offerings (IEOs), and Digital Asset Custodians—register with the Securities Commission Malaysia (SCM). These entities must meet stringent requirements regarding financial capability, risk management, and the suitability of their management teams. The regulations are specifically designed to address the unique risks posed by various digital assets and services.

Malaysia's regulatory framework also categorizes digital asset service providers into distinct groups, such as Recognized Market Operators for Digital Asset Exchanges (RMO-DAX), Digital Asset Custodians (DAC), and Initial Exchange Offerings (IEOs). Each category is subject to specific regulations that ensure investor protection, including the requirement for adequate custody measures and transparency in operations.

While prioritizing investor protection, Malaysia supports innovation in the digital asset sector by fostering a secure and responsible environment for digital asset activities. Internationally, Malaysia aligns its regulations with global standards, particularly in the areas of Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT), as part of its membership in the Financial Action Task Force (FATF).

Additionally, the Malaysian regulatory framework undergoes continuous refinement to keep pace with emerging risks and technological advancements. In 2023, the SCM introduced Guidelines on Technology Risk Management, which aim to enhance risk detection and mitigation for capital market entities. These guidelines cover a wide range of measures, including robust cybersecurity requirements, secure technology risk management systems, and controls for the use of advanced technologies such as Artificial Intelligence (AI) and Machine Learning (ML).

3.5 Singapore^{44 45 46}



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3.6.1 Key regulatory institutions:

- **Monetary Authority of Singapore (MAS):** The central bank responsible for monitoring the impact of digital assets on monetary policy and financial stability. MAS serves as the primary regulator for financial services, including digital assets and cryptocurrencies, providing guidance and overseeing the licensing and regulation of Digital Payment Token (DPT) service providers, such as digital asset trading platforms. It is also actively involved in policy-making concerning digital assets.

- **Inland Revenue Authority of Singapore (IRAS):** Offers guidance on the taxation of digital assets.
- **Personal Data Protection Commission (PDPC):** Regulates data protection laws relevant to digital asset businesses that handle personal data.

3.6.2 Legal status of digital assets/cryptocurrencies in Singapore:

- **Property status:** Digital assets or cryptocurrencies are generally treated as a form of property in Singapore. The Singapore High Court has recognized holders of United States Dollar Tether (USDT) as having legally enforceable property rights under common law. While digital assets are not illegal to own, self-custody, or use for payments if accepted by a trader, they are not recognized as legal tender.
- **Regulatory classification:** Some digital assets may be regulated as Digital Payment Tokens (DPTs) under the Payment Services Act 2019 (PS Act) if they are used or intended to be used as a medium of exchange. The determination of whether they are accepted by "a section of the public" as payment is based on the facts and circumstances of each case.
- **Financial product classification:** Certain digital assets may be regulated as Capital Markets Products (CMPs) under the Securities and Futures Act 2001 (SFA), depending on their characteristics. If classified as CMPs, they fall under MAS's regulatory purview and are subject to SFA regulations.
- **Taxation:** Gains from digital asset trading may be subject to income tax depending on whether they are capital or revenue in nature. Notably, Singapore does not impose a capital gains tax.
- **AML/CFT regulations:** Providers of DPT services must comply with strict Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) requirements aligned with FATF standards. This includes conducting customer due diligence, preventing money laundering or terrorism financing activities, and cooperating with Singapore's law enforcement authorities. Digital Token (DT) service providers regulated under the Financial Services and Markets Act (FSMA) are expected to meet similar AML/CFT requirements.
- **Travel Rule:** As part of AML/CFT requirements, Singapore has implemented the FATF Travel Rule, requiring holders of payment services licenses under the PS Act to collect and transmit information on the originators and beneficiaries of digital asset transactions.
- **Consumer protection:** MAS has introduced specific consumer protection measures for DPT service providers, such as the segregation of customers' assets and disclosure obligations. DPT service providers are also prohibited from promoting their services to the public or offering in-person access through automated teller machines (ATMs).

3.6.3 Approaches to Digital Asset Regulations:

Singapore, a common law jurisdiction, approaches digital asset regulation with a balanced strategy aimed at fostering innovation while mitigating risks. The regulatory framework takes a risk-based approach, tailoring regulations to address specific risks tied to various digital asset activities. For example, licensing exemptions exist for entities dealing with "limited purpose" digital payment tokens (DPTs), which represent a lower risk in terms of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).

Digital Payment Token (DPT) service providers must secure a payment services license under the Payment Services Act (PS Act) from the Monetary Authority of Singapore (MAS). Those dealing in

capital market products (CMPs) that classify as digital assets are required to have a capital markets services license under the Securities and Futures Act (SFA). Additionally, digital token (DT) service providers must soon acquire a license under the Financial Services and Markets Act (FSMA), which regulates digital services beyond Singapore's borders. The FSMA is expected to fully come into force by the end of 2024.

Singapore emphasizes consumer protection by mandating segregation of customer assets and imposing restrictions on retail customer activities. MAS also actively promotes innovation, working with financial institutions through initiatives like "Project Guardian," which explores asset tokenization use cases.⁴⁷

Internationally, Singapore is committed to global regulatory alignment, as demonstrated by its participation in the 2023 UK-Singapore Financial Dialogue. Singapore and the UK agreed to contribute to the development of global standards for crypto regulation under international bodies like the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB).

Singapore's regulatory framework is constantly evolving, with recent amendments to the PS Act expanding the scope of DPT services, and the FSMA's DT services provisions set to come into force in 2024. MAS also engages closely with stakeholders through public consultations, allowing the industry to provide feedback on proposed measures and ensure that regulations remain adaptive to new technological and market developments.

3.5 South Korea^{48 49 50}



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3.5.1 Key regulatory institutions:

- **Financial Services Commission (FSC):** The primary regulator for financial services, including digital assets.
- **Financial Supervisory Service (FSS):** Implements and enforces financial regulations under the oversight of the FSC.
- **Korea Financial Intelligence Unit (KoFIU):** Oversees compliance with anti-money laundering (AML) and counter-terrorism financing (CTF) regulations.
- **National Tax Service (NTS):** Provides guidelines and regulations concerning the taxation of digital assets.
- **Bank of Korea:** The central bank, responsible for monitoring the impact of digital assets on monetary policy and overall financial stability.

3.5.2 Legal status of digital assets in South Korea:

- **Property Status:** Digital assets are generally considered property but not recognized as legal tender.
- **Regulatory Classification:** The government intends to classify digital assets into security and non-security types for regulatory purposes.

- **Taxation:** A 20% tax on crypto gains exceeding 2.5 million won per year is planned, though implementation has been delayed until January 2027.
- **AML/CFT Regulations:** Virtual asset service providers must adhere to strict anti-money laundering (AML) and counter-terrorism financing (CFT) requirements.
- **Travel Rule:** South Korea has adopted the FATF Travel Rule, applying it to virtual asset transfers exceeding KRW 1 million.
- **Consumer Protection:** The Virtual Asset User Protection Act, enacted in July 2023, aims to safeguard users and investors involved in virtual assets.

3.5.3 Approaches to Digital Asset Regulations:

South Korea operates under a civil law system, and its approach to digital asset regulation is marked by a comprehensive strategy that balances innovation with risk management. One of the primary aspects of South Korea's regulatory framework is its dual system, which aims to regulate security-type tokens under existing financial laws, while non-security tokens will be governed by new legislation. The classification of tokens as securities is determined based on the Security Token Guidelines issued by the Financial Supervisory Service (FSS).

Virtual asset service providers (VASPs) are required to register with financial authorities and adhere to strict operational standards, ensuring compliance with anti-money laundering (AML) and combating the financing of terrorism (CFT) regulations. Additionally, the country places a strong focus on consumer protection, highlighted by the Virtual Asset User Protection Act, which ensures users' safety and integrity in the digital asset space.

South Korea also supports innovation within the digital asset sector, balancing this with strong regulatory oversight. The government actively participates in international discussions on crypto regulation, ensuring that its policies are aligned with global standards. Regular updates to the regulatory framework are made to address emerging risks and adapt to technological developments. A key element of South Korea's strategy is the development of the Digital Asset Framework Act, which will provide a unified legislative framework for regulating the entire virtual asset industry.

Furthermore, South Korea's regulatory approach includes extraterritorial reach, with laws such as the Act on the Protection of Virtual Asset Users extending to activities carried out overseas, if these activities have an impact on the South Korean market. This collaborative approach between the government and industry stakeholders aims to ensure that regulations are both practical and effective in fostering a robust digital asset ecosystem.

3.6 Thailand ^{51 52}



3.6.1 Key regulatory institutions:

- **Securities and Exchange Commission (SEC):** The primary regulator for digital assets and cryptocurrencies in Thailand.
- **Bank of Thailand (BOT):** The central bank responsible for monitoring the impact of digital assets on monetary policy and financial stability.
- **Ministry of Finance:** Involved in the policy-making process related to digital assets.
- **Revenue Department:** Provides guidance on taxation related to digital assets.
- **Anti-Money Laundering Office (AMLO):** Oversees Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) compliance for businesses involved in digital assets.

3.6.2 Legal status of digital assets/cryptocurrencies in Thailand:

- **Regulatory classification:** Digital assets are regulated under the Emergency Decree on Digital Asset Businesses B.E. 2561 (2018), which sets the legal framework.
- **Types of digital assets:** Classified into cryptocurrencies and digital tokens, each with different regulatory approaches. NFTs that resemble investment tokens or utility tokens, would fall into the category of digital assets.
- **Not legal tender:** Digital assets are not recognized as legal tender and cannot be used for official payments.
- **Licensing requirement:** Businesses involved in digital assets must obtain licenses from the SEC to operate legally.
- **Taxation:** Income from digital assets is subject to capital gains tax and VAT. In February 2024, Thailand eliminated the 7% VAT on earnings from trading cryptocurrencies and digital tokens.
- **AML/CFT regulations:** Digital asset businesses are treated as financial institutions under Thailand's AML laws and must comply with strict AML/CFT requirements. The travel rule is under consideration but has not yet been implemented.
- **Payment restrictions:** The use of cryptocurrencies for payments is actively discouraged by Thai regulators due to concerns about financial stability and consumer protection.

3.6.3 Approaches to Digital Asset Regulations:

Thailand operates under a civil law system, and its approach to digital asset regulation is characterized by a comprehensive strategy aimed at balancing innovation with risk management. The Thai government is generally supportive of cryptocurrencies, viewing the sector as a potential catalyst for stimulating economic growth, particularly following the impacts of COVID-19, which significantly affected tourism and exports, both key revenue sources. In 2023, Thailand's economy grew by just 1.9%, prompting authorities to develop a regulatorily sound and investor-friendly digital environment to attract startups and bolster investment. While cryptocurrencies are seen as a new way for Thai businesses to raise capital, concerns persist about the potential risks they pose to financial stability and the broader public.

Thailand's regulatory framework for digital assets includes six categories of businesses that must obtain licenses from the Securities and Exchange Commission (SEC). The framework emphasizes consumer protection, with measures such as custody requirements and disclosure obligations in place to safeguard users. The regulations take a risk-based approach, with tailored rules to address the specific risks associated with different types of digital asset activities. While prioritizing

investor protection, the government also fosters innovation in the digital asset sector, creating a favourable environment for new developments.

Thailand actively engages in international discussions on digital asset regulation to ensure its policies align with global standards. The country regularly updates its regulatory framework to keep pace with emerging risks and technological developments. Tax incentives, such as proposed exemptions for digital investment tokens, aim to stimulate economic growth, and regulatory sandboxes allow fintech startups to test products in a controlled environment. The SEC's Digital Asset Regulatory Sandbox initiative is a key part of this strategy, providing a space for eligible entities to explore innovations in digital asset services, particularly in the context of Thai capital markets.⁵³

3.7 United Arab Emirates^{54 55}



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3.7.1 Key regulatory institutions:

- **Securities and Commodities Authority (SCA):** The primary regulator for virtual assets across mainland UAE.
- **Central Bank of the UAE (CBUAE):** Monitors the impact of digital assets on monetary policy and financial stability.
- **Dubai Financial Services Authority (DFSA):** Regulates digital assets in the Dubai International Financial Centre (DIFC).
- **Financial Services Regulatory Authority (FSRA):** Oversees digital assets in Abu Dhabi Global Market (ADGM).
- **Virtual Asset Regulatory Authority (VARA):** Regulates virtual assets in Dubai (excluding DIFC).
- **Dubai Multi Commodities Centre (DMCC):** Hosts crypto companies through its dedicated Crypto Centre.

3.7.2 Legal status of digital assets in UAE:

- **Regulatory Classification:** Virtual assets are recognized and regulated but not considered legal tender.
- **Licensing Requirements:** Virtual asset service providers (VASPs) must obtain licenses from relevant authorities based on their location and the nature of their operations.
- **Taxation:** There is no federal income tax in the UAE, but individual emirates may have their own tax regulations.
- **AML/CFT Regulations:** VASPs are required to comply with strict Anti-Money Laundering (AML) and Counter-Terrorism Financing (CFT) requirements.
- **Travel Rule:** Implemented for virtual asset transfers, requiring VASPs to comply with the global FATF Travel Rule.
- **Consumer Protection:** Focuses on protecting users and investors in virtual assets, ensuring secure transactions and safeguarding investments.

3.7.3 Approaches to Digital Asset Regulations:

The UAE operates a mixed legal system that incorporates civil, Sharia, and common law principles. Sharia law forms the basis of much of the UAE's legislation, particularly in areas like family law and personal matters. In recent years, the legal framework has been extended to include elements of common law, especially within the Dubai International Financial Centre (DIFC) courts, which apply an English common law-based system to govern business and financial disputes.

The UAE's approach to digital asset regulation is characterized by a proactive strategy aimed at positioning the country as a global leader in the digital asset space while effectively managing associated risks. Multiple regulatory frameworks govern the sector, with different authorities regulating mainland UAE, free zones such as the Abu Dhabi Global Market (ADGM) and the DIFC, and Dubai's Virtual Asset Regulatory Authority (VARA), which oversees digital assets within the emirate of Dubai, excluding the DIFC.

Virtual Asset Service Providers (VASPs) are required to obtain licenses from the relevant authorities depending on their jurisdiction and the nature of their activities. The licensing process ensures that businesses operating in this space meet the necessary operational and risk management standards. The UAE takes a risk-based approach to regulation, tailoring its rules to address the specific risks posed by various digital asset activities.

The country fosters innovation by offering regulatory sandboxes and implementing policies that are conducive to the growth of digital asset businesses. These sandboxes provide a controlled environment for companies to test new technologies while ensuring regulatory compliance. The UAE is also an active participant in international discussions on digital asset regulation, aligning its policies with global standards to maintain its competitive edge.

The regulatory framework is subject to ongoing refinement to keep pace with technological advancements and emerging risks. Specific laws and regulations for virtual assets have been developed to provide clarity and ensure comprehensive oversight. In addition to the collaboration between various regulatory authorities, a focus is placed on anti-money laundering (AML) and know-your-customer (KYC) protocols. VARA, in particular, emphasizes the importance of KYC and AML compliance for companies facilitating the transfer of digital assets or offering related financial services.

3.8 Summary and overview of regulations in the selected countries

The comparative review of digital asset regulations across nine APAC is summarised here in Table 1. for an easy overview based on key features.

Table 1. Visual summary of key features of selected APAC jurisdiction regulating digital assets

Country	Key Regulatory Institutions	Legal Status of Digital Assets	Licensing & Regulation Focus	Key Features
Australia	ASIC, AUSTRAC, APRA, Treasury	Not legal tender, treated as property	ASIC licensing, AML/CTF compliance, No Travel Rule (under review)	Applying existing AFSL framework, proactive but not first mover, regulatory sandbox available for fintech startups
Hong Kong	SFC, HKMA, IRD	Not legal tender, treated as property	SFC licenses VASPs, AML/CTF compliance, Travel Rule implemented	Proactive, bespoke regulations for digital assets, risk-based approach, use of regulatory sandboxes for experimentation
Indonesia	Bappebti, OJK (from 2025), Bank Indonesia	Commodity, not legal tender	Licensing for crypto traders under Bappebti, AML/CTF compliance, Travel Rule in place	Transitioning towards more bespoke regulations, currently adapting older regulations, AML and KYC focus with future fintech sandbox possibilities
Japan	FSA, JVCEA, Bank of Japan	Legal property status, not legal tender	CAESPs must register with FSA, strict AML/CTF rules, Travel Rule enforced	Proactive, early adoption of crypto regulations, emphasis on self-regulation (JVCEA), regulatory sandbox for stablecoin experimentation
Malaysia	SCM, Bank Negara, MCMC	Securities under Capital Markets Act, not legal tender	Licensing of digital exchanges by SCM, strict AML/CTF requirements, Travel Rule not yet enforced	Progressive, bespoke, sandbox in place for digital asset projects, regular updates to regulations
Singapore	MAS, IRAS, PDPC	Property, some digital tokens classified as DPTs	MAS licenses DPTs under PS Act, AML/CTF compliance, Travel Rule in place	Proactive, innovation-friendly with regulatory sandboxes (Project Guardian), bespoke regulations aligned with international standards
South Korea	FSC, FSS, KoFIU, National Tax Service	Property, not legal tender	FSC licenses digital assets (security vs. non-security classification), AML/CTF compliance, Travel Rule in place	Comprehensive, proactive, Virtual Asset User Protection Act enacted, clear distinction between security and non-security tokens
Thailand	SEC, BOT, AMLO	Not legal tender, regulated under Emergency Decree	SEC licenses for digital asset businesses, AML/CTF compliance, Travel Rule under consideration	Proactive but cautious, bespoke regulations tailored to specific asset types, sandbox for testing innovations, 2024 tax incentives for digital tokens
UAE	SCA, CBUAE, DFSA, VARA	Regulated but not legal tender	VASPs licenses under specific free zone authorities, AML/CTF compliance, Travel Rule enforced	Proactive, multiple bespoke frameworks across regions (e.g., VARA for Dubai), regulatory sandboxes in place, aims to become global hub for digital assets

Key Observations:

The comparative review of digital asset regulations across nine APAC countries highlights key trends in how jurisdictions are balancing innovation and regulatory control. Regulatory responses to digital assets have followed an evolving pattern over the years, progressing from the application of traditional laws to retrofitting existing regulations, and finally, to the creation of new, bespoke laws and frameworks. Countries like Singapore, Japan, UAE, and Hong Kong are leaders in proactive and bespoke regulatory frameworks, focusing on fostering innovation through sandboxes while ensuring compliance with AML/CFT and the Travel Rule. Other countries, like Indonesia and Malaysia, are still evolving their frameworks, transitioning towards more comprehensive regulations to keep pace with the rapidly growing digital asset space. Licensing and AML/CFT compliance are fundamental components for businesses operating in the digital asset sector, with most jurisdictions aligning their regulations with global standards, especially in AML enforcement and the Travel Rule.

However, the analysis raises important questions from a business perspective. While regulations are geared towards consumer protection and financial stability, there is a well-justified concern that they may focus too heavily on mitigating risks, and potentially hindering innovation. To better understand the business perspective, the following section presets the results and analysis of an empirical survey conducted with over 30 businesses dealing with digital assets in the selected APAC countries.

4. Empirical Feedback from The Industry – Survey Results

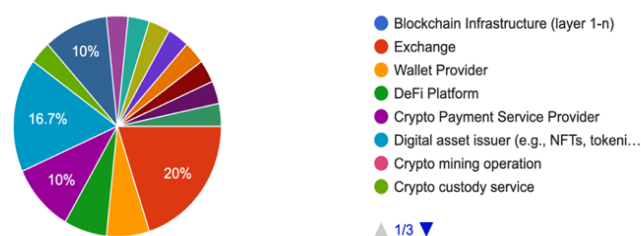
The empirical results are based on a short survey of 12 questions targeted to businesses from the selected APAC countries dealing with digital assets. Three questions related to general information about participants, and nine questions to their experience with digital asset regulations and via multiple choice and multiple answer questions and one qualitative descriptive question. The choice of questions was influenced by the review of literature relevant to the research theme. The survey was distributed via mailing list and social media, such as LinkedIn and X by the Global Fintech Institute and its partners to businesses who deal with digital assets. Over a course of one month, 30 businesses recorded their answers.

4.1 Results and comments

4.1.1 Information about businesses

Most businesses in the study were startups and small businesses with 1-10 and 11-50 employees respectively from all the selected APAC countries. However, the majority came from Singapore (30%), Australia (20%), Malaysia (13%) and Japan (10%) with other countries represented by under 10%. The main business types involved, digital asset exchanges, digital asset issuers, crypto payment provides and blockchain infrastructure providers (See Figure 2).

Figure 2. Survey participants by business type.



4.1.2 How Businesses Experienced the Digital Assets Regulations

Regulatory Compliance Challenges

Over 80% of responding businesses spend between 6% and 20% of their operational budget on regulatory compliance (Figure 3) and over half of them consider these costs very to extremely challenging (Figure 4).

Figure 3. Budget allocation for regulatory compliance.

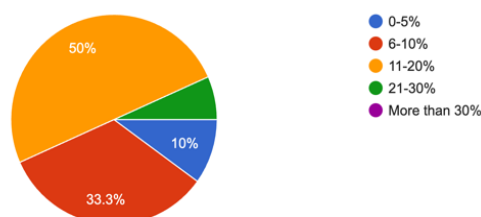
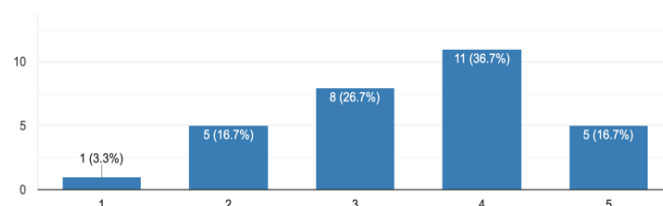


Figure 4. Perception of the regulatory compliance costs: 1- Not Challenging to 5 – Extremely Challenging.



Licensing and registration (43%) followed by AML/KYC requirements (37%) had the biggest cost impact on respondent’s operational budgets (Figure 5). At the same time, most businesses felt highly confident about their ability to comply with current and future digital assets regulations (Figure 6).

Figure 5. Biggest business impact by regulatory challenge.

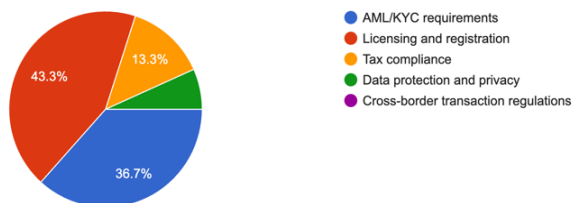
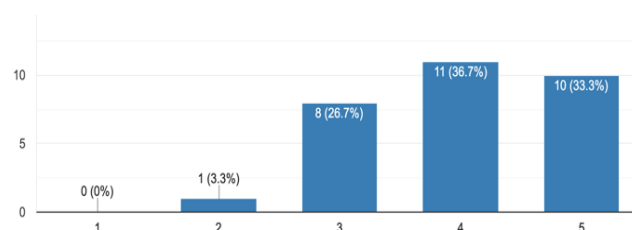


Figure 6. Level of confidence about regulatory compliance: 1- Low to 5 – High.



The clarity of digital asset regulations in their primary operating jurisdictions was rated as unclear by 43% and medium clear by 23% of responding businesses (Figure 7). The lack of legal clarity correlated with regulatory uncertainty which was perceived by most businesses as having negative impact on the ability to innovate and expand (Figure 8).

Figure 7. Perceived clarity of digital asset regulations 1-Unclear to 5-Very Clear.

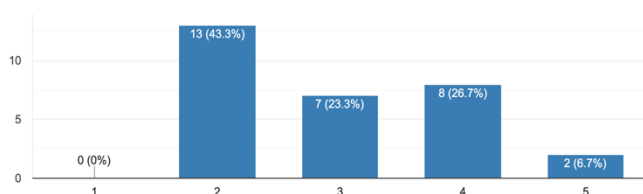
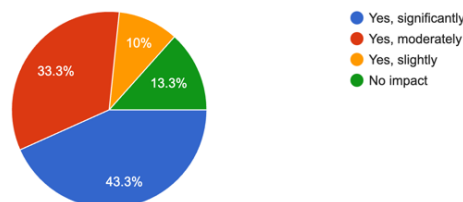


Figure 8. Impact of regulatory uncertainty on the ability to innovate and expand.



When identifying the most pressing needs for change in crypto regulations (Figure 9), consistently with the previous answer, 40% of businesses selected the need for clearer guidelines. This was followed by the need for harmonisation of regulations across jurisdictions (22%) and a more flexible approach to innovation (15%). When asked about challenges in cross-border transactions due to regulatory differences, 55% of businesses experienced these occasionally and 25% frequently (Figure 10).

Figure 9. The most pressing need for change in digital asset regulations.

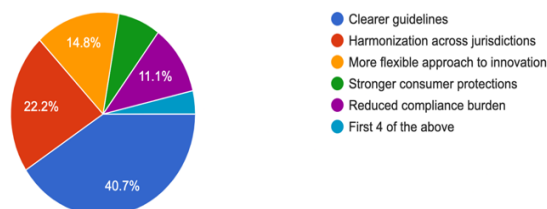
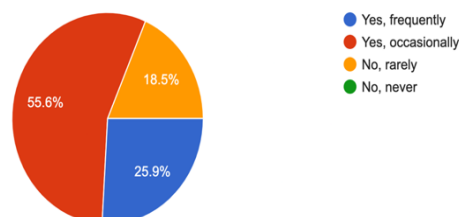


Figure 10. Challenges due to cross-border regulatory differences.



Moving forward: Collaboration, Education, Clarity

When asked for the opinion on how regulators and digital assets industry can work more effectively to address regulatory challenges, the most frequent answers expressed a strong desire for collaboration, education and clearer frameworks. These can be summed up in the following points:

- **Open Communication & Collaboration:** Many responses emphasized the need for more frequent and open dialogue, actionable roundtables, and collaborative consultations between regulators and industry players to foster better mutual understanding.
- **Education & Learning:** A common point was the importance of regulators being open-minded and willing to learn about the evolving technologies in the digital assets space.
- **Harmonization and Equal Enforcement of Regulations:** There was a frequent call for greater harmonization of crypto regulations across jurisdictions to reduce complexity and making it easier for businesses to comply globally and equal enforcement within jurisdictions without favouring established businesses and industry incumbents.
- **Clear & Consistent Frameworks:** There were calls for clearer, consistent regulatory frameworks, with explicit requirements such as AML compliance clearly stated.
- **Involvement of More Regulators:** Some responses highlighted that only a few people tend to represent regulators in discussions, suggesting that more regulators should be involved to enhance understanding.

5. Case Study: Regulatory Challenges of a Global Cryptocurrency Exchange Operating Across APAC Jurisdictions

Purpose and Scope:

This case study examines the regulatory challenges faced by global cryptocurrency exchanges operating across multiple APAC jurisdictions. Unlike standard surveys that focus on one jurisdiction, this case study, based on focus-group discussions and individual interviews, explores the regulatory nuances across several countries, allowing for a comparative analysis.

Key Findings:

1. Cryptocurrency Exchange Licensing and Operational Differences:

A primary discussion point was the availability of cryptocurrency exchange platform services. While the core offerings remained consistent across jurisdictions, the licensing processes and regulatory requirements varied significantly. For example:

- In Singapore, stricter regulatory requirements around derivatives and other complex financial products led to limitations in offerings, restricting products to only basic buy-and-sell functions.
- In Australia, regulatory uncertainty and frequent enforcement actions further limited product offerings.

Participants also highlighted differences in regulation between digital asset exchanges and traditional financial exchanges. In traditional finance, exchanges often involve brokers, clearinghouses, and other intermediaries. In contrast, digital assets use technologies such as transparent ledgers and peer-to-peer (P2P) settlement systems, eliminating the need for such intermediaries. Jurisdictions like Dubai and Japan are beginning to recognize these technological advancements and are adjusting their regulations accordingly.

2. Product-Specific Regulatory Challenges:

Another key product discussed was "Earn", a passive income product that generates rewards for token holders.

- In common law countries, some exchanges do not offer this product due to ambiguity on the laws relating to collective investment schemes.
- In certain civil law countries such as Japan, the regulatory environment offered a clearer framework, allowing the company to structure the product as a private loan contract between parties, which was sufficient to comply with the legal requirements.

3. Insurance and Implementation Issues:

Participants also discussed the practical challenges of securing insurance for digital assets, which is often a requirement for operating in certain jurisdictions. Unlike traditional financial assets, digital assets are vulnerable to unique risks such as market volatility and technology-related losses, making it difficult to obtain insurance coverage. This presents a significant challenge for businesses operating in the digital asset space.

Case study observations:

This case study highlights several key observations regarding the regulatory landscape for digital assets across APAC:

- **Regulatory Ambiguity:** In some jurisdictions, ambiguity around new product classification (e.g., whether certain products are considered securities or derivatives) can create operational challenges for businesses. A more nuanced regulatory frameworks, like those found in Japan, can help foster innovation while ensuring compliance.
- **Technological Advances and Regulatory Adaptation:** As digital asset technology continues to evolve, regulators in jurisdictions such as Japan and Dubai are beginning to adapt their frameworks to accommodate new business models, such as P2P settlement systems that eliminate the need for traditional intermediaries.
- **Practical Implementation Challenges:** Despite regulatory advancements, companies still face significant implementation challenges, such as securing insurance for digital assets and navigating complex licensing processes across different jurisdictions.

Overall, the case study underscores the need for greater regulatory clarity and harmonization across APAC jurisdictions to reduce operational uncertainty and foster innovation in the digital asset sector.

6. Report's Conclusions

1. **Regulatory Disparities Create Challenges for Cross-Border Operations:**

The regulatory landscape for digital assets across APAC is complex, with significant disparities in approaches between jurisdictions. Countries like Singapore and Japan lead with proactive, clear, and innovative frameworks, while others, continue to adapt their traditional frameworks. These disparities create significant challenges for companies operating across multiple jurisdictions, resulting in increased compliance costs, operational uncertainties, and limited scalability.

2. **Balancing Innovation and Regulation Remains a Key Challenge:**

Across the region, regulators face the difficult task of fostering innovation while ensuring consumer protection and financial stability. Businesses, especially startups, face heavy compliance burdens that can stifle innovation. While regulatory sandboxes in jurisdictions such as Singapore and Japan provide controlled environments for innovation, many businesses still find it challenging to navigate through stringent regulations.

3. **AML/KYC Compliance and Licensing Remain Critical Pain Points:**

Regulatory compliance, particularly around AML and KYC requirements, is a major challenge for businesses, especially small and medium. In some jurisdictions, the regulatory processes are unclear, and businesses experience significant delays in obtaining licenses, especially for newer products such as derivatives and decentralized financial products. Additionally, the inconsistent enforcement of the FATF Travel Rule further complicates cross-border operations.

4. **International organisations set the harmonizing standards:**

While compliance with international standards, such as AML/KYC is still challenging across jurisdictions, these international soft regulations play an important role for setting the direction and harmonizing the cross-border legal frameworks.

5. **Technological Solutions Can Reduce Traditional Regulatory Needs:**

Technological advancements like blockchain, transparent ledgers, and peer-to-peer transactions can replace traditional financial intermediaries, such as brokers and clearinghouses. However, regulatory frameworks in many jurisdictions are still based on traditional financial infrastructure, requiring businesses to adhere to outdated processes that may not be relevant to digital assets.

6. **Regulatory Ambiguity Stifles Innovation:**

In several jurisdictions, ambiguity surrounding the classification of products (e.g., whether they are considered securities or derivatives) creates operational hurdles. In contrast, more advanced regulatory environments, like Japan's, provide clear, specific guidelines that allow for product innovation while ensuring compliance.

7. Recommendations

1. **Promote Regional Harmonization of Digital Asset Regulations:**

APAC regulators should collaborate to develop a unified framework that harmonizes the implementation and enforcement of key regulatory aspects like licensing, AML/KYC compliance, and tax treatment. This alignment will reduce regulatory fragmentation and lower compliance costs for businesses operating across multiple jurisdictions. Establishing regional forums for continuous dialogue and collaboration can further facilitate this process.

2. **Develop Clear and Consistent Regulatory Guidelines:**

Regulators should prioritize issuing clear, detailed, and adaptable guidelines to address regulatory ambiguity. These guidelines should be flexible enough to accommodate technological advancements while ensuring consumer protection and market stability. Collaboration with industry stakeholders during the guideline development process, alongside regulatory sandboxes and industry-led initiatives, will strengthen practical implementation and communication.

3. **Encourage Proactive Dialogue Between Regulators and Industry:**

Establish regular communication channels, including roundtables, workshops, and public consultations, between regulators and industry participants. This approach will foster mutual understanding, allow businesses to contribute to the regulatory process, and support innovation and compliance. Regulators should also engage in capacity-building initiatives to better understand rapidly evolving technologies.

4. **Lower the Regulatory Burden for Innovative Small and Medium-Sized Enterprises (SMEs):**

Implement a tiered regulatory framework that adjusts compliance requirements based on business size and risk profile. This will reduce the regulatory burden on startups and smaller businesses, enabling them to focus more on innovation. Regulatory sandboxes can serve as controlled environments where SMEs can experiment with new ideas under reduced compliance constraints.

5. **Ensure Equitable Enforcement to Support Startups:**

Regulators should enforce policies fairly, preventing incumbents from leveraging regulatory influence to maintain dominance. Equitable enforcement will create a level playing field, allowing startups and smaller firms to compete effectively.

6. **Incorporate Blockchain-Native Solutions into Regulatory Frameworks:**

Embrace blockchain-native compliance solutions, such as transparent ledgers and secure storage systems (e.g., hot and cold storage). These tools can reduce reliance on traditional intermediaries and provide more efficient, secure ways to meet regulatory requirements, benefiting both regulators and businesses.

7. **Focus on Continuous Regulatory Innovation:**

Ensure that regulatory frameworks remain adaptable to new developments in the digital asset space. Regulators should monitor the industry closely and be prepared to adjust regulations in

real time to address emerging risks and opportunities. Establishing innovation hubs or regulatory sandboxes will allow businesses to test products under regulatory supervision, fostering continuous innovation.

8. Prioritize Ongoing Education and Certification:

Develop continuous education and certification programs for both regulators and industry participants to build a high standard of understanding of digital asset technologies and regulatory requirements. This commitment to ongoing learning will help maintain consistency, ensure up-to-date compliance, and support informed regulatory practices across APAC.

By addressing these recommendations, APAC regulators can create a more supportive, consistent, and innovative environment for digital assets, ensuring that the region remains competitive in the global digital economy. These efforts will benefit both businesses and consumers while maintaining the integrity and stability of financial markets.

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