



The Indian Journal for Research in Law and Management

Open Access Law Journal – Copyright © 2025

Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

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CRYPTO LAW IN FLUX: GLOBAL REGULATORY CHALLENGES AND COMPLIANCE

~ *Raj Jaiswal*

Introduction

Cryptocurrencies have evolved from digital curiosities to major financial assets. After the launch of first cryptocurrency—Bitcoin in 2009 the popularity of cryptocurrencies only grew, as of 2025 there are more than 37 million crypto tokens currently available in crypto ecosystem. This has created significant legal challenges across various jurisdictions due to which current landscape around digital assets like cryptocurrencies and non-fungible tokens (NFTs) still remain fragmented. While some jurisdictions have enacted comprehensive laws, others have entirely restricted crypto activities. This writing explores the key legal implications of cryptocurrencies across various jurisdictions, covering regulatory status, illegal activities and privacy concerns.

Regulatory Status Across Various Jurisdictions

In September 2021 El Salvador made history by adopting Bitcoin as its legal tender to increase efficiency of remittances, reduce reliance upon US Dollar and to boost private investment in their country. Similarly, Canada approved Bitcoin exchange-traded funds (ETFs) and requires crypto platforms to register with regulators to foster a pro-crypto environment. Also, countries like Japan wants to integrate crypto assets into their financial ecosystem. Recently, Japan's Financial Services Agency (FSA) announced to recognize crypto assets as financial products meaning that this will call for stricter regulations for crypto trading and will also help in curbing insider trading.

The United States lacks a unified crypto law; it adopts a partial regulation strategy as it permits cryptocurrencies but regulates them through multiple agencies. The Securities and Exchange

Commission (SEC) oversees initial coin offerings; the Commodity Futures Trading Commission (CFTC) handles derivatives and Internal Revenue Services (IRS) provides relief to penalties for brokers. There are also state level regulations regarding crypto within the U.S., for example some states like Wyoming embraces crypto-friendly laws while some states like New York impose strict licensing requirement called as BitLicense.

China has adopted a zero-tolerance approach, it banned all cryptocurrency trading and mining in 2021 in order to maintain control over capital flows. China has instead focused on developing its own central bank digital currency (the digital yuan). Similarly, countries like Algeria and Egypt also prohibit cryptocurrencies due to high risk of usage of cryptocurrencies for money laundering and terrorist financing activities.

Illegal Activities Through Cryptocurrencies

Cryptocurrencies operate on blockchain network, which records transactions that are linked in peer-to-peer network. This complex array of blockchain transactions is freely accessible by anyone but due to pseudoanonymous nature of cryptocurrencies like bitcoin it creates hurdle in tracing the origin of individual's transactions. Since, crypto ecosystem is decentralized (lack of single authority or any central bank controlling the network or currency), criminals perform multiple transactions through various wallet addresses across multiple crypto chains which makes tracking of particular cryptocurrency nearly impossible. This untraceable money is then used to fund crimes like drug trafficking, money laundering, human-trafficking etc.

The Financial Action Task Force (FATF), which is an intergovernmental organization made to combat money laundering, terrorism financing etc. They have issued certain guidelines which mandates virtual asset service providers to implement Know Your Customer (KYC) and Anti-Money Laundering (AML) measures but implementing these guidelines to every country still remains a challenge. Therefore, efforts to curb crypto-related crime are intensifying, but the global and decentralized nature of blockchains complicates enforcement.

Privacy Concerns

Most of cryptocurrencies like Bitcoin, Ethereum are pseudonymous, meaning its every transaction is permanently recorded on a public ledger and it can be traced by using analysis tools like Chainalysis. But due to some piracy coins like Monero (XMR), Zcash (ZEC) who are gaining

popularity in recent time use cryptographic techniques to ensure untraceable transactions. They give permission to sender to create a new one-time address for every transaction executed on the behalf of recipient. It also uses stealth addresses, meaning only receiver and sender actually know where the payment was sent. Also, due to Its untraceable nature has led to its adoption in darknet markets, ransomware attacks, and several money laundering operations.

Lessons for India

India can draw valuable lessons from other jurisdictions which can balance innovation with investors protection. Firstly, India can give legal clarity to the term cryptocurrency and define different categories of cryptocurrencies into various asset classes instead of just being categorized under Virtual Digital Assets (VDAs). Secondly, India needs to protect interest of investors by implementing strong Anti-Money laundering (AML) measures and making Know Your Customer (KYC) compliance necessary for both investors and Crypto-Assets Service Providers (CAPSs) to enhance security and comply with regulations. Finally, India needs to develop a comprehensive framework for crypto to strike balance between both extreme ends and for crypto innovations to flourish.

Conclusion

The legal landscape for cryptocurrencies continues to evolve rapidly as governments balance innovation with consumer protection and financial stability concerns. Tax complexities and concerns about illegal activities highlight the need for clearer frameworks. Privacy issues underscore the gap between technology and law and show both opportunities and hurdles. Businesses and individuals involved in the cryptocurrency space must remain vigilant about compliance as regulations develop across jurisdictions.