

# To Regulate the Cryptocurrencies in Pakistan: Demand of Time

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## ABSTRACT

The lack of cryptocurrency legislation presents several issues, and the purpose of this article is to investigate those challenges. Several legal issues are brought about because no one law applies everywhere. The lack of a consistent legal framework is a barrier to the development of cryptocurrency markets. Investors who want to participate in such kind of money or asset are usually discouraged since there is no established legal framework to guide them in doing so. This study is based on qualitative research and researcher analysed statutes, local and international laws, protocols, conventions, treaties and reports for the triumph of this work. This study intends to evaluate the various approaches that particular governments have taken and the beginnings of legal texts that they have drafted in order to address these problems. The purpose of this evaluation is to bring attention to the obstacles that have been generated as a result of the lack of regulation. Even though they come with their advantages, Cryptocurrencies are now working toward integration into the conventional financial system. Since 2010, cryptocurrencies have been the fruit and consequences of a new technology proliferating. This new technology came into being in 2010. Despite this, the expansion of the blockchain ecosystem is confronted with several challenges. However, many states are still wary of the applications and widespread adoption of blockchain technology, despite their want to join the blockchain revolution. The formation of an appropriate regulatory framework for the development of this emerging technology would make it feasible for crypto-assets to be circulated, which is an essential part of the economy for nations that want to maintain their attractiveness from a financial perspective.

**Keywords:** Cryptocurrency, Legal framework, Digitization, Crypto market, Bitcoin, BTC, Wallets, Anti-Money Laundering Directive.

## Introduction

One of the results of advancements in technology is the digitization of formerly analogue forms. Additionally, the trend of digitalization has had an impact on the monetary and financial system. This mania is taking place all across the globe, and one illustration of it is the emergence of cryptocurrency marketplaces. One of the most important reasons that is contributing to the development of this emerging technology is the fact that bitcoin can be accessible from any place and at any time of the day or night. This is one of the most significant considerations. In light of these benefits, financial institutions have developed a wide variety of protocols to simplify the process of gaining access to bitcoin for their respective consumers. The adoption of a technologically secure medium may also contribute to the popularity of cryptocurrencies (Ozturk & Sulungur (2021).

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At the moment, the safety of cryptocurrencies is ensured by mathematical coding. Another way, cryptocurrency is an encryption-based digital or virtual monetary unit. On the other hand, many investors choose to invest in cryptocurrencies because of the full Ozturk and Sulungur: Some people consider the absence of control to be a barrier to the expansion of the cryptocurrency market. Bitcoin is without a doubt the most well-known cryptocurrency, and it is also the one that best illustrates the benefits that blockchain technology can provide in the best manner imaginable. "Bitcoin: A Peer-to-Peer Electronic Cash System" was the title of an essay that Satoshi Nakamoto wrote and published about bitcoin in 2008. This was the first occasion on which the cryptocurrency could be purchased by members of the general public. The worldwide monetary system makes use of a number of other cryptocurrencies in addition to bitcoin. Because of the ease and safety with which transactions may be completed using the cryptocurrency and the safety of digital transactions in general, Bitcoin may appeal to investors, consumers, and the financial mechanism as a whole. (Ali 2022).

### **Objectives and Significance of Study**

In the article that Satoshi Nakamoto wrote, he presented the digital money that he had given the name Bitcoin. The benefits of using this new technology, which he referred to as the blockchain, were a primary focus of his presentation. Since this digital money is not associated with any nation's government or any single central bank, it is unregulated despite the fact that it is not supported by anything that can be held in one's hands. As a result, it is not subject to any oversight. proposed using "BTC" to refer to this new kind of currency. The system's reliability is cited as a benefit of cryptocurrencies in this pro-cryptocurrency argument. Those interested in cryptocurrencies may rest sure that their financial transactions will be safe and at a lower overall cost since encryption and mathematical techniques are used. It seems that cryptocurrencies have a bright future due to the cheap transaction costs and the fact that they are feasible and fast to complete transactions (FAUZI et al., 2020). The anonymous nature reassures clients who want their business to be handled with the tightest confidentiality of the transaction, which reassures customers who want their business to be handled anonymously. Each legal and authorised transaction is added to information that is stored system. Blockchain technology is implemented on a digital platform with internal memory and keeps a record of each transaction on that platform. The transparency of the blockchain and its accessibility are other contributing aspects to its growth. On the other hand, keeping track of transactions is almost difficult, which creates several legal issues in disagreements or noncompliance with the contract (Molling et al., 2020).

In this piece of writing, clarifies that everybody who has a bitcoin must use a wallet to save their bitcoins. At the moment, there are four distinct styles of wallets. It includes wallets that can be accessed through the internet, desktop computers, mobile devices, and hardware. The speed of the internet connections used by these four individuals is what decides whether or not these wallets are "hot" or "cold." The following is Caentano 's categorization in 1995 of these four distinct portfolios: The term "online wallet" refers to a wallet that is stored digitally and can be get into by web browser or a mobile application installed on a user's mobile device (Ghosh et al., 2020). This wallet is known as a "online wallet." Because desktop wallets are directly linked to the network, users have a greater degree of influence over the bitcoin system. Users of this form of wallet should back up their transactions in order to protect themselves against the chance of losing them due to technical difficulties. This is because there is a possibility that users might lose their transactions. Mobile wallets are wallets that are created directly on the user's mobile device utilising a variety of programmes. These wallets are capable of storing a wide variety of digital currencies of varying sorts. The reason for this is because they are often kept on "traditional" hard drives, such as USB sticks. Hard ware Wallets seem to be among the most secure types of digital wallets. This guarantees that the owner will always have access to their bitcoin, regardless of whether or not they have an internet connection. Because of this, digital assets kept in hardware wallets are referred to as "cold storage." (Chen et al., 2020).

## **Methodology**

This study is based on qualitative research. Researcher analyzed basic sources of law, statutes, local and international laws, protocols, conventions, treaties and reports related to cryptocurrency for the triumph of this work.

### **System Under Cryptocurrencies: Blockchain Technology**

Over the last several years, blockchain technology has seen incredible success and growth. It has been found that the economic, banking, and financial sectors all stand to benefit significantly from the use of this novel technology. However, it is also source of job opportunity and a chance for IT enterprises to generate value in their respective markets. Blockchain technology will serve as a basis for next internet generation. Experts believe that the following technologies would do irreparable damage to the overall structure of the internet environment. The data structure that underpins blockchain technology is a chain of blocks linked together. Consequently, the straightforwardness of its architecture confirms that both the data storage service and the system verification operate in a hierarchical form (Tarasova et al., 2020).

Utilization of encryption provides reassurance about data will not be modified in any manner, shape. The technology of blockchains is one of the cutting-edge innovations that is anticipated to have a big influence on the ways in which people of the next generation will utilise the internet (Yang et al., 2021). Even when removed from the context of cryptocurrency, the potential applications of blockchain technology appear to be endless. This is due to the fact that blockchain technology having tendency to be implemented in broader distinction in settings. Some of these settings include cyber security, Management of disasters, communication, post-market compensation, arbitration, processing of payments and credits, mediation, supply chain accountability, trade financing, paper records, and securities registrations. There is a wide variety of use cases that might be facilitated by blockchain technology. Each currency can use its blockchain to perform transactions (Joo et al., 2019).

The decentralised pricing structure used the most recent applications of blockchain technology and additional features that created the opportunity to submit minute volumes of code directly on the blockchain and have them implemented decentrally by all network nodes. This was facilitated by adding extra attributes that make it possible to do so. This was made possible by the use of modern blockchain technology and additional features (Aysan et al., (2019).

Due to the fact that they make it feasible for individuals to get into contractual connections with other individuals (or computers) via the usage of a straightforward transaction on a blockchain, some types of agreements are referred to as "smart contracts." This is the term that is used to characterise the SC. The reasoning behind formal contractual agreements is intended to be mimicked by intelligent contracts. This piece of software automates negotiating contracts, checks for and ensures compliance with contractual obligations, and eliminates the need for the parties involved to come to a separate legally binding agreement. In actual business, smart contracts may use their built-in compliance mechanisms to carry out the contract's terms automatically and contain illiquid dealings. Interaction between intelligent contracts and between intelligent contracts and individuals is possible inside the same blockchain ecosystem like, Ethereum. (Belotti et al., (2019).

Under some circumstances, it is possible to establish a complicated chain of smart contracts, which makes it feasible for a large number of players to carry on a dialogue with one another. An autonomous intelligent contract system governed by an unbeatable set of regulations enforced in a smart contract is referred to as a decentralised independent body, or DAO for short. Only in the form of and smart contract is it possible to implement a system of this kind. A decentralised autonomous organisation, also known as a DAO, is considered "independent" in the sense that it is not governed by any one specific person or legal authority, which is what gives it its "decentralised" status (Caton 2019).

Within framework of blockchain technology, miners are the individuals in charge of verifying and authorising transactions. Generally speaking, these validations are carried out once every ten minutes. In

other words, a chain builds up blocks, which a miner then verifies at the end of the process. This validation is accomplished by finding the solution to a complex mathematical problem; the transaction is verified when a miner is the first to find the solution. Because of this, each Bitcoin transaction is added to the chain, and after a transaction has been validated, it can no longer be cancelled. When the transaction has been verified as legitimate, the data are stored and logged in the databases, and its dissemination is speedy and open. Legally speaking, the Office of the Comptroller of the Currency (OCC), which is a federal regulator in the United States and is accountable for confirming a protection and reliability of national banks in the United States, published the very first handbook on blockchain technology and cryptocurrencies in March of 2016.

According to the findings of this study, distributed ledger technology is an example of recent advancement in technology that "has the potential to transform the way transactions are handled and conducted". In December 2016, Business Department Research and Statistics and Monetary of the United States Federal Reserve (FED) published an article titled "Distributed Ledger Technologies" (FED, 2016). A study conducted by the Federal Reserve found that blockchain technology has potential prospects" in payment, commerce, and payments. More specifically, the technology offers "a new [asset independent] medium of storage, registration, and transfer of any kind of digital asset (Choi 2021).

### **Legal Framework Regarding Cryptocurrency**

Innovative technology presents a number of issues, to which it is essential to provide rapid responses that are clear and accurate; otherwise, the fervour that has been generated around this new technology may swiftly die down. A growing number of retailers and other financial institutions will accept cryptocurrency payments. In a nutshell, every state has a different perspective on cryptocurrencies, which could make it easier to comprehend the legal challenges that cryptocurrencies present and the solutions that are now being presented or that are being considered for the future (Hsu & Liu 2021).

Despite the significant relevance of the advantages of blockchain technology, legal professionals have not yet discovered a solution to the many issues related to the technology. For example, cryptocurrencies make it easier to do a wide range of illegal actions, including those of significant concern worldwide, such as tax evasion, money laundering, and the sponsorship of terrorist organisations. Concealment of bitcoin transactions and nonappearance of government oversight or third-party mediation make cryptocurrency-accepting financial markets vulnerable to a wide range of illegal behaviour (Abelseth 2018).

Keep in mind that money also acts as a store of value and a medium of exchange. As a result, challenge is determining whether or not cryptocurrencies fulfil all three of these functions. Asserts that cryptocurrencies, and Bitcoin, are not a store of value since financial organisations use a store of value as a security guarantee, which seems unlikely to apply to bitcoin. As a result, cryptocurrencies are not a store of value (Hakak et al., 2020).

In addition, as a result of their jurisdiction, several states see cryptocurrencies as being equivalent to commodities. When there is a dispute, which institutes and courts holding the jurisdiction to resolve it. The fact that various nations provide their people with varied rights contributes to the international muddle with cryptocurrencies. The federal government and individual states have regulations about using virtual currencies in the United States. At the federal level, he focused his attention on various compliance-related challenges. In March of 2013, the Financial Crimes Enforcement Network (FinCEN) issued first official government declaration regarding virtual currency in the United States. This statement was accompanied by an interpretative guide that explained how US bank confidentiality legislation applicable to convertible virtual currencies. The Financial Crimes Enforcement Network determined some convertible virtual currency, such as Bitcoin, must comply with US anti-money laundering regulations in order for them to be accepted and transferred. An announcement on virtual currency was made by the Internal Revenue Service (IRS) in March of 2014, which is a government financial entity in the United States. According to reports, the IRS has not modified its position. In addition, the United States Internal Revenue Service has said that cryptocurrencies should be regarded as property for federal taxation (De Meijer 2016).

The state of New York pioneered the use of a methodical strategy. "BitLicense," a set of specialised licencing requirements for enterprises dealing in virtual currency, was authorised by the New York State Department of Financial Services (NYDFS) in June of 2015. It is necessary to get a BitLicense from the New York Department of Financial Services to submit an application required to fulfil several conditions like, anti-money laundering, cybersecurity (Sandberg 2020).

European organizations used this technique since 2012 to address this problem on a regional level inside the European Union. Europe's central bank, sometimes known as the ECB. In October 2012, the European Central Bank (ECB) began to classify cryptocurrencies as "a sort of unregulated digital money developed and mostly controlled by its founders and used among members of a specific virtual community." In answer to the question of what precisely cryptocurrencies were, this definition was made public (ECB, 2012). The European Banking Authority ("EBA"), in a statement in December 2013 and in a view to European institutes and national regulators issued in January 2014, all recommended a long-term complete virtual strategy to build a currency regulation framework, as did this ECB investigation. The European Central Bank performed this study. Bitcoin's economic benefits have been called into question by the European Central Bank (ECB), which has also outlined many probable drawbacks. The EBA commended EU legislators and regulators to take immediate step, such as declaring virtual currency exchange platforms and depository wallet providers as "obligated institutions" subject to the EU Anti-Money Laundering Directive; implementing the new regulatory mechanism would unavoidably take some time (Levin et al., 2018).

In other words, the European Banking Authority (EBA) encouraged EU legislators and regulators to act immediately. Europe's Fourth Anti-Money Laundering Directive (LBC) No. 2015/849 was expanded to encompass virtual currency market players in July 2016 by the European Commission (EC), which is dominated by terrorist concerns. When the EC adopted EBA's proposal to broaden the scope of the EU's Fourth Anti-Money Laundering Directive, this occurred. The European Commission (EC) has recommended a categorization of "virtual currencies" comparable to the EBA's 2014 decision. European Banking Authority officials stated in 2014 that "virtual currencies are a digital representation of value that is neither issued by a central bank nor attached to fiat currency but is accepted as a means of payment by natural or legal persons and can be transferred, stored, or exchanged electronically," according to the EBA's definition. "Virtual currencies" have been categorised by the European Central Bank (ECB). In October of last year, the EU's legal council took the most significant step toward regulating virtual currencies in the EU. The EU Court of Justice has helped to reduce legal confusion by harmonising the perspectives of EU member states on value. More than a year ago, a number of EU member states agreed to espouse a variety of VAT regimes for virtual currencies (Vieira & Zhang 2021).

As a result, all digital currencies, not only bitcoin, were included in this ruling. Banque Centrale Francaise (France's central bank) mandated in December 2013 that the alteration of virtual currency into legal tender should be considered as provision of monetary services necessitated by an agreement with one or more payment institutions. Since there may be problems in interpretation under European law if the term isn't defined, advises that it be done so. France's central bank refers to virtual currencies as "a parallel process of money" in 2016, according to a press release. In October of 2017, the French Ministry of Economics and Finance became the first government body to officially recognise bitcoin as a legitimate means of payment. "The first decentralised electronic monetary currency" was mentioned in the paper by French Ministry of Economy and Finance, 2017.

It would seem that legal framework used to control cryptocurrencies has to be standardized for virtual currencies to continue to exist in their current iteration. This is necessary in order for virtual currencies to continue to exist. Anyone wishing to invest in cryptocurrencies is now faced with a scenario fraught with uncertainty due to the proliferation of new laws and legal foundations. For instance, on April 16, 2021, Pakistan enacted new laws that placed restrictions on the purchase and sale of crypto assets (RG, N: 31456, 04.16.2021). It would seem that the absence of taxes on crypto-assets was the impetus for the creation of this new rule. In the long term, there is no way to get around the fact that all nations will have to work together in order to combat issues like tax evasion and money laundering, the funding for terrorism. This is

something that cannot be avoided. This will be done to bring currencies and assets into compliance with the legal framework (Ross et al., 2019).

### **Cryptocurrencies, Subject of Tax Law**

As a result of this misconception, certain governments are under the impression that cryptocurrencies are legally obligated to pay taxes and, as a result, should be included in official tax documents. Those individuals who are required to pay taxes on the crypto assets are subject to a variety of rates that are determined by the state in which they reside. For example, Argentina and a great number of other countries hold the opinion that the lack of a regulator is a barrier to the legalisation of cryptocurrencies. Many other countries also hold this position. As a direct consequence of this, Argentina does not recognise cryptocurrencies such as bitcoin or ethereum as valid currencies; nevertheless, this does not necessarily indicate that its populace is completely opposed to the usage of virtual currencies (Benavides et al., 2021).

Argentina, which does not recognize bitcoin as a form of legal cash, has opted to control transactions involving cryptocurrencies via a law that regulates the trade of products (Cryptocurrency Regulation Report, 2018). The Argentine government's financial regulators have asked for a study to be conducted on how cryptocurrencies should be regulated. The article emphasizes the concerns of the authorities over money laundering and the sponsorship of terrorist organizations, as well as a method for reporting suspects or transactions that may be dubious. As part of its effort to combat tax evasion, Argentina has also created a method for taxing crypto-assets under Cryptocurrency Regulation Report, 2018. Besides Argentina, Israel considers virtual money a subject of capital gains tax (Ozturk & Sulungur 2021).

### **Cryptocurrency in Money Laundering and Terrorist Financing**

How cryptocurrency is designed, it is far simpler to conceal the origin of illicit funds by using them. First things first, we need to agree on a working definition of "money laundering." It is essential for there to be an act of money laundering in order for it to be viewed as a criminal activity, to put it another way. The crime must be carried out in order for it to be considered criminal conduct. Once a crime has been committed, there must be a monetary benefit, and the government must collect this money that has been obtained illegally. The results of research that was carried out that around one percent of Bitcoin transactions and purchases are performed to engage in illicit behavior, such as money laundering (Angeline et al., 2021).

This sort of malicious network is difficult to eradicate since the transactions that are based on blockchains are conducted in complete secrecy, there is no central authority to oversee them, and there are no administrators, regulators, or mediators because all of these variables working together, dissolving the network is physically impossible. There are several jurisdictions that either openly acknowledges cryptocurrencies or, at the absolute least, do not go so far as to prohibit them outright. These states have added legislation against money laundering and funding for terrorism that take bitcoin into consideration (Kirkpatrick et al., 2021).

There are certain countries, such as Australia, who are debating whether or not they should integrate the legal foundations of cryptocurrencies in their tax laws, anti-money laundering rules, and efforts to prevent funding for terrorist organizations. Nevertheless, the Senate Committee emphasized the need to minimize the potential for double taxation that might come from transactions involving cryptocurrencies and crypto-assets. This requirement was brought up in the context of the potential for double taxation under Cryptocurrency Regulation Report, 2018 (ali 2022).

Despite Canada's positive stance on cryptocurrencies and digital assets, the nation does not recognise bitcoin transactions as a valid form of payment. The Canada Revenue Agency views transactions using bitcoin as akin to barter transactions under Cryptocurrency Regulation Report, 2018. Since 2014, bitcoin has been classified as a "money service business," which positions it in a certain category. Any Canadian company that deals in bitcoins is required by law to "keep and maintain records" and register with the Financial Transactions and Reports Analysis Center of Canada.

With the exception of the European Union and the United States, regulators across the globe have had a broad range of perspectives. For example, some industrialised countries are forming expert and international groups to explore the regulatory environment for virtual currencies, or they have shown political will to implement laws on cryptocurrencies and mining operations. The United States of America is one of these countries. In addition, a growing number of jurisdictions, including Australia, Canada, and Singapore, are providing virtual mediators in convertible currencies as part of their regulatory frameworks for preventing money laundering under Australian Senate Legal and Constitutional Affairs Legislation Committee, 2017.

It is imperative that this step be taken in order to realise the goal of improved legal clarity in the transactions that include these assets. On the other hand, international organisations have taken a contrasting approach towards this issue. According to research that was conducted and released by the Bank for International Settlements (BIS) in 2015, the use of digital currencies may make the function of central banks less important. The Bank for International Settlements published its findings in 2015. Since that time, the BIS has granted its approval to publications that advocate for the creation of cryptocurrencies by central banks themselves. Since 2016, the International Monetary Fund (IMF) has expressed optimism on the expansion of cryptocurrency markets in a number of official studies and announcements (Allen et al., 2022). These studies and statements were provided by the IMF. These reports and speeches have been made available to the public since 2016. International Monetary Fund Discussion Note for 2016 According to a document titled "IMF Staff Discussion Note," transactions using virtual currencies in Israel will be subject to the capital gains tax, which is something that has generated a lot of discussion (Wronka 2021).

There are certain nations, such as Switzerland, that recognize cryptocurrencies as a kind of property. The Swiss government has produced a paper that addresses the economic problem, legal approach, and issues related to virtual currencies. According to the conclusions of this study, virtual currencies that have the same characteristics as money are not recognized as legal currency; rather, they are seen as property. This is despite the fact that virtual currencies have the same functions as money under Federal Council Report, 2014. The protection of investors, the laundering of illicit funds, and the facilitation of the activities of terrorist organizations are at the top of the list of risks presented by cryptocurrencies. The Swiss Federal Council is well aware of these risks, and it has issued a warning to the public about them. Nevertheless, the council urges caution and caution against ignoring the advantages and new technologies that come along with virtual currencies. In addition, it advises against neglecting the risks associated with virtual currencies (Temirovich 2021).

As a final note, Switzerland examines the advantages and disadvantages of virtual currencies and issues a strong warning about the risks associated with their use. Switzerland's anti-money-laundering law applies to anyone who accepts money from others as a deposit or support for professional investment or who transfers such assets. Assets such as these may be transferred under this statute as well. Such assets may be transferred under this law as well. As a result, virtual currency is generally thought to be covered by this regulation (Wang, S., & Zhu, X. (2021). Even though they have just recently started taking bitcoin for administrative fees, they have already started accepting it for tax payments as well. Taxes, exchange limits, and cryptocurrency transactions are all impacted by this development, as are other aspects of the financial system. Legally speaking, it is permitted in Belarus to purchase and sell presidential decree-issued cryptos. Taxes, currency exchange regulations, and cryptocurrency transactions are all regulated by the law under Cryptocurrency Regulation Report, 2018 (Ali 2022).

Belarusians will no longer have to pay taxes on their bitcoin transactions with the presidential decision. As a result of this ruling, value-added tax will not be applied to the sale of tokens. In the tax system, these tokens do not count as taxable income. The National Bank of Belarus is responsible for enforcing anti-money laundering regulations in Belarus. It has now spread to the operators of crypto platforms and cryptocurrency exchanges (Akartuna et al., 2022).

These individuals see lottery and casino game operators as high-risk clientele. Several nations, like as Bangladesh and Vietnam, exhibit a lack of enthusiasm for cryptocurrencies and assets under State Bank of Vietnam, 2017. Despite this, both of these countries may alter their views in the near future. The monetary and economic stakes may have a substantial effect on the flow of transactions and the value acquired (Fletcher et al., 2021).

China, which does not recognize cryptocurrencies (to protect its investors and reduce the danger of money laundering and tax fraud), is preparing to establish its own currency on the financial markets. Certain governments see cryptocurrencies as currencies, while others continue to view them as commodities. However, there is little doubt that this burgeoning technology has captured the attention and interest of all key players in the economic and political sectors (Huang & Mayer 2022).

Certain authorities are focusing more on the negative features of cryptocurrencies in order to safeguard their investors and economy from possible damage. In contrast, the great majority of governments issue their own currency. The production of cryptocurrencies by legal authorities such as the Central Bank, etc. may be a feasible option in the absence of a regulator. However, there is no assurance that cryptocurrency consumers would favorably embrace cryptocurrencies modeled after banks or central authorities. It is impossible to foresee how cryptocurrency consumers will respond to these coins (Lee 2022).

## **Discussion**

### ***Pakistan 's Approaches to Cryptocurrencies***

In Pakistan, like in a large number of other countries, opinions on cryptocurrencies are not homogeneous, and the legal stance of the country regarding them is uncertain. According to the Financial Stability Oversight Council, bitcoins are safe. According to the law regulating electronic money, bitcoins cannot be termed electronic currency since their construction does not fall within the ambit of the statute. According to the statement, Bitcoin was not included in the statute controlling the subject matter of Bitcoin. Because of Bitcoin's nature and current operation, the Banking Regulation and Supervision Agency (BDDK) sent an official letter in 2013 stating that "Bitcoin is not regarded electronic money within the boundaries of the law because of its nature and current operation." Criminals may more easily utilise Bitcoin and other virtual currencies since it is difficult to track down the persons engaged in the transactions (Raza 2022).

Other potential risks include the unpredictability of market prices; the loss, theft, or destruction of digital wallets; the usage of digital wallets by unauthorized parties, as well as the technical difficulties that arise from the irreversibility of transactions. Bitcoin is equally vulnerable to the aforementioned threats (Maqsood et al., 2022). All of these problems arise from the inherent nature of Bitcoin transactions, which cannot be undone. The BDDK suggests that unethical drug dealers may resort to violent behavior. In 2013 (BDDK), As a direct result of this, the regulations that apply to cryptocurrencies in Pakistan are situational, and the state does not impose any limits or characteristics that render their usage illegal. New technologies are now being developed to allow government agencies to circumvent the private keys that are used by buyers of virtual currency. Because of these innovative methods, they will be able to circumvent the hidden private keys and get access (Soomro et al., 2022).

## **Conclusion**

After looking at the laws of several different states, it would seem that one of the most significant benefits that skeptics of the blockchain ecosystem refer to is not totally visible. This conclusion was reached after looking at the rules of a number of different states. People and governments are more likely to avoid taking risks when there is no oversight of their behavior. An ecosystem that is underpinned by blockchain technology establishes a connection between the user and, by extension, the coin's issuer. Cryptography is essential to the operation of this technology. The fact that it is decentralized, which was one of the causes that contributed to its success, has the potential to wind up being the reason why it is unsuccessful. In point of fact, nations that have an optimistic view of the future of cryptocurrency development often try to construct their own national coin. There is no assurance that "State" cryptocurrencies, which are

decentralized digital currencies that are issued by a central bank or another federal entity, will be profitable in the future.

The assessment prepared by the Directorate-General for Enterprises in the year 2021 indicated that it would be possible to install locking devices. A legal institution like the Central Bank may regulate this locking mechanism. Even though the dangers associated with cryptography seem to be practically identical from one state to the next, there is a wide variety of measures, particularly regarding the taxation level. Even though nations have a universal consensus that it is necessary to report the danger of money laundering and funding for terrorism, these jurisdictions vary on how crypto assets should be defined. To facilitate the standardization and internationalization of blockchain-related laws, it is essential to provide a definition of cryptocurrencies and assets that is both explicit and precise. The formulation of such a concept is an essential step toward the achievement of this objective. It would seem that reaching a consensus on a single definition is the necessary first step in the process of regulating activities on a global scale. The fiscal policy that governments will adhere to is an additional component that is a factor that is either going to either affect or adversely influence the spread of this new financial technology.

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