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The Politics of Virtual Asset Regulation: Global Trends and National Responses

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Abstract

The regulation of virtual assets such as cryptocurrencies, stablecoins, Non-Fungible Tokens (NFTs) and Decentralised Finance (DeFi) protocols, represents a contested arena where economic innovation intersects with geopolitical interests, financial stability concerns and ideological debates over sovereignty and globalisation. This article examines the politics underlying virtual assets regulation, tracing global trends shaped by global standard setters such as the Financial Action Task Force (FATF), Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO), while analysing national responses in key jurisdictions such as the United States, the European Union, China, India, the United Kingdom, Japan. The article also highlights regulatory development and responses in Ghana and Nigeria. Drawing on regulatory capture theory and comparative political economy, it argues that virtual assets regulation is not merely a technical exercise, but a politicised process influenced by lobbying, electoral dynamics and international power asymmetries. Global harmonisation efforts coexist with regulatory fragmentation, posing challenges for cross-border compliance and innovation. The analysis highlights implications for global financial governance and proposes pathways for more equitable regulatory frameworks.

Keywords: *Virtual asset, Stablecoins, Cryptocurrency, Regulation*

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1. Introduction

As defined by the Financial Action Task Force (FATF) (2019a), virtual assets are digital representations of value that can be digitally traded or transferred and can be used for payment or investment purposes. They include cryptocurrencies, stablecoins, Non-Fungible Tokens (NFTs), and Decentralised Finance (DeFi) protocols. While not considered legal tender in most jurisdictions, they are increasingly utilised for transactions and investments. Virtual assets are disrupting traditional financial systems, which have long been the backbone of

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the global economy, providing decentralised alternatives to centralised banking. However, they also raise significant concerns regarding money laundering, terrorist financing, market volatility and consumer protection (FATF, 2020).

These risks are illustrated by several notable incidents. In 2017, the “WannaCry” ransomware attack held thousands of computer systems hostage until victims paid hackers a ransom in Bitcoin. The damage extended far beyond the ransom itself, causing an estimated US\$8 billion in losses to hospitals, banks, and businesses worldwide (FATF, 2019b). Since then, ransomware attacks have continued and appear to be increasing in frequency. The US Department of Justice, using Chainalysis data, seized millions of dollars in cryptocurrency linked to Hamas’ al-Qassam Brigades and ISIS (US Department of Justice, 2020). Similarly, North Korea’s Lazarus Group converted at least US\$300 million of its record-breaking US\$1.5 billion cryptocurrency theft into unrecoverable funds (Bendiek and Schulze, 2025). Blockchain analytics tools such as Elliptic and Chainalysis have also traced Bitcoin transactions used to facilitate illicit drug trade and other illegal activities.

Despite such risks, the market has expanded rapidly. From approximately US\$390 billion in 2020, the global virtual asset market (crypto market cap) grew to about US\$4 trillion by the close of the second quarter of 2025 (CoinMarketCap, 2025), representing a compound annual growth rate (CAGR) of ~59%. Stablecoins alone surpassed US\$272 billion in market capitalisation (CoinDesk, 2025), driven largely by institutional adoption and technological innovations such as Layer 2 scaling solutions and AI-integrated trading. The exponential growth of virtual assets continues to amplify calls for full-bodied regulatory frameworks to balance innovation with risk mitigation.

Regulation of virtual assets is inherently political, involving stakeholders from multinational corporations and lobbyists to nation-states and supranational entities. This article adopts a political economy lens to explore how global trends, such as FATF, FSB and IOSCO’s risk-based approaches and emerging standards for stablecoins, interact with national responses influenced by domestic politics, economic priorities and international relations. Theoretically, virtual asset regulation can be framed within a political economy perspective, drawing on regulatory capture (Stigler, 1971), which reflects the public choice philosophy that industry lobbying can shape policy outcomes to serve private interests, and multi-level governance (Marks, 1993), rooted in institutionalist theory, which explains how global norms are mediated through and adapted to domestic political contexts.

Empirical evidence, for example from FSB (2024) and FATF (2025), supports these theoretical perspectives. According to 2024 FSB survey data, nearly all FSB members either have plans to develop or revise frameworks for crypto-assets and stablecoins or have already implemented them (93% and 88%, respectively). A majority of members expect to align with the FSB Framework by 2025 (62% for crypto-assets and 60% for stablecoins), although some (24% and 30%, respectively) have not yet committed to a timeline. Among non-FSB members, many of which are emerging market and developing economies, alignment expectations are lower, with 56 percent targeting 2025 for crypto-assets and 44 percent targeting 2025 for stablecoins, respectively.

Similarly, FATF (2025) data indicates that as of April 2025, 138 jurisdictions had been assessed for compliance with FATF standards on Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs). The results show limited but incremental progress: the proportion of jurisdictions assessed as partially compliant with Recommendation 15 (R.15) remains almost unchanged at 49 percent (68 of 138) compared to 50 percent (65 of 130) in 2024, yet the share rated largely compliant has risen to 29 percent (40 of 138) from 25 percent (32 of 130) in 2024. Meanwhile, non-compliance has declined from 25 percent (25 of 130) in 2024 to 21 percent (29 of 138) in 2025. However, progress remains limited, with only one jurisdiction fully compliant, unchanged from 2024. These trends highlight the complex politics of regulation, balancing innovation with risk management while contending with divergent national priorities and geopolitical rivalries.

This article examines the politics underlying virtual asset regulation. It maps global trends shaped by international standard setters, including the FATF, FSB, IMF, BIS, the Basel Committee on Banking Supervision, and IOSCO. The discussion further assesses national policy trajectories in major jurisdictions such as the United States, the European Union, China, India, the United Kingdom, and Japan. It also considers the regulatory influence on frontier jurisdictions, notably Ghana and Nigeria. Drawing on regulatory capture theory and

comparative political economy, the article argues that virtual asset regulation is not merely a technical undertaking. Rather, it constitutes a politicised process shaped by lobbying interests, electoral dynamics, and international power asymmetries.

2. Global Trends in Virtual Asset Regulation

Global trends in virtual asset regulation reflect a shift toward harmonisation amid persistent fragmentation. International organisations are central in setting standards, but enforcement hangs on national buy-in, creating political contestation.

3. International Standards and the Role of FATF

The FATF remains the foundation of global virtual asset regulation, owing to its unparalleled compliance reach and policy influence. In its 2025 update on jurisdictional compliance with the virtual asset and VASP regulatory framework, the FATF reported that 138 jurisdictions of its global network had been assessed. Among these, 29 percent were found to be largely compliant with the FATF's virtual asset standards, while the majority remained only partially or not compliant. This represents an increase from previous years (FY2024: 25%), accentuating its growing sway over global standards. This momentum is reinforced by the severe consequences of non-compliance. Jurisdictions placed on FATF's "grey list" or "blacklist" risk losing access to international financial markets, creating strong incentives for adoption. This coercive leverage ensures that even countries with divergent political priorities, such as the United States and India, incorporate FATF standards into national policies, albeit with jurisdiction-specific variations, typically centered on a risk-based approach to Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT).

At the heart of the FATF framework is Recommendation 15, supported by the Interpretive Note to Recommendation 15 (INR.15), which was first updated in 2019 to explicitly cover virtual assets and VASPs. Since then, the FATF has issued a series of targeted updates and guidance documents—most recently in 2025—further clarifying supervisory expectations. This standard requires VASPs to be licensed or registered, operate under regulatory supervision, and comply with the "Travel Rule," which obliges service providers to transmit identifying information about the originator and beneficiary alongside virtual asset transfers to ensure transactional transparency. The July 2025 update calls for stronger global action to close persistent loopholes exploited by illicit actors, warning that progress remains incomplete in several systemically important jurisdictions. Moreover, FATF's Recommendations establish a *de facto* global baseline for AML/CFT, which standard setters adopt or integrate into their own frameworks to ensure coherence and avoid regulatory arbitrage.

This influence stems from FATF's endorsement by high-level forums like the G20, which in 2010 recognised the Recommendations as one of the 15 key international financial standards. FATF exerts its influence through active partnerships, co-developing policies and sharing expertise. It maintains observer status or memoranda of understanding with bodies such as the IOSCO and FSB, enabling joint working groups. FATF's Mutual Evaluation Reports (MERs) and follow-up processes create reputational incentives for adoption. Non-compliance may lead to grey-listing or blacklisting, which can restrict access to global finance, thereby indirectly pressuring states to reinforce these standards.

While the FATF's mandate is framed as a collaborative effort to safeguard the international financial system, some scholars, including Schneider (2021), argue that its standards and evaluation processes may be shaped by the influence of more powerful member states, leading to disproportionate impacts on smaller or less influential jurisdictions. Schneider further observes that, for countries with limited institutional capacity, meeting FATF recommendations poses significant challenges, and non-compliance can result in reputational and economic repercussions, such as placement on the FATF "gray list". This designation often triggers urgent reform measures but can simultaneously strain national resources, creating regulatory gaps that illicit actors may exploit. According to Maslen (2023), these vulnerabilities are compounded by emerging threats such as the rapid expansion of Decentralised Finance (DeFi) and peer-to-peer transactions, which operate beyond traditional regulatory frameworks, thereby complicating detection and enforcement efforts, as reflected in the 2025 FATF update report.

4. Emerging Trends: Stablecoins, DeFi, and Sustainability

The virtual asset ecosystem is rapidly evolving across the board, encompassing new products, services, business models and interactions. Significant developments include Anonymity-Enhanced Cryptocurrencies (AECs), mixers and tumblers, decentralised platforms and exchanges, and other services that reduce transparency and further obscure financial flows, a major concern in the virtual asset space. New business models, such as Initial Coin Offerings (ICOs), pose Money Laundering/Terrorist Financing (ML/TF) risks, along with fraud and market manipulation. Illicit financing typologies are also emerging, including the growing use of virtual-to-virtual layering schemes designed to conceal transactions cheaply, securely and with relative ease.

Within this ecosystem of innovation and risk, several key trends are shaping the market. Stablecoins are experiencing rapid growth across the virtual asset space, serving as the main bridge between traditional finance and cryptocurrency ecosystem. This growth in stable coins is led by Tether's USDT, which has emerged as a dominant player. The stablecoin market capitalisation reached ~US\$272 billion, accounting for about 7% of the total cryptocurrency market ([Digital Watch Observatory, 2025](#)). More than 95% of stablecoins are pegged to the US dollar, with Tether alone controlling around 60% of the total supply ([Su, 2025](#)). Analysts describe this trajectory as "parabolic," driven by surging issuance and transaction volumes.

As the stablecoin market expands, its use cases are diversifying, with cross-border payments emerging as a particularly significant use case. Settlement costs remain exceptionally low, with conversion fees as little as US\$0.00025 per transaction compared to the higher costs associated with traditional remittances. In emerging markets, stablecoins have become especially prominent, accounting for about 62% of retail transactions in countries such as Nigeria ([Su, 2025](#)). Beyond payments, stablecoins are increasingly deployed as collateral within decentralised finance (DeFi) protocols such as Aave and Compound, driving the sector's Total Value Locked (TVL) from US\$54.4 billion to US\$94.1 billion in 2024. Institutional adoption is also accelerating, exemplified by Japan's "Project Pax" cross-border settlement initiative and PayPal's PYUSD, which reached a supply of US\$1 billion through Solana.

Building on these technological and institutional developments, global interest in stablecoins reached a peak in July 2024, coinciding with major regulatory milestones such as the US GENIUS Act. This surge reflects their growing reputation as a relatively stable store of value amid broader cryptocurrency market volatility. In response to rising demand, numerous companies are issuing their own stablecoins while introducing safeguards to mitigate related risks.

At the same time, the broader virtual asset ecosystem continues to evolve. DeFi is rapidly expanding across multiple blockchains, and NFTs are becoming more embedded in Web3 economic models. These trends, while driving innovation, have also heightened regulatory scrutiny aimed at preserving market integrity and protecting consumers. Arner *et al.* (2020) suggest stablecoins could become the enabler of novel forms of exchange and the main gateway for billions entering the digital economy, combining regulatory clarity with blockchain's speed and convenience.

Parallel to these market shifts, sustainability emerges as a political flashpoint, with "green crypto" initiatives attempting to counter environmental critiques. The growing integration of artificial intelligence in enhancing security, optimising trading strategies and managing operational risks adds yet another layer of complexity, as regulators confront the challenges of algorithmic decision-making. Reflecting on the embryonic landscape, PwC's 2025 Global Crypto Regulation Report points to three foundational trends, namely, regulatory clarity, institutional adoption and harmonisation efforts, but caution that fragmentation threatens global cohesion. Such fragmentation is compounded by geopolitics, as 2025 US-EU policy divergences for instance reveal different philosophies. Thus, while, the United States backs market-led evolution, the European Union is pursuing expansive regulatory frameworks.

5. National Responses to Virtual Asset Regulation

Generally, regulatory postures toward virtual assets exhibit striking variation across jurisdictions, informed by a convergence of political and governance systems, economic ties and the calculated influence of vested interests. These divergences become particularly evident when examining country-level case studies, which

reveal not only contrasting legal frameworks and supervisory priorities but also the underlying socio-economic drivers and geopolitical considerations shaping them. By analysing examples from leading, emerging, and restrictive markets, the nuances of how national contexts influence regulatory design, enforcement strategies and market outcomes become clearer.

6. United States: Lobbying and Electoral Politics

In the United States, virtual asset regulation has taken a decisive turn toward crypto-friendliness under the 2025 Trump administration. This shift is driven by industry lobbying exceeding US\$100 million in 2024 elections and President Trump's stated ambition to make the United States the "crypto capital of the world." The Financial Innovation and Technology for the 21st Century Act (FIT21) clarifies Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) roles of ending "regulation by enforcement". Political spending from firms like Ripple and Coinbase have advanced agendas, including stablecoin reforms.

The change in the regulatory posture reflects a broader political transition. The Biden administration, under SEC Chair Gary Gensler (April 2021-January 2025), pursued an enforcement-heavy strategy aimed at protecting investors from the risks and volatility of digital assets. Gensler's SEC initiated numerous enforcement actions for alleged securities law violations, seeking to establish regulatory clarity through litigation. This approach culminated in 583 enforcement actions in the 2024 fiscal year, securing about US\$8.2 billion in remedies, ~56 percent of which came from the Terraform Labs judgment alone.

By contrast, the Trump administration's appointment of Paul Atkins as SEC Chair, confirmed by the Senate beginning second quarter of 2025, signals a recalibration toward innovation-driven policy. Atkins, formerly CEO of Patomak Global Partners and co-chair of the Digital Chamber's Token Alliance, is a known crypto advocate with financial disclosures revealing up to US\$6 million in crypto-related assets. In his confirmation hearing, Atkins called for "rational, coherent, and principled" regulation to reduce market uncertainty, implicitly challenging the expansive use of the Howey Test, the US Supreme Court standard that classifies an arrangement as a security if it involves an investment of money in a common enterprise with an expectation of profits derived from the efforts of others. While he did not directly address the test, his views suggest openness to narrowing its scope, particularly in cases where decentralised networks blur the lines of securities classification.

This position has attracted both support and criticism. Proponents see a long-overdue correction to overly aggressive enforcement while some critics warn that the SEC Chair's industry ties could weaken oversight and heighten investor risk. The legal status of cryptocurrencies, especially under the Howey Test, remains central to this debate. While recent court rulings in *SEC v. Ripple Labs* and *SEC v. Terraform Labs* have upheld the regulator's stance that certain tokens meet the criteria for securities, the third prong of the Howey Test expectation of profits from the efforts of others remains contentious in decentralised systems.

The broader picture depicts elements of regulatory capture, thus, crypto "oligarchs" leveraging campaign donations to influence policy in their favour. Even so, the SEC has retained its focus on core safeguards such as cybersecurity and Anti-Money Laundering (AML) compliance. In its 2025 examination priorities, the SEC emphasised both AI oversight and crypto market surveillance, accenting that, despite a softer posture toward innovation, investor protection remains on the regulatory agenda. The formation of a Crypto Asset Taskforce led by Commissioner Hester Peirce (known as "Crypto mom") operates at the centre of this approach, integrating advanced analytics, cross-agency collaboration and adaptive enforcement tools to align modern regulatory frameworks with the fast-evolving dynamics of digital finance.

7. European Union: Comprehensive Regulatory Framework Harmonisation

Fully operational from 2025, the European Union's Markets in Crypto-Assets regulation (MiCA) delivers a harmonised framework covering stablecoins, VASPs, and DeFi. It mandates licensing, transparency, and robust consumer safeguards, seeking to replace the patchwork of national rules with a single, consistent and predictable regime. Politically, MiCA embodies the EU's tradition of supranational integration, offering a deliberate counterpoint to the regulatory fragmentation seen in the United States, while advancing digital sovereignty through the parallel rollout of the digital euro Central Bank Digital Currency (CBDC).

Nonetheless, implementation challenges persist. Ensuring consistent enforcement across 27 member states, reconciling divergent national supervisory capacities, and managing potential friction with global standards will test the regime's cohesion. Even so, MiCA's scope and ambition position the EU as a regulatory pacesetter, its model already shaping debates in jurisdictions such as the United Kingdom and influencing the direction of cross-border cooperation in digital finance.

8. China: Prohibition and State Control

In stark contrast to permissive or harmonised frameworks, some jurisdictions have opted for outright prohibition or state control of virtual assets and their activities. Jurisdictions such as China have pursued a dual-track approach, including banning cryptocurrency trading and mining while advancing a tightly controlled CBDC, the digital yuan, as the sanctioned alternative. Politically, this strategy reflects a commitment to capital controls, financial stability and the preservation of state sovereignty over monetary systems. This also carries some geopolitical implications. China's adoption of a state-centric model contrasts sharply with U.S.-led liberalisation. As a result, China contributes to the emergence of a bifurcated global digital finance ecosystem.

Similarly, nations like Algeria, Bolivia and Nepal have imposed bans on virtual asset use, citing concerns over illicit finance, consumer protection gaps and systemic risk. Others, including Russia, Kazakhstan and Turkey have not implemented a blanket ban but have centralised crypto-related activity under strict state licensing and reporting requirements, aligning with broader geopolitical objectives.

These prohibitive or centralised regimes illustrate how crypto regulation can be a projection of state ideology whether to preserve control over domestic payment rails, protect against perceived foreign economic influence or consolidate power within state financial institutions. However, such approaches risk driving activity underground, fostering unregulated peer-to-peer markets that operate beyond the reach of formal oversight.

9. Other Jurisdictions: India, UK, and Japan

India imposes a flat 30% tax on income from Virtual Digital Assets (VDAs), including cryptocurrencies and NFTs, with no deductions allowed beyond acquisition costs and no offsetting of losses against other income under Section 115BBH of the Income Tax Act. Mandatory reporting requirements and a 1% Tax Deducted at Source (TDS) are also in place to strengthen oversight and compliance. United Kingdom is aligning its crypto regime with U.S. frameworks. In April 2025, draft legislation was introduced to bring crypto-asset activities including stablecoins under the Financial Services and Markets Act, extending Financial Conduct Authority oversight to exchanges, dealers and custody services. This aligns with industry calls for clarity and positions the UK as a responsive crypto hub. The new UK draft laws will extend existing financial regulation to companies involved in crypto, aligning Britain with the US, rather than the European Union which has built rules tailored to the industry. Japan has enforced a comprehensive licensing system since 2017, with requirements for platforms, strong consumer protection, and a consistent regulatory environment that has set the tone across Asia.

Hong Kong's 2025 SFC roadmap attracts global VASPs, blending innovation with regulation. Hong Kong's Securities and Futures Commission (SFC) released a 2025 regulatory roadmap, "A-S-P-I-Re", aimed at attracting global VASPs while balancing innovation with robust regulation. The roadmap addresses the dynamic virtual asset ecosystem and coagulates Hong Kong's position as a global hub.

10. Nigeria: Advancing from Restriction to Comprehensive Securities Regulation

Nigeria's virtual asset regulation has advanced through distinct phases. Initially, the Central Bank of Nigeria (CBN) issued a sweeping prohibition on banking services for crypto-related firms in early 2021. Subsequently in 2023, this regulatory stance softened with the issuance of VASP Guidelines which permitted banks to operate accounts for licensed crypto businesses.

A major leap came with the enactment of the Investments and Securities Act (ISA) 2025, which now formally classifies virtual and digital assets as securities, veering from the global influence of the use of Howey test. This places VASPs, exchanges, and digital asset operators under the sole regulatory oversight of the SEC. The

SEC also administers an Accelerated Regulatory Incubation Programme (ARIP), offering provisional licensing to some market operators with virtual asset and blockchain exposures while promoting regulated participation in the digital asset economy.

In parallel, Nigerian authorities have clamped down on illicit crypto activity. The SEC flagged over US\$2.1 billion in suspicious crypto flows across West Africa and is pushing for region-wide VASP licensing under ECOWAS. In addition, a cybersecurity levy has been introduced on domestic transfers in 2024 to fund oversight, alongside actions against platforms like Binance amid allegations of contributing to naira destabilisation.

11. Ghana: Transitioning to a Regulated Innovation Ecosystem

Mirroring Nigeria's earlier trajectory, Ghana has historically treated cryptocurrencies as unregulated and high-risk assets. The Bank of Ghana (BoG), through Notice No. PUBLIC DRAFT BG/GOV/SEC/2022/23, has prohibited banks and Payment Service Providers (PSPs) from facilitating crypto asset transactions, while reminding providers that such assets are neither legal tender nor backed by the state. This restriction remains in force until formal regulatory guidelines are enacted. Similarly, the SEC, through Public Notice SEC/PN/003/03/2019, has cautioned the public against investing or trading in cryptocurrencies and related digital platforms.

This cautious posture, however, is gradually shifting. The SEC has announced the establishment of a Digital Asset Taskforce to develop a comprehensive regulatory framework. In April 2025, the BoG disclosed plans to regulate VASPs through a forthcoming Virtual Asset Providers Act, targeted for enactment by September 2025 in collaboration with the SEC, as the relevant regulatory authorities. Draft exposure guidelines issued in mid-2024 by the BoG outline requirements for mandatory VASP registration, Anti-Money Laundering (AML) compliance, robust internal controls, cybersecurity safeguards, and minimum capital thresholds for exchanges that also provide wallet services.

These measures respond both to domestic priorities such as fiscal oversight and consumer protection and to international obligations, particularly under the FATF framework, aimed at avoiding a regulatory vacuum or potential grey-listing. The recent change in government, with the National Democratic Congress (NDC) pledging in its manifesto to advance digital and virtual asset regulation, also injected fresh momentum into the process. The intended establishment of dedicated regulatory units within both the BoG and SEC emphasises Ghana's intent to strike a balance between fostering innovation in fintech and digital finance, and ensuring strong oversight, stability and market integrity.

12. Comparative Analysis of National Strategies and Geopolitical Dynamics

Patterns in virtual asset regulation reflect broader governance models. Liberal democracies such as the U.S. and the UK tend to exhibit significant industry influence through lobbying, while authoritarian regimes like China prioritise centralised control. The EU's framework emphasises regulatory harmonisation, reducing intra-bloc political friction but widening divergences with external markets. Political dynamics are equally telling. In the US, crypto lobbying and campaign financing influenced the 2024 elections, while internationally, regulatory arbitrage continues to redirect capital flows toward more permissive jurisdictions. Challenges persist across the board as enforcement gaps have been flagged by the FATF as enabling criminal activities, and restrictive policies have been linked to heightened market volatility.

In the sub-Saharan region, Ghana and Nigeria are both shifting from restrictive postures to more structured regulatory regimes for virtual assets, however their paths differ in speed, sequencing and political context. Nigeria moved earlier toward formal regulation. Following the CBN's 2021 prohibition on banks servicing crypto accounts, the stance changed in late 2023 with SEC Nigeria introducing a licensing framework for VASPs. This shift tempered earlier concerns over capital flight and AML/CFT risks with a growing recognition of the sector's economic potential. Ghana's trajectory parallels Nigeria's initial caution, with BoG and SEC public notices barring licencees from facilitating crypto transactions. However, reforms are emerging later. In April 2025, the BoG working jointly with SEC Ghana announced the Virtual Asset Providers Act, signalling alignment with FATF standards. Ghana's approach is unfolding through a more consultative and taskforce-driven process.

In political terms, Nigeria's policy shift shows pragmatism, shaped by youth-driven crypto adoption, diaspora remittance flows and fintech lobbying that pushed policymakers from prohibition toward regulated integration. The 2023-2024 reforms coincided with broader economic restructuring under the Tinubu administration, aimed at diversifying capital market inflows and stabilising the naira. In Ghana, the political climate shaped by the regime change and the ruling party's manifesto commitments have created momentum for pro-innovation regulation, positioning digital finance as a pillar of economic transformation. The timing of the BoG and SEC collaboration in 2025 reflects both international pressures to avoid FATF grey-listing and domestic political incentives to project modernisation.

From a geopolitical perspective, Nigeria's early licensing framework positions it as a potential West African fintech hub, enhancing its leverage in ECOWAS economic integration talks and enabling it to attract regional talent, investment and infrastructure. This could side with Nigeria's Gulf and Asian investment partners, who are pursuing blockchain-driven payment corridors, possibly reducing reliance on dollar-denominated transactions.

Ghana, while later to market, is pursuing a harmonised and compliance-heavy approach that may appeal to risk-averse global VASPs seeking a politically stable gateway into the region. Its collaborative regulatory stance could strengthen bilateral trade and fintech partnerships with the EU and UK, especially under post-Brexit trade frameworks. However, its slower rollout risks ceding first-mover advantage to Nigeria in regional influence over digital asset norms. Both countries' regulatory strategies will prospectively affect their geopolitical bargaining power in multilateral forums such as the African Continental Free Trade Area (AfCFTA), where digital trade protocols and cross-border payment systems are becoming strategic levers for economic leadership.

13. Regulatory Crossroads: Challenges, Implications, and Pathways for the Future

The regulation of virtual assets remains fraught with structural and political complexities. Key challenges include persistent regulatory fragmentation, which undermines the interoperability of global regimes and creates arbitrage opportunities for illicit actors. The influence of well-funded industry lobbying raises the risk of regulatory capture, diluting consumer and investor protection in favour of market expansion. Moreover, rapid technological evolution, including the convergence of Artificial Intelligence and Decentralised Finance (AI-DeFi), is outpacing the capacity of existing legal frameworks, rendering enforcement reactive rather than anticipatory.

The implications for financial governance are twofold. On one hand, well-calibrated frameworks could unlock inclusive growth, enabling developing economies to leverage digital assets for remittances, capital formation and financial inclusion. On the other hand, an uneven regulatory landscape risks entrenching inequalities, as jurisdictions with robust infrastructure and political leverage shape the rules in ways that marginalise relatively developing economies and emerging market innovators. Geopolitically, the divergence between US, EU and Chinese approaches to virtual asset governance threatens to splinter global standards, with downstream effects on cross-border trade, investment flows, and diplomatic alignments.

Looking ahead, priority should be given to strengthening FATF implementation through targeted capacity-building in under-resourced jurisdictions, closing compliance gaps while protecting the space for innovation. Multilateral dialogues must be revitalised to bridge deepening US-EU-China policy divides, focusing on interoperability rather than strict harmonisation. Finally, integrating sustainability metrics such as the carbon footprint of blockchain operations into global standards could ensure that the evolution of the virtual asset ecosystem matches with broader ESG objectives, fostering a governance model that is economically viable, technologically adaptive and socially responsible.

14. Conclusion

The politics of virtual assets regulation reflects a global struggle between innovation and control. As momentum toward regulatory clarity and mainstream adoption grows, national responses will be crucial in setting the pace of trajectory for digital finance. Policymakers must adeptly navigate these competing pressures to craft equitable and resilient frameworks while ensuring that the transformative potential of decentralised assets is not undermined by fragmented or protectionist regulatory regimes.

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