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REGULATION AND LEGAL IMPLICATIONS OF CRYPTOVALUTA: A LITERATURE REVIEW OF GLOBAL POLICIES

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Abstract

This research explores the regulations and legal implications relating to cryptovaluta through a literature review of global policies. Countries have taken diverse approaches to regulating cryptovaluta, the main objectives of which are to provide legal certainty, protect consumers, and prevent illegal activities such as money laundering and terrorism financing. Market stability and security are key aspects of these regulations, with consumer protection and market transparency prioritised. However, challenges in policy alignment between countries are significant due to the need to prevent regulatory arbitrage and address cross-border criminal offences. This research highlights the importance of international collaboration and the development of common standards to create a consistent and adaptive regulatory framework, capable of supporting the wider and safer adoption of cryptovaluta, providing substantial global economic benefits in the future.

Keywords: Regulation, Implication, Cryptovaluta Law.

Introduction

In recent years, cryptovaluta has become a phenomenon that has attracted attention in various sectors, from technology to economics. Cryptovaluta such as Bitcoin and Ethereum introduced the concept of decentralisation and security that blockchain technology brings.

Blockchain technology is a digital innovation that presents a new way to store and secure data through a decentralised system. Blockchain functions as a digital ledger that is distributed and verified by a worldwide network of computers, making every recorded transaction transparent, immutable, and traceable. Thanks to the consensus mechanism used, blockchain guarantees data integrity and validity without the need for a central authority or intermediary (Muciaccia & Lopopolo, 2022) . The technology first gained popularity through its application to cryptocurrencies such as Bitcoin, but has now expanded to a variety of sectors, including finance, logistics, healthcare, and government, offering the potential to improve efficiency, security, and transparency in various business and administrative processes. However, behind its innovative potential, there are challenges that governments and relevant agencies around the world have to face in terms of regulation and oversight (Victor, 2021) .

The rapid growth of the cryptocurrency market raises various issues, including its misuse for illegal activities such as money laundering and terrorism financing. In addition, the volatility of the value of cryptovaluta adds investment risk that can be detrimental to consumers and financial markets as a whole. This situation urges policymakers to formulate an effective regulatory framework to govern and supervise the use of cryptovaluta while supporting innovation and consumer protection (Jensen et al., 2021) .

Countries have taken varying approaches to cryptocurrency regulation. Some adopt stricter policies, while others are more flexible, trying to find the right balance between security and innovation. For example, Japan is recognised as one of the first countries to comprehensively regulate cryptovaluta, while some other countries such as China take the extreme step of banning cryptovaluta transactions. This diversity of policies poses challenges for industry players in navigating the complex and often contradictory global landscape (Agdere ., 2024)

Not only that, the legal implications of the adoption of cryptovaluta is also an important issue that requires attention. As technology continues to evolve, policies and regulations must be able to keep up, responding to changes and new challenges that arise. The literature and studies conducted so far provide important insights into how global policies can be developed to address these issues. Further research is needed to build a regulatory framework that is more efficient and responsive to these technological developments (Grosemans ., 2022)

As such, a literature review of global policies on cryptovaluta is critical to understanding the challenges and identifying solutions that can be widely applied. This study seeks to contribute to the discussion on the regulation and legal implications of cryptovaluta, with a focus on analysing the global policies that have been implemented and their effectiveness in mitigating possible negative impacts.

Research Methods

The study in this research uses the literature method. The literature research method, also known as a desk study, is a research approach that involves collecting, analysing, and synthesising information available from various written sources such as books, journal articles, research reports, dissertations, and other sources relevant to the research topic (Caglayan, 2021) ; (Heriyanto, 2018) . The aim is to build a theoretical foundation or understand the current state of a field of study, clarify important concepts, and identify gaps in knowledge that require further investigation. The process involves steps such as a systematic literature search, evaluation of the quality of sources, and the preparation of structured notes and summaries. By using literature research methods, researchers can gain an in-depth understanding of existing issues, highlight recent developments, and formulate a strong conceptual framework for empirical research (Rizkykawasati, 2019)

Results and Discussion

Cryptovaluta Regulation in Various Countries

The United States has a fairly complex and diverse approach to regulating cryptovaluta, mainly because regulation is governed by different agencies at the federal and state levels. The Securities and Exchange Commission (SEC) considers some cryptovaluta as securities, while the Commodity Futures Trading Commission (CFTC) treats Bitcoin and Ethereum as commodities (Micheletti, 2020) . FinCEN (Financial Crimes Enforcement Network) has also issued guidelines on Anti-Money Laundering (AML) and Know Your Customer (KYC) for cryptovaluta exchanges. Despite the scrutiny, blockchain innovation and usage is thriving in the region (Custers, 2021) .

The European Union takes a dedicated regulatory approach through various directives and regulations that apply to all its members. MiCA (Markets in Crypto-Assets) is a proposed bill to provide a comprehensive legal framework for cryptovaluta, covering aspects such as financial stability, consumer protection and market integrity. Some member states such as Germany and Malta have created progressive national regulations to support innovation while maintaining market security. Europe continues to work towards regulatory harmonisation across its members to create a clear legal basis for industry players (Schuilenburg & Soudijn ., 2021)

Japan was one of the first countries to officially accept Bitcoin as legal tender and has developed a comprehensive regulatory framework for the cryptocurrency industry. The Financial Services Agency (FSA) in Japan is tasked with overseeing cryptocurrency exchanges, enforcing AML/KYC measures, and ensuring that they operate with high security standards. Japan also sets strict regulations to prevent fraud and increase protection for investors and cryptocurrency users, making it one of the most welcoming environments for blockchain startups (Veuger ., 2020)

China has a harsher stance on cryptovaluta than many other countries. The Chinese government has banned Initial Coin Offerings (ICOs) and shut down domestic cryptocurrency exchanges. However, the country has not completely rejected blockchain technology; instead, it is promoting its development and adoption in other sectors such as supply chain tracking and finance. In addition, China is currently testing a Central Bank Digital Currency (CBDC) called the Digital Yuan, as a step towards integrating blockchain technology in the country's official financial system (CATELLI, n.d.) .

In Indonesia, cryptovaluta is not recognised as legal tender, but can be used as a commodity traded on futures exchanges. The Commodity Futures Trading Supervisory Agency (Bappebti) regulates cryptocurrency trading and has issued regulations governing the trading mechanism, including registration and compliance requirements for service providers. Bank Indonesia also oversees these activities to ensure financial stability and prevent illegal activities. Although members of the Indonesian public are increasingly interested in cryptovaluta, strict regulations are in place to minimise risks and protect consumers (Cornelis, 2023) .

With the proliferation of blockchain technology and the adoption of cryptocurrencies around the world, many countries are now facing the challenge of adjusting their regulatory frameworks. Countries such as South Korea and Singapore, for example, have adopted a balanced policy, seeking to support innovation while maintaining strict regulatory controls to protect consumption and financial markets. On the other hand, developing countries are endeavouring to understand the economic impact of digital assets and explore their potential role in facilitating financial inclusion. A digital literacy process is essential for stakeholders to understand and adapt to these changes.

With that said, the regulation of cryptovaluta in different countries reflects a diverse approach to the ever-evolving digital assets. Despite differences in policy implementation, the main objectives remain the same: ensuring market stability and integrity, protecting consumers, and encouraging innovation. On the one hand, regulation fills an important role in curbing illegal activities and minimising risks for investors, but on the other hand, overly restrictive policies can stifle innovation and adoption of new technologies. Therefore, it is important for governments and regulators around the world to strike the right balance, in order to create an environment that is conducive to the development of the cryptocurrency industry while protecting the public interest.

Legal Implications of Cryptovaluta Regulation

The regulation of cryptovaluta carries significant legal implications, especially in terms of the recognition and acknowledgement of the legal status of digital assets. With clear regulations in place, cryptovaluta can be recognised as legitimate and legal assets in various financial transactions. This provides legal certainty to digital asset holders and market participants so that they are more comfortable carrying out economic activities related to cryptovaluta. In addition, legal recognition will also facilitate the process of taxation and financial reporting, so that the government can obtain revenue from these transactions (Kulk & Snijders, 2020) .

Cryptovaluta regulations also provide legal protection to consumers. With strict rules in place regarding security, transparency, and fairness, consumers can feel more secure in making cryptocurrency transactions. For example, regulations can require crypto exchanges to adhere to high security standards and provide clear information about the risks involved. These protections are important to prevent fraud and market manipulation, which are often problems in the cryptocurrency industry (Jessen, 2021) .

The implementation of cryptocurrency regulation carries legal implications regarding compliance and enforcement. Market participants, both individuals and institutions, must ensure that they comply with all existing requirements, such as large transaction reporting, KYC (Know Your Customer), and AML (Anti Money Laundering). Failure to comply with these regulations can result in severe legal sanctions, ranging from fines to criminal legal action. Consistent and strict enforcement is essential to maintain market integrity and deter illegal activity (Goetghebuer & Desmyttere ., 2020)

While regulations can provide many benefits, they can also bring legal challenges to innovation in blockchain technology and cryptovaluta. Regulations that are too strict or inflexible can hinder the development of new technologies and reduce the attractiveness of investment in the sector. Innovators may have to make extra efforts to ensure their products and services are compliant with existing regulations, which could slow down the process of launching and adopting new technologies. Therefore, it is important for regulators to consider the balance between legal protection and innovation encouragement in crafting policies (Koumans, 2024) .

By understanding the legal implications of cryptocurrency regulation, stakeholders can better navigate this rapidly evolving and complex legal landscape.

Regulation of cryptovaluta also impacts economic and financial stability. Poorly regulated digital assets can pose systemic risks, such as extreme price volatility and the potential for sudden market crashes. With regulation, the cryptocurrency market can become more stable and predictable, reducing risks for investors and financial institutions. In addition, regulation can provide a framework that allows monetary authorities to monitor and control the economic impact of widespread adoption of cryptovaluta (Burgers, 2024) .

In the era of globalisation, cryptocurrency regulation must also take into account international aspects. Countries need to harmonise their regulations to prevent regulatory arbitrage where market participants move their activities to jurisdictions with looser regulations. International collaboration can help in combating cross-border criminal offences, such as money laundering and terrorism financing using cryptovaluta. Therefore, the establishment of international standards and cooperation between countries is important in regulating cryptovaluta (Verstappen, 2024) .

The implementation of cryptocurrency regulation brings its own challenges, especially in terms of technological adaptation and legal understanding. Many jurisdictions are still in the early stages of policy development, so the adaptation process may take significant time and resources. In addition, the rapid evolution of technology in blockchain and cryptovaluta often exceeds the speed of policy formulation, so regulation must be able to adapt to rapid change without losing its effectiveness (Henckel, 2023) .

As such, cryptocurrency regulation has diverse and complex legal implications, from recognising the legal status of digital assets to consumer protection and law enforcement. While providing many benefits such as increased security and market stability, inflexible regulation can stifle innovation and reduce investment attractiveness. In addition, international alignment and adaptation to evolving technologies are challenges that regulators must face. With the right balance, regulation can support healthy and sustainable growth in the cryptocurrency ecosystem, while protecting the interests of all stakeholders involved.

Conclusion

The regulation and legal implications of cryptovaluta show that the approaches taken by different countries vary significantly, although there are a number of common themes emerging. Many countries have begun to recognise cryptovaluta as financial assets and developed regulatory frameworks to govern their use. The main purpose of these regulations is to provide legal certainty, protect consumers, and prevent illegal activities such as money laundering and terrorism financing. However, this regulatory process is often at an early stage, with many countries still exploring how best to address the challenges presented by this new technology.

Market stability and security are the two main aspects of concern in cryptocurrency regulation. Effective regulation is needed to reduce the risk of market volatility and prevent fraud and market manipulation. In addition, consumer protection is prioritised, with rules ensuring transparency and accountability from market participants. In an effort to achieve this balance, many jurisdictions are striving to create flexible and adaptive regulations that evolve with technological advances and market dynamics.

However, global challenges in cryptocurrency regulation cannot be ignored. Policy alignment between countries is important to prevent regulatory arbitrage and address cross-border criminal offences involving cryptovaluta. International collaboration and common standards can help address these challenges and offer a more consistent framework. Thus, despite the challenges, sound and effective regulation can support the wider and safer adoption of cryptovaluta, providing long-term benefits to the global economy.

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