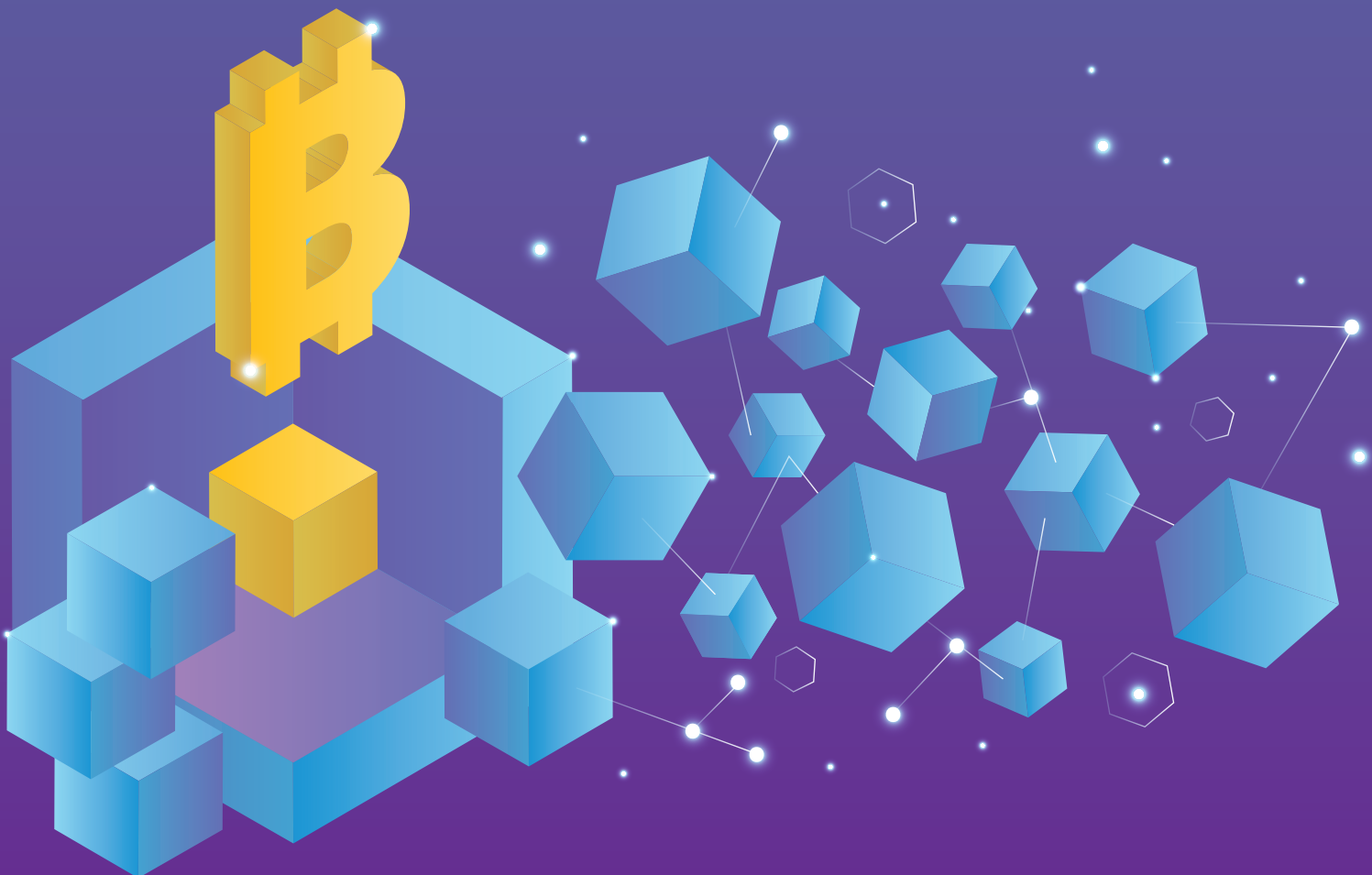


CRYPTOCURRENCY REGULATION IN PAKISTAN BETWEEN PROHIBITION AND POLICY REFORM



ECONOMIC POLICY
& BUSINESS
DEVELOPMENT



INTRODUCTION

Cryptocurrencies have emerged as disruptive financial instruments, challenged traditional monetary systems and prompted urgent regulatory responses worldwide. In developing countries like Pakistan grappling with economic instability and international oversight, the crypto debate is uniquely complex.

Since 2020, Pakistan has oscillated between prohibition and cautious engagement, reflecting tensions between innovation, financial security, and compliance with global standards, particularly those set by the International Monetary Fund (IMF).

This paper examines the evolving status of cryptocurrencies in Pakistan, focusing on recent developments such as the creation of the Pakistan Crypto Council (PCC), government-led blockchain initiatives, and proposed regulatory reforms. It also compares Pakistan's stance with other nations—especially those under IMF programs like Argentina, Egypt, and Sri Lanka—to explore how external economic pressures shape national crypto policies.

By analyzing legal, economic, and political dimensions, the paper highlights the challenges and opportunities facing Pakistan as it seeks to regulate digital assets without compromising macroeconomic stability or international commitments.

CRYPTOCURRENCY IN PAKISTAN- STATUS AND REGULATORY STANCE

HISTORICAL BAN AND CAUTIOUS APPROACH

Pakistan's official stance toward cryptocurrency has traditionally been very cautious, bordering on prohibition. In April 2018, the State Bank of Pakistan (SBP) issued a circular advising all banks and payment service providers to refrain from dealing in virtual currencies. The SBP declared that cryptocurrencies like Bitcoin, Litecoin, and others were not legal tender and that no entity was authorized to issue or exchange such coins in Pakistan¹. Banks were instructed not to facilitate any cryptocurrency transactions, which were to be reported as suspicious if detected². This effectively outlawed the use of crypto through formal channels.

In subsequent years, Pakistani regulators repeatedly reinforced this stance. In May 2023, for example, the Minister of State for Finance Aisha Ghaus Pasha affirmed that cryptocurrencies would “never be legalized in

Pakistan,” reportedly even suggesting that maintaining a ban was necessary for Pakistan's standing with international watchdogs³. At that time, officials cited risks such as volatility, fraud, illicit finance, and pressures from the Financial Action Task Force (FATF) as justification for not permitting crypto trading.

Consistent with this position, the SBP and Securities and Exchange Commission of Pakistan (SECP) continued to warn the public and barred their regulated entities from facilitating any crypto related activities⁴.

Under Pakistani law, cryptocurrencies have had no recognition as legal tender or financial assets, and any transactions were considered illegal under existing regulations⁵.

PUBLIC ADOPTION DESPITE RESTRICTIONS

Paradoxically, Pakistan has harbored a large and active community of cryptocurrency users, reflecting global trends in crypto adoption. Even amid the official ban, Pakistan ranked among the top countries in grassroots crypto adoption. A 2022 analysis by Chainalysis placed Pakistan 6th in the world on its Global Crypto Adoption Index⁶. This high ranking indicates significant usage of crypto for purposes like trading, remittances, and hedging against currency depreciation. Indeed, KuCoin survey⁷ and domestic surveys have found a notable minority of Pakistanis – including freelancers and tech-savvy youth – engaging in crypto transactions for storing value or receiving payments⁸. One estimate pegged the size of Pakistan's crypto market at \$18–25 billion (USD) despite

¹ State Bank of Pakistan

² Ibid

³ Pakistan Announces Fresh Ban on Crypto, but Adoption as a Hedge Remains Popular

⁴ SBP, Finance ministry inform NA body: 'Cryptocurrency is not legal in Pakistan' - Business Recorder

⁵ Ibid

⁶ Pakistan ranks sixth in global Crypto Adoption Index, signals potential market - Profit by Pakistan Today

⁷ Into the cryptoverse: understanding Pakistani crypto investors 2023

⁸ Pakistan ranks sixth in global Crypto Adoption Index, signals potential market - Profit by Pakistan Today

the regulatory challenges⁹. The motivations are often economic: with a history of double-digit inflation and currency volatility, many citizens see digital assets as an alternative avenue to protect and transfer wealth. This substantial informal adoption has put pressure on authorities to clarify the legal status of cryptocurrencies. It has also created a sense of urgency for establishing a regulatory framework that can address consumer protection and financial stability, rather than leaving the crypto economy entirely underground.

NEED FOR REGULATION

In the early 2020s, Pakistan's policy on crypto became somewhat conflicted. On one hand, regulators maintained that all crypto trading was illegal; on the other hand, they began studying how to regulate or even leverage digital assets. In 2022, a provincial court (the Sindh High Court) urged the government to develop crypto regulations, and task forces were formed to examine the issue. By mid-2025, this tension became evident publicly. The SBP had to "clarify" that it had never declared virtual assets outright illegal – its 2018 action was due to lack of legal framework – which implied that with a proper framework crypto could be permissible¹⁰. Still, top officials insisted the de facto ban remained in place until new laws were enacted¹¹. This ambiguity signaled that Pakistan was in a transitional phase: moving from a pure prohibitionist stance toward a regulated approach.

The impetus for change stemmed from multiple factors: the need to align with FATF standards (which call for regulating virtual asset service providers, not unconditionally banning them), the desire to foster fintech innovation, and the example of other countries benefiting from crypto-related investment¹². Pakistan's stance had not officially shifted to embracing crypto yet, but the government was taking a "cautious and forward-looking approach" by considering frameworks for virtual assets in an informed manner.

In summary, Pakistan's regulatory stance since 2020 has evolved from outright hostility to a grudging recognition that a robust legal framework is needed – if not to legalize crypto immediately, then at least to prepare for a future where digital assets cannot be ignored.

EMERGENCE OF THE PAKISTAN CRYPTO COUNCIL (PCC)

One of the most significant recent developments in Pakistan's crypto policy is the creation of a national-level cryptocurrency council. In March 2025, the government officially launched the Pakistan Crypto Council (PCC) as a government-backed initiative to oversee and promote blockchain technology and digital assets in the country¹³. The formation of the PCC represents a pivot toward engagement with the crypto sector, after years of indecision about whether to ban or regulate. The council's mandate is to regulate and integrate blockchain technology and digital assets into Pakistan's financial system¹⁴. In practice, this means the PCC is charged with developing a roadmap for crypto regulation, drafting necessary laws or policies, and advising the government on how to harness emerging fintech innovations. The very establishment of such a body marks a shift in the national strategy: rather than shunning cryptocurrency, Pakistan is moving to create an institutional framework to deal with it.

⁹ Ibid

¹⁰ Confusion over Pakistan's crypto policy - Central Banking

¹¹ Crypto policy in disarray as SBP, ministry insist ban is still in place - Pakistan - DAWN.COM

¹² SBP, Finance ministry inform NA body: 'Cryptocurrency is not legal in Pakistan' - Business Recorder

¹³ Pakistan launches Crypto Council to regulate blockchain, digital assets

¹⁴ Ibid

COMPOSITION AND LEADERSHIP

The Pakistan Crypto Council is chaired by the Federal Finance Minister (at the time of its inception, Mr. Muhammad Aurangzeb) and includes high-ranking officials from key financial and legal agencies. The SBP Governor, the Chairman of the SECP, the Federal Secretary of Law, and the Federal Secretary of Information Technology are on the council's board¹⁵. This high-profile composition ensures that all relevant regulators are coordinating on crypto policy through the PCC. Bilal Bin Saqib, a British-Pakistani entrepreneur appointed as a special advisor on blockchain, was named the CEO (chief advisor) of the council. Under this leadership structure, the PCC aims to balance regulatory oversight with innovation: the presence of the central bank and securities regulator provides oversight expertise, while the inclusion of technology and finance specialists brings in industry perspective. Notably, in April 2025 the PCC even brought on an international crypto figure – Binance founder Changpeng “CZ” Zhao – as a strategic adviser to lend global expertise. Such appointments signal Pakistan’s intent to engage with the broader crypto industry and learn from international best practices.

ROLE AND MANDATE

The official purpose of the PCC is twofold: developing regulations for digital assets and promoting blockchain technology in Pakistan¹⁶. In terms of regulation, the council’s immediate task has been to craft a comprehensive legal framework for cryptocurrencies and related virtual assets. In June 2025, the PCC convened to review draft laws and agreed to form a technical committee to refine the regulatory framework¹⁷. This technical committee includes representatives from the SBP, SECP, the Law Division, and the IT Ministry, and it is charged with proposing a “robust framework and governance structure” for crypto oversight. The aim is to align Pakistan’s rules with international standards and evolving global norms. Among options under discussion is the establishment of an autonomous Digital Assets Authority – a dedicated regulator for cryptocurrency and fintech innovation¹⁸. Indeed, by May 2025 the Finance Ministry had already announced plans for a new body called the Pakistan Digital Assets Authority (PDAA) to serve as a specialized regulator overseeing licensing, compliance, and innovation in the digital asset ecosystem¹⁹. The PCC is closely involved in this process as well, with the Finance Minister (who heads the PCC) emphasizing that Pakistan “must regulate not just to catch up — but to lead” in digital finance. In short, the PCC’s mandate is to pave the way for a legal, FATF-compliant crypto regime that can foster innovation while protecting consumers.

On the promotional side, the PCC also serves to integrate blockchain solutions into government and economic sectors. The council seeks to create an environment where blockchain and digital finance can thrive in Pakistan²⁰. This includes exploring beneficial use-cases of cryptocurrencies, such as improving remittance processes, enabling tokenization of assets, and even leveraging crypto mining for economic gain. A vivid example of the PCC’s broader vision was the announcement in May 2025 of Pakistan’s first government-led “Strategic Bitcoin Reserve.” The PCC’s CEO

¹⁵ Ibid

¹⁶ Pakistan Crypto Council - Wikipedia

¹⁷ Crypto council agrees on technical committee to draft framework for digital and virtual assets - Business - DAWN.COM

¹⁸ Ibid

¹⁹ Pakistan establishes Digital Assets Authority to regulate crypto, blockchain - Technology - Business Recorder

²⁰ Pakistan launches Crypto Council to regulate blockchain, digital assets

²¹ Crypto policy in disarray as SBP, ministry insist ban is still in place - Pakistan - DAWN.COM

(Mr. Saqib, who by then was also appointed Special Assistant to the Prime Minister on Crypto) unveiled a plan to hold a certain amount of Bitcoin as a sovereign reserve asset²¹.

At a high-profile event in Las Vegas, he framed this initiative as a symbol of Pakistan's long-term belief in decentralized finance and a bid to rebrand Pakistan as a forward-looking digital economy. While largely symbolic, this move – alongside projects like allocating 2,000 MW of energy for new Bitcoin mining and AI data centers – illustrates the PCC's intent to actively integrate cryptocurrency into national economic planning²². It marks a remarkable shift from the days when crypto was dismissed as illicit or speculative; now Pakistan's policymakers are openly discussing how to safeguard investors and encourage responsible blockchain adoption under the PCC's guidance²³. PCC's efforts have sparked debate among stakeholders. While industry players welcome regulatory clarity and innovation, critics point to Pakistan's ongoing energy crisis and question the feasibility of large-scale crypto mining and blockchain infrastructure. Concerns remain over whether the country can afford to divert energy resources to digital assets when key sectors face persistent power shortages²⁴.

CURRENT STATUS AND CHALLENGES

As of mid-2025, Pakistan finds itself with a crypto council mapping out regulatory reforms, yet with cryptocurrency trading technically still banned until those reforms materialize. This dual reality has created some confusion. Media reports described a “disarray” in crypto policy messaging, when in late May 2025 the SBP appeared to reverse its stance by stating that virtual assets are not illegal – only to have the Finance Ministry quickly clarify that the ban remains in effect under existing rules²⁵. Moreover, no legal framework will be introduced until the government formally decides to legalize crypto, and that the current legal status is that crypto is not a legal tender in Pakistan²⁶. In other words, the PCC's formation does not mean crypto has been legalized; rather, the council is a mechanism to study and potentially facilitate legalization in the future. The authorities maintain that cryptocurrency transactions are unlawful for now and even continue to refer cases to law enforcement. This cautious approach likely stems from concerns over regulatory gaps and the volatility seen in crypto markets. Pakistan's regulators have repeatedly cited the risks of fraud, capital flight, and financial instability if crypto were allowed without proper safeguards²⁷. Therefore, the PCC's challenge is to devise regulations stringent enough to address these risks (ensuring, for example, that exchanges and crypto businesses are licensed and monitored) while also opening the door for innovation and investment. The outcome is awaited: a legal bill or regulatory framework from the PCC and its technical committees could be presented in the near future. Until then, Pakistan's stance remains one of de facto prohibition combined with behind-the-scenes preparation to enter the crypto age in a controlled manner.

22 Pakistan Crypto Council - Wikipedia

23 Crypto council agrees on technical committee to draft framework for digital and virtual assets - Business - DAWN.COM

24 The Energy Sector in Pakistan: Driving IMF Dependence - Paradigm Shift

25 Confusion over Pakistan's crypto policy - Central Banking, Crypto policy in disarray as SBP, ministry insist ban is still in place - Pakistan - DAWN.COM

26 Crypto policy in disarray as SBP, ministry insist ban is still in place - Pakistan - DAWN.COM

27 SBP, Finance ministry inform NA body: 'Cryptocurrency is not legal in Pakistan' - Business Recorder

CRYPTOCURRENCY IN PAKISTAN- STATUS AND REGULATORY STANCE

DEDICATED CRYPTO REGULATORS

A few jurisdictions have established stand-alone agencies or councils focused specifically on digital assets, much like Pakistan's PCC aspires to do. For instance, the United Arab Emirates (UAE) has been at the forefront of crypto-specific regulation. In 2022, Dubai (one of the UAE's emirates) created the Virtual Assets Regulatory Authority (VARA) under a new law to supervise and regulate cryptocurrency and other virtual asset activities²⁸.

VARA is empowered to license crypto exchanges, monitor compliance, and oversee crypto-related investments within Dubai, with the goal of fostering a safe yet innovation-friendly crypto hub. On a national level, UAE's Securities and Commodities Authority (SCA) also introduced federal regulations for virtual assets in 2023 to complement Dubai's regime, reflecting a regulatory stance.

GLOBAL MODELS FOR CRYPTO REGULATION

Another example is Japan, which, although it does not have a separate "crypto agency," effectively established a specialized regulatory framework early on. Back in 2017, Japan's Financial Services Agency (FSA) introduced licensing for cryptocurrency exchanges and recognized crypto assets as a form of prepaid payment instrument under its Payment Services Act. This made Japan one of the first major economies to regulate crypto trading, and the FSA continues to have a dedicated unit for oversight of the sector. Additionally, a self-regulatory industry body in Japan (the JVCEA) works closely with the FSA to set standards for exchanges, effectively functioning as a quasi-council to police the industry from within.

These examples show that some countries have created targeted mechanisms – whether separate authorities or specialized divisions of existing regulators – to focus on the unique challenges of crypto-assets. Pakistan's proposal to set up the Pakistan Digital Assets Authority aligns with this global trend of having an expert body to oversee crypto markets. This approach puts Pakistan in line with "forward-thinking economies such as the UAE, Japan, Singapore, and Hong Kong – all of which have established digital asset regulators to foster innovation while ensuring compliance with global financial norms".

INTER-AGENCY COORDINATION VS. COUNCILS

In some countries, rather than a single dedicated crypto council, the strategy has been to coordinate among multiple regulatory agencies. The United States is a prime example, where no single regulator exclusively governs crypto; instead, oversight is shared by the Securities and Exchange Commission (for crypto securities), the Commodity Futures Trading Commission (for derivatives and commodities like Bitcoin), the Treasury's FinCEN (for anti-money laundering in crypto transactions), and others. Recognizing the need for a unified approach, the U.S. administration issued an Executive Order in 2022 calling for a whole-of-government framework on digital assets, thereby forming working groups across agencies to draft coordinated policies²⁹. While this isn't a "national crypto council" per se, it shows an alternative model where existing institutions collaborate on crypto policy rather than creating a new entity. Similarly, the European Union has taken a multi-agency approach in developing its comprehensive Markets in Crypto-Assets (MiCA) regulation. MiCA, passed in 2023, establishes uniform rules across EU member states for crypto-asset issuance and services³⁰. Under MiCA, oversight responsibilities are shared among European supervisory authorities – for example, the European Securities and Markets Authority (ESMA) will have new powers to oversee significant crypto-asset service providers, working alongside national regulators. The EU did not set up a single "crypto council"; instead, it legislated a framework that integrates crypto into the mandate of existing regulatory bodies, ensuring consumer protection and market integrity through licensing and disclosure requirements³¹.

INDUSTRY ADVISORY COUNCILS

It is also worth noting that in some countries, what exists is not a government regulator but an industry-led council or association that liaises with regulators. For example, in the U.S., the Crypto Council for Innovation was formed by major crypto companies as a lobbying and research group (though it's not an official government body)³². In Switzerland, the government didn't form a specific crypto authority; however, the country's regulators (FINMA and others) worked closely with the Crypto Valley Association (an industry group) to cultivate a crypto-friendly yet compliant environment³³. This public-private collaboration has allowed Switzerland to clarify the legal status of cryptocurrencies (defining them under categories like payment tokens, utility tokens, etc.) and to enable uses like paying taxes in Bitcoin in certain cantons, without having a standalone "crypto council." Pakistan's PCC, by contrast, is a government-initiated body, but it similarly involves private-sector experts and may consult with industry stakeholders as it formulates policies.

²⁹ *Deadline Approaches: Biden's Sweeping Executive Order on Regulation and Oversight of Digital Assets – Corporate and Business Law Journal*, U.S. Agencies Adjust Crypto Regulations Following Executive Order

³⁰ *Markets in Crypto-Assets Regulation (MiCA)*

³¹ *Ibid*

³² <https://www.nasdaq.com/articles/what-is-the-newly-formed-crypto-council-for-innovation-2021-04-07>

³³ <https://cryptovalley.swiss/about-us/>

In summary, other countries have addressed crypto regulation through a variety of structures. Some have set up specialized authorities or task forces (e.g., Dubai's VARA, Japan's licensing regime, Nigeria's National Blockchain Policy Committee), others have collaborative frameworks across existing regulators (U.S., EU), and others lean on informal industry councils. Pakistan's establishment of the PCC and the planned Digital Assets Authority indicates an approach leaning toward the first model – a dedicated regulatory framework – while also involving inter-agency collaboration (since SBP, SECP, etc., are all represented in the council). This mirrors practices in jurisdictions that want to encourage crypto innovation but under the umbrella of strong regulatory oversight. Notably, Pakistan has cited the importance of meeting FATF guidelines; this is a common driver internationally, as countries realize that banning crypto outright can push activities into the shadows, whereas regulating it allows compliance with anti-money laundering and counter-terrorism financing standards. Thus, Pakistan's evolving strategy both learns from and contributes to the global mosaic of crypto governance models.

GLOBAL CASE STUDIES OF CRYPTOCURRENCY ADOPTION

Beyond the question of regulation, many countries have adopted cryptocurrency in varying degrees and contexts. This section examines several examples (post-2020) of countries that have incorporated cryptocurrency into their economies or legal systems, analyzing the economic, legal, and social dimensions of these moves. These case studies shed light on the diverse ways in which crypto is being utilized around the world, providing a contrast to Pakistan's cautious approach.

EL SALVADOR- BITCOIN AS LEGAL TENDER

El Salvador made international headlines in 2021 by becoming the first country to adopt a cryptocurrency—Bitcoin—as legal tender. In September 2021, under President Nayib Bukele's leadership, El Salvador's Legislative Assembly passed the Bitcoin Law, declaring Bitcoin an official currency alongside the U.S. dollar³⁴. The government's rationale was multifaceted: economically, it aimed to boost financial inclusion for the large unbanked population, facilitate cheaper remittances from abroad (a significant source of national income), and attract foreign investment as a tech-forward nation. Legally, the Bitcoin Law required all businesses to accept Bitcoin as payment (with the state providing a digital wallet app called "Chivo" to enable transactions), and it treated Bitcoin as equivalent to cash for all legal purposes. Socially, however, the adoption met mixed reactions. While the tech and crypto communities worldwide applauded El Salvador's bold move – the presidency touted it as putting the country on "the map of the most courageous and visionary countries" – many Salvadorans were skeptical³⁵. There were street protests by citizens concerned about Bitcoin's volatility and its use in a country where many lacked digital literacy or reliable internet.

³⁴ Central African Republic adopts bitcoin as legal tender | Africanews

³⁵ Ibid

Over time, El Salvador's experiment has been refined. By early 2025, the government modified its Bitcoin policy in response to practical outcomes and international pressures. Notably, as part of a deal with the International Monetary Fund, El Salvador removed the mandate that businesses must accept Bitcoin, softening the legal tender requirement³⁶. As of January 2025, Bitcoin kept its legal tender status on paper however the obligation for merchants to take it has been eliminated, and it taxes and official fees cannot be paid by Bitcoin anymore³⁷. This effectively means Bitcoin is now optional rather than forced in commerce. The change was driven by the recognition that forcing adoption was unpopular – President Bukele himself acknowledged that introducing Bitcoin was among his government's "most unpopular" measures³⁸. Economically, the results have been a mixed bag. The government's own Bitcoin treasury (which accumulated around 2,381 BTC) experienced significant paper losses during the 2022 crypto market crash, though officials claim it's a long-term investment. As of 2025 the country holds 688 bitcoins in reserve, worth estimated \$574 million, of which \$287 million is in profit.

The Salvadoran case illustrates the economic ambition of adopting crypto (seeking investment and modernizing finance), the legal complexities (balancing legal tender laws with international financial obligations), and the social challenges (public skepticism and the need for education).

CENTRAL AFRICAN REPUBLIC- BOLD ADOPTION IN A DEVELOPING ECONOMY

Another country that ventured into official cryptocurrency adoption is the Central African Republic (CAR). In April 2022, the CAR surprised many by announcing that it had adopted Bitcoin as an official currency alongside the CFA franc³⁹. The National Assembly of CAR unanimously passed a cryptocurrency law, and President Faustin-Archange Touadéra signed it, making CAR the first African nation (and second in the world after El Salvador) to accord Bitcoin legal tender status⁴⁰. The law also legalized the use of other cryptocurrencies in the country. Economically, CAR's move raised eyebrows because the country is one of the world's least developed, with limited internet access and a predominantly cash-based, subsistence economy. Government officials nonetheless hailed the decision as a visionary step that could spur investment in a resource-rich but infrastructure-poor nation⁴¹. One motivation cited was to reduce dependence on the CFA franc (a regional currency tied to France), asserting monetary sovereignty through a decentralized currency. Legally, adopting Bitcoin put CAR at odds with its regional central bank and the monetary union (BEAC), which did not approve of a member state unilaterally introducing a new legal tender. This led to tensions, and the BEAC as well as the IMF expressed concerns about the implications for financial stability and AML/CFT controls – similar to how the IMF had warned El Salvador that crypto adoption can be "dangerous" for stability⁴².

Socially, the impact of CAR's Bitcoin law has been limited by practical constraints. Only a small fraction of the population has reliable internet or the technical means to transact in Bitcoin. The government attempted to build on the law by launching a project called Sango Coin – a national

³⁶ *El Salvador Alters Bitcoin Policy | Global Finance Magazine*

³⁷ *Ibid*

³⁸ *Ibid*

³⁹ *Central African Republic adopts bitcoin as legal tender | Africanews*

⁴⁰ *Ibid*

⁴¹ *Ibid*

⁴² *Ibid*

crypto token initiative intended to attract foreign investment (for example, by tokenizing CAR's mineral resources and even offering citizenship or land in exchange for certain crypto investments)⁴³. However, that project hit legal roadblocks: CAR's constitutional court struck down some provisions, like offering citizenship for purchase via cryptocurrency, as unconstitutional⁴⁴. By 2023, the ambitious plans were delayed or scaled back⁴⁵. From an economic perspective, CAR's adoption of Bitcoin had not (at least by 2024) delivered noticeable improvements to public welfare or growth, partly because of the minimal infrastructure. In fact, it was argued that the move was symbolic or politically motivated, possibly influenced by CAR's ties with certain international partners and a desire to signal a break from traditional financial systems. Socially, while there wasn't significant public opposition (perhaps due to limited understanding), there also wasn't a grassroots demand for crypto – the adoption was top-down.

In summary, the Central African Republic's case is an example of a bold legal adoption of cryptocurrency with aspirational economic goals, but facing formidable practical hurdles. It highlights that declaring Bitcoin legal tender is easier than integrating it into an economy. The CAR government's vision of positioning the country on the frontier of monetary innovation earned it the label of "most courageous and visionary" by its supporters, but it also drew skepticism internationally. For Pakistan, which is carefully studying crypto, CAR's experience underscores the importance of infrastructure and regulatory clarity before a country can successfully utilize cryptocurrency on a national scale.

43 Central African Republic delays cryptocurrency listing - Economist Intelligence Unit

44 Too Fast, Too Furious? Cryptocurrency as Legal Tender | Royal United Services Institute

45 Central African Republic delays cryptocurrency listing - Economist Intelligence Unit

STATUS OF CRYPTO CURRENCIES

IN COUNTRIES UNDER IMF PROGRAMS

Country	IMF Program	Crypto Legal Status	IMF Influence	Public Crypto Use	Future Outlook
PAKISTAN	EFF (2019), SBA (2023)	Not legal tender; De facto ban on financial institutions; No comprehensive law	Not legal tender; De facto ban on financial institutions; No comprehensive law	High adoption interest; unregulated peer-to-peer trading continues	Policy volatility; future depends on IMF terms and domestic regulation
EGYPT	SBA (2020), EFF (2022)	Illegal without central bank license; Comprehensive legal ban	Strict anti-crypto stance aligned with IMF's AML/CFT objectives	Very low; underground usage only	Strict controls likely to persist; exploring CBDC under state oversight
ARGENTINA	EFF (2022)	Discouraged by IMF; Not banned for individuals; Banking access prohibited	Argentina explicitly committed to discourage crypto usage	High public demand despite government discouragement	Likely to continue regulated integration with focus on AML compliance
SRI LANKA	EFF (2023)	Not legal tender; Crypto trading discouraged; No formal framework	IMF program reinforced prohibition due to macro-economic priorities	Low, but curiosity increased during economic crisis	Crypto adoption unlikely until post-crisis stability; CBDC deferred

Based on the comparative analysis of cryptocurrency policies in countries under IMF programs, several critical implications emerge for Pakistan's policy trajectory. The table reveals that Pakistan's volatile approach—oscillating between pro-crypto announcements and strict prohibitions—stands in contrast to the more consistent regulatory stances adopted by its peers. Unlike Egypt's comprehensive legal ban or Sri Lanka's uniform discouragement, Pakistan's policy contradictions have created uncertainty that undermines both domestic confidence and international credibility. Argentina's experience offers a particularly relevant model, demonstrating how a country can acknowledge high public crypto demand while implementing regulated discouragement measures that satisfy IMF program conditions.

The explicit commitment by Argentina to discourage cryptocurrency adoption suggests that Pakistan may need to formally commit to specific cryptocurrency limitations to maintain IMF support. Most significantly, the pattern across all four countries indicates that IMF oversight effectively constrains crypto liberalization during periods of economic vulnerability, meaning Pakistan's ambitious initiatives like Bitcoin reserves and mining allocations are likely unsustainable without substantial modification or delay until economic stability is achieved. The comparison underscores that Pakistan's future cryptocurrency policy must prioritize consistency with IMF program objectives over bold innovation, suggesting a trajectory toward Argentina-style regulated containment rather than the expansive crypto integration initially envisioned by the Pakistan Crypto Council.

RECOMMENDATIONS FOR PAKISTAN

Based on the analysis of Pakistan's evolving cryptocurrency policy landscape and lessons from international experiences, several critical recommendations emerge for policymakers to effectively navigate the transition from prohibition to regulated acceptance of digital assets.

ESTABLISH LEGAL & REGULATORY CLARITY

Pakistan must urgently resolve the fundamental contradiction in its current cryptocurrency policy where digital assets are simultaneously promoted through high-profile initiatives like the Strategic Bitcoin Reserve while remaining technically banned under existing regulations. The Pakistan Crypto Council should expedite the completion of comprehensive cryptocurrency legislation that provides clear legal definitions for different types of digital assets, including cryptocurrencies, stablecoins, and utility tokens. This framework must establish definitive legal status for cryptocurrency activities to eliminate the policy confusion that has characterized recent government messaging. The proposed Pakistan Digital Assets Authority requires robust legal backing and clearly defined enforcement powers to effectively oversee the emerging crypto ecosystem. Without such clarity, Pakistan risks continued policy volatility that undermines both domestic confidence and international credibility.

The explicit commitment by Argentina to discourage cryptocurrency adoption suggests that Pakistan may need to formally commit to specific cryptocurrency limitations to maintain IMF support. Most significantly, the pattern across all four countries indicates that IMF oversight effectively constrains crypto liberalization during periods of economic vulnerability, meaning Pakistan's ambitious initiatives like Bitcoin reserves and mining allocations are likely unsustainable without substantial modification or delay until economic stability is achieved. The comparison underscores that Pakistan's future cryptocurrency policy must prioritize consistency with IMF program objectives over bold innovation, suggesting a trajectory toward Argentina-style regulated containment rather than the expansive crypto integration initially envisioned by the Pakistan Crypto Council.

ALIGN WITH INTERNATIONAL STANDARDS & IMF REQUIREMENTS

Pakistan's cryptocurrency regulations must be designed with careful attention to both FATF guidelines and IMF program obligations to avoid jeopardizing the country's improved standing on anti-money laundering measures or its critical international financial support. The regulatory framework should incorporate lessons from successful jurisdictions such as the UAE's VARA, Japan's FSA licensing system, and the EU's MiCA regulation to create an environment that balances innovation with oversight. Particular attention must be paid to Argentina's experience, where explicit IMF commitments to discourage cryptocurrency use were incorporated into the Extended Fund Facility agreement. Pakistan's approach should ensure that any crypto liberalization includes provisions addressing macroeconomic stability concerns, capital controls, and financial integrity measures that satisfy international oversight requirements.

STRENGTHEN INSTITUTIONAL COORDINATION & CAPACITY

The effectiveness of Pakistan's cryptocurrency policy depends significantly on improved coordination between key regulatory bodies including the State Bank of Pakistan, the Securities and Exchange Commission, the Ministry of Finance, and the IT Ministry. The contradictory policy statements witnessed in 2025, where the SBP appeared to soften its stance only to have the Finance Ministry quickly reassert the existing ban, demonstrate the urgent need for unified messaging and coordinated decision-making processes. The Pakistan Crypto Council must establish clear protocols for inter-agency communication and decision-making to prevent such confusion. Additionally, the PDAA requires adequate funding, technical expertise, and operational procedures before Pakistan launches any significant crypto initiatives. The authority must also establish comprehensive licensing procedures, compliance monitoring mechanisms, and consumer protection frameworks that can effectively oversee digital asset service providers.

ADOPT A CAUTIOUS APPROACH TO NATIONAL CRYPTO INITIATIVES

Pakistan should fundamentally reconsider the ambitious cryptocurrency initiatives announced in 2025, particularly the Strategic Bitcoin Reserve and the 2,000 MW Bitcoin mining allocation, in light of both IMF concerns and international experiences. El Salvador's modification of its Bitcoin policy, including the removal of mandatory merchant acceptance and restrictions on using Bitcoin for taxes and official fees, demonstrates the practical challenges of forcing cryptocurrency adoption. The Central African Republic's experience further illustrates that legal adoption without adequate infrastructure and institutional capacity results in largely symbolic policies with minimal economic impact. Pakistan should instead focus on practical applications with immediate benefits, such as facilitating diaspora remittances through regulated cryptocurrency channels, which could provide tangible economic advantages while building institutional experience and public confidence in digital assets.

IMPLEMENT ROBUST RISK MANAGEMENT & CONSUMER PROTECTION

Given Pakistan's macroeconomic vulnerabilities and ongoing IMF program commitments, cryptocurrency regulation must include strong safeguards against capital flight, currency instability, and financial system disruption. The regulatory framework should establish clear capital controls and monitoring mechanisms to ensure that crypto adoption does not undermine Pakistan's external balance or currency stability. Consumer protection measures must be comprehensive, including mandatory reserve requirements for crypto service providers, clear disclosure requirements for investment risks, and robust investor protection mechanisms that account for cryptocurrency volatility. Pakistan must also develop emergency response protocols for crypto market disruptions and establish clear taxation policies for digital asset transactions to ensure government revenue collection and prevent tax evasion.

MANAGE INTERNATIONAL RELATIONS AND EXPECTATIONS

Pakistan's experience in 2025, when IMF concerns forced a rapid clarification and effective reversal of pro-cryptocurrency announcements, underscores the critical importance of maintaining transparent communication with international partners throughout the policy development process. Future cryptocurrency initiatives must be thoroughly vetted with the IMF and other international stakeholders before public announcement to avoid the credibility damage associated with policy reversals. Pakistan should engage actively in international forums on cryptocurrency regulation to stay informed about global best practices and maintain alignment with evolving international standards. The country should also explore cooperation with regional partners, particularly other South Asian nations facing similar challenges in balancing innovation with stability under international oversight, to share experiences and develop compatible regulatory approaches.

CONCLUSION

Cryptocurrencies in Pakistan occupy a contentious yet dynamic space. Historically treated as illicit and banned from the formal financial system, crypto now stands at the cusp of legitimacy as Pakistani policymakers recognize both its risks and its potential. The national regulatory stance is undergoing a critical transformation: from the SBP's 2018 prohibitive circular and the categorical statements in 2022–2023 that crypto would not be allowed, Pakistan is moving toward a framework of cautious acceptance. The establishment of the Pakistan Crypto Council in 2025 symbolizes this shift – it is an institutional acknowledgment that the question is no longer if cryptocurrency should be regulated, but how. The PCC's work, including drafting regulations and considering a dedicated Digital Assets Authority, suggests that Pakistan aims to balance innovation with oversight. In doing so, Pakistan is aligning itself with global practices, acknowledging FATF standards and learning from countries that have instituted crypto regulations.

The role of Pakistan's national crypto council is pivotal. As a multi-stakeholder body, the PCC serves as a platform for regulators, government, and experts to forge a path that could integrate digital assets into the economy without undermining financial stability. Its mandate – promoting blockchain and drafting crypto policy – addresses both the opportunities (such as fintech growth, investment, and youth employment) and the challenges (such as consumer protection and illicit finance concerns). The recent developments in Pakistan's crypto scene post-2020, from court cases and committee debates to the high-profile launch of a Bitcoin Reserve, reflect a fast-evolving landscape. There remain contradictions to resolve (as of 2025, crypto trading is still officially banned even as the government touts crypto initiatives), but the trajectory is clearly toward engagement rather than exclusion.

Internationally, Pakistan is not charting this course alone. Other countries have either formed similar councils or empowered regulators to deal specifically with crypto, recognizing that traditional financial laws need augmentation for this

new asset class. The global review in this paper showed that while no one model fits all, the trend is toward greater regulatory clarity: whether through national councils, like Pakistan's PCC or Dubai's VARA, or through comprehensive laws like the EU's MiCA. Importantly, countries that have outright adopted cryptocurrency in their economies offer Pakistan cautionary tales and inspiration alike. El Salvador's bold experiment with Bitcoin shows the importance of public buy-in and international coordination, as well as the potential for innovation in finance. The Central African Republic's experience underscores that legal adoption without infrastructure is largely symbolic. Cases like the UAE, Japan, and Nigeria highlight that embracing crypto – whether via regulation or popular use – can lead to significant economic activity and social change, but it must be accompanied by strong legal frameworks and public education to ensure positive outcomes.

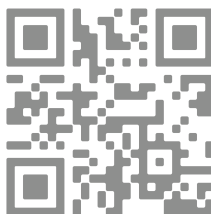
In conclusion, the status of cryptocurrencies in Pakistan is best described as “in flux, moving toward regulated acceptance.” Pakistan's national crypto council and the forthcoming policies will determine how successfully the country can integrate cryptocurrencies into its financial and legal systems. The goal for Pakistan, as stated by officials, is to create a secure, transparent, and innovation-friendly environment for digital assets – one that safeguards against the downsides while allowing the country to reap the benefits of blockchain technology. Achieving this will require careful navigation of internal challenges and alignment with global standards. As other countries' experiences have shown, a balanced approach – neither unbridled adoption nor blanket prohibition – tends to serve best in harnessing the economic and social value of cryptocurrencies. Pakistan, with its large youth population and growing digital economy, stands to gain from such balance. The coming years will be crucial in translating the work of the crypto council and draft frameworks into concrete laws and practices. If done right, Pakistan could emerge as a case study of a developing nation finding its footing in the crypto realm, turning a once outright ban into a model of prudent regulation and productive use of cryptocurrency.

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