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DIGITAL CURRENCIES AND THE STATE BANK OF PAKISTAN: LEGAL UNCERTAINTIES AND GLOBAL PRESSURES

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ABSTRACT

The worldwide increase in the trend of digital currencies, both decentralized cryptocurrencies such as Bitcoin and central bank digital currencies (CBDCs) issued by states, has led to the activation of regulatory and legal reactions in different jurisdictions. To developing economies such as Pakistan, such developments pose a unique challenge: how it can go about addressing international demands on modernization of financial systems, coping with local legal ambiguities, infrastructural oversights and financial insecurity threats. The State Bank of Pakistan (SBP) has mirrored a fringe policy, whereby it has released various statements in warning against the use of non-state digital currencies and at the same time pursuing a sovereign digital currency. Nevertheless, the legal framework that is in place in Pakistan is not clear and coherent enough to be able to regulate or incorporate digital currencies into the formal financial system.

In the following paper, the legal status of digital currencies in Pakistan is critically analyzed, taking into consideration the role of the SBP in national policymaking. It examines how the anti-cryptocurrency position of SBP correlates with the tendency in the world to give digital currencies first legal status, and then regulate them. The research paper also focuses on the consequences of Pakistan remaining in the grey-list by the international financial watchdog agencies like the Financial Action Task Force-FATF which have only increased more pressure of enforcing transparent, enforceable and risk-based financial regulations. Using the comparative legal methods of varied jurisdictions like India, European Union, and Nigeria, the paper outlines the potential frameworks of legal reformation that may enable to balance innovation and the financial stability.

Finally, the benefit of a holistic, legally favorable and comprehensive environment on digital assets in Pakistan is presented in the paper, where the need to distinguish between illicit crypto and authentic financial innovations, as well as grant consumer protection, guard non-confusion in regulations, and adherence to international best practices is also discussed. Otherwise, there is no chance that Pakistan will be able to keep up with the global economic trend of digitalization and at the same time being exposed to unregulated financial risks domestically.

***Keywords**: Digital Currencies, State Bank of Pakistan, Legal Framework, Regulatory Challenges, Global Financial Pressures*

Introduction

Digital currencies are transforming the financial scene globally in paradigm ways. These can be decentralized cryptocurrency like Bitcoin and Ethereum that are decentralized and are unregulated, or Central Bank Digital Currencies (CBDCs), digital equivalents of state-issued or fiat currencies that are controlled by the state.[1] With countries playing around with or adopting the legal models to help govern the digital currencies, the dilemma of whether to have regulation or embrace changes or innovation in the field of finance has become an iconic issue, most particularly to the developing nations such as that of Pakistan.

At the Pakistani front, State Bank of Pakistan (SBP) has been quite conservative. The SBP has since prevented banks and financial services providers to trade in cryptocurrencies since 2018 owing to fear of volatility, consumer protection, money laundering and terrorism financing.[2] This is notwithstanding this ban as the use of digital assets increases informally in Pakistan due to a young and tech-savvy population, increasing inflation, and the lure of other investments.[3] Meanwhile, the SBP is said to be considering the possibility of issuing a Central Bank Digital Currency (CBDC) not only to keep up the international trend but also to maintain monetary control.[4]

This regulatory ambiguity tracks on larger questions of law and institutional unsurety. There is no existing detailed law in Pakistan which defines, categorizes or regulates digital currencies in any manner. Though the legislation names Prevention of Electronic Crimes Act 2016 (PECA) and Anti-Money Laundering Act 2010 (AMLA) came up with some grounds of prosecuting unlawful practices that use crypto assets, they lack clarity particularly on the legal status of legitimate applications.[5] All this is made worse by the external factors or influences especially by the Financial Action Task Force (FATF) which up to now is continuing to pressurize Pakistan to improve its monitoring of the digital financial flows in order to fight illicit flows.

This paper aims to explore the legal ambiguities and policy tensions surrounding digital currencies in Pakistan, with a focus on the SBP's evolving role. It examines Pakistan's regulatory landscape in comparison with international approaches, evaluates the economic and legal risks of a non-regulated digital currency market, and proposes a legal roadmap for incorporating digital assets into the formal economy. By bridging the gap between innovation and oversight, Pakistan can better position itself

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[1] Tobias Adrian, "The Rise of Digital Money," IMF, accessed July 10, 2024, https://www.imf.org/en/Publications/fintech-notes/Issues/2019/07/12/The-Rise-of-Digital-Money-47097.

[2] "State Bank of Pakistan," accessed July 10, 2024, https://www.sbp.org.pk/bprd/2018/C3.htm.

[3] "State Bank of Pakistan."

[4] "State Bank of Pakistan," accessed July 10, 2024, https://www.sbp.org.pk/departments/disd.htm.

[5] "National Assembly of Pakistan," accessed July 10, 2024, https://na.gov.pk/en/content.php?id=42.

to meet the demands of a rapidly digitizing global economy.

The Evolution of Digital Currencies and the Global Regulatory Landscape

The emergence of digital currencies has disrupted traditional financial systems, offering both transformative opportunities and formidable regulatory challenges. Initially launched in 2009 with the advent of Bitcoin, cryptocurrencies were framed as decentralized alternatives to fiat currencies—free from the control of banks or governments.[6] Over time, the ecosystem expanded to include thousands of alternative coins (altcoins), stablecoins, and complex decentralized finance (DeFi) platforms, prompting global regulators to reassess the adequacy of existing financial and monetary laws.

Global Trends in Cryptocurrency Regulation

Global approaches to cryptocurrency regulation vary considerably. At one end of the spectrum, El Salvador has recognized Bitcoin as legal tender, while at the other, China has imposed sweeping bans on crypto trading and mining.[7] The United States, despite regulatory fragmentation among agencies like the SEC, CFTC, and IRS, has allowed significant crypto innovation to flourish, albeit under increasing scrutiny. The European Union, through its Markets in Crypto-Assets (MiCA) Regulation, aims to provide a harmonized legal framework, introducing licensing, transparency, and consumer protection standards for crypto service providers.[8]

Similarly, India has moved from blanket hostility to cautious engagement. In 2022, it introduced a flat 30% tax on crypto gains, signaling de facto recognition of the asset class, even as legislation governing its legality remains pending.[9] Nigeria, facing rampant unofficial crypto use, has banned banks from crypto transactions but simultaneously launched Africa's first CBDC—the eNaira.[10] These cases demonstrate the global regulatory dilemma: how to curb the risks of crypto (e.g., fraud, money laundering, capital flight) while harnessing its potential for innovation and financial inclusion.

The Rise of Central Bank Digital Currencies (CBDCs)

In response to the growing influence of cryptocurrencies and private stablecoins (like Facebook's Libra/Diem), many central banks have begun exploring CBDCs—digital representations of national fiat currencies issued and backed by central authorities.[11] According to the Bank for International Settlements (BIS), over 130 countries are

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[6] Satoshi Nakamoto, "Bitcoin: A Peer-to-Peer Electronic Cash System," n.d.

[7] Shmuel Ben-Gad, *The Infinite Machine: How an Army of Crypto-Hackers Is Building the Next Internet with Ethereum.* (REED BUSINESS INFORMATION 360 PARK AVENUE SOUTH, NEW YORK, NY 10010 USA, 2020).

[8] "Markets in Crypto-Assets Regulation (MiCA)," accessed July 10, 2024, https://www.esma.europa.eu/esmas-activities/digital-finance-and-innovation/markets-crypto-assets-regulation-mica.

[9] "India Budget | Ministry of Finance | Government of India," accessed July 10, 2024, https://www.indiabudget.gov.in/.

[10] Jookyung Ree, "Nigeria's eNaira, One Year After," n.d.

[11] Raphael Auer and Rainer Boehme, "The Technology of Retail Central Bank Digital Currency," March 1, 2020, https://www.bis.org/publ/qtrpdf/r_qt2003j.htm.

currently engaged in CBDC research or pilot programs.[12] Notable examples include China's digital yuan, the European Central Bank's digital euro project, and Nigeria's operational eNaira.

CBDCs are designed to offer the benefits of digital money—speed, efficiency, inclusion—while maintaining state control over monetary policy and systemic stability. Legal frameworks for CBDCs are still evolving, and debates continue over their impact on privacy, commercial banking, and financial sovereignty.[13] Nonetheless, the shift toward CBDCs reflects growing consensus that state-issued digital money may become the norm, particularly as global competition over financial technologies intensifies.

In sum, the global regulatory landscape is moving toward a dual structure: tighter controls on decentralized cryptocurrencies and strategic development of CBDCs. Countries like Pakistan, still in regulatory limbo, must now decide whether to adapt, adopt, or abstain in the face of these powerful international currents.

The Legal Status of Digital Currencies in Pakistan

The legal treatment of digital currencies in Pakistan remains ambiguous, restrictive, and fragmented, lacking both statutory recognition and a coherent regulatory policy. While global jurisdictions have taken steps—however tentative—to define and classify digital assets, Pakistan has yet to establish a comprehensive legal framework to address their status, use, or regulation.

SBP's Cautious Position

The most explicit stance on digital currencies in Pakistan comes from the State Bank of Pakistan (SBP). In April 2018, the SBP issued a circular prohibiting all banks and financial institutions from processing, trading, or facilitating virtual currencies or tokens.[14] Although not a formal law, this circular remains the de facto policy instrument, effectively banning cryptocurrency dealings in the regulated financial sector. The SBP cited concerns over consumer protection, lack of transparency, high volatility, and risks of money laundering and terrorism financing. While the SBP has since signaled interest in exploring Central Bank Digital Currencies (CBDCs), no legislative steps have followed to institutionalize this direction.

Absence of Enabling Legislation

Pakistan currently has no statute or regulatory code that explicitly defines digital currencies or establishes their legality or illegality. Laws like the Prevention of Electronic Crimes Act (PECA) 2016 and the Anti-Money Laundering Act (AMLA) 2010 are sometimes invoked in investigations involving cryptocurrency fraud or illegal remittances, but these laws do not regulate the nature or status of digital assets themselves. This leaves users, investors, and developers in a legal grey zone, unable to

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[12] "Central Bank Digital Currency (CBDC) Tracker," accessed July 10, 2024, https://cbdctracker.org/.

[13] "Central Bank Digital Currency Adoption: Inclusive Strategies for Intermediaries and Users in: FinTech Notes Volume 2024 Issue 005 (2024)," accessed July 10, 2024, https://www.elibrary.imf.org/view/journals/063/2024/005/article-A001-en.xml.

[14] "State Bank of Pakistan," accessed July 10, 2024, https://www.sbp.org.pk/bprd/2018/C3.htm.

determine whether engagement with cryptocurrencies constitutes a criminal offense, a civil liability, or a lawful activity.

Enforcement Discretion and Regulatory Arbitrage

In the absence of legislation, enforcement agencies such as the Federal Investigation Agency (FIA) rely on discretionary interpretations to pursue digital currency-related offenses. This has led to inconsistent treatment of crypto-related activities. Some crypto exchanges and users have faced investigation or asset seizures, while others continue to operate through informal channels without interference. This selective enforcement fuels regulatory arbitrage, erodes investor confidence, and hinders innovation by creating an environment of uncertainty and fear.

Informal Crypto Market Growth

Despite the SBP's ban, Pakistan ranks among the top countries in global crypto adoption.[15] Informal peer-to-peer (P2P) trading, social media-based transactions, and usage of offshore exchanges remain common, particularly among the urban youth. The unregulated nature of these transactions not only creates risks of fraud and cybercrime but also removes such financial flows from the tax and regulatory net—an issue of growing concern for financial governance and international scrutiny, especially in the post-FATF compliance era.

Implications for Legal Certainty and Sovereignty

The lack of clarity in Pakistan's legal treatment of digital currencies undermines legal certainty, consumer protection, and technological sovereignty. Without a clear policy, Pakistan is unable to shape its own path in a rapidly digitizing global economy. The uncertainty has also discouraged legitimate fintech investment and prevented the emergence of licensed digital asset platforms that could bring transparency, taxation, and innovation under a structured regulatory framework.

The Case for a Central Bank Digital Currency (CBDC) in Pakistan

As digital currencies challenge traditional monetary frameworks worldwide, Pakistan faces increasing pressure to explore alternatives to decentralized cryptocurrencies while maintaining financial stability and sovereignty. A Central Bank Digital Currency (CBDC)—a state-backed, digital form of fiat money—offers a potential solution for bridging the innovation gap without ceding monetary control. For Pakistan, the adoption of a CBDC could advance several policy objectives while countering the risks associated with unregulated private digital assets.

Maintaining Monetary Sovereignty

In the face of rising global crypto adoption, especially among youth and retail investors in Pakistan, a state-issued digital currency could serve as a controlled alternative to volatile and decentralized tokens. A CBDC would allow the State Bank of Pakistan (SBP) to maintain oversight over money supply, transaction flows, and systemic stability—elements that are severely compromised when economic activity shifts into

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[15] "2024 Global Crypto Adoption Index - Chainalysis," accessed July 10, 2024, https://www.chainalysis.com/blog/2024-global-crypto-adoption-index/.

unregulated crypto ecosystems.[16] The issuance of a CBDC would help reassert state authority in the digital monetary space, especially as geopolitical pressures and technological advancements blur traditional financial boundaries.

Enhancing Financial Inclusion and Efficiency

A well-designed CBDC has the potential to significantly enhance financial inclusion, particularly in underbanked rural areas where mobile phone penetration is high but formal banking access remains limited.[17] Unlike private cryptocurrencies, which require users to navigate complex platforms, a CBDC integrated into existing mobile wallets or banking apps could promote safer, simpler access to financial services. Moreover, CBDCs can streamline government-to-person (G2P) payments, reduce leakage in public welfare programs, and promote a more efficient, transparent fiscal system.

Combatting Illicit Financial Flows

Pakistan's history with money laundering, terror financing, and FATF grey-listing underscores the need for traceable digital transactions. A CBDC, if designed with privacy-protecting but auditable features, could help monitor and curb illicit financial activity more effectively than cash or untraceable cryptocurrencies.[18] It would also support Pakistan's international obligations on financial transparency, reducing external pressure from global financial institutions and watchdogs.

Promoting Payment System Innovation

The introduction of a CBDC could foster competitive innovation in the digital payments sector. It would create a platform for fintech firms, banks, and telecom operators to build interoperable services that reduce transaction costs and increase speed. Unlike traditional banking infrastructure, CBDCs can be programmed with smart contract features, opening up opportunities for automated payments, cross-border remittances, and microfinance operations.[19] Such developments could modernize Pakistan's stagnant financial sector while enabling more efficient economic activity.

SBP's Early Exploration and Global Alignment

The SBP has signaled interest in CBDCs, aligning itself with the global trend where over 100 countries are currently exploring or piloting similar systems.[20] However, no formal legal or policy framework exists yet to guide its design, implementation, or integration. Establishing a legal foundation for CBDCs will be crucial to ensure interoperability, protect users' rights, and align monetary innovations with Pakistan's constitutional and

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[16] "The Rise of Public and Private Digital Money: A Strategy to Continue Delivering on The IMF's Mandate," accessed July 10, 2024, https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/07/28/The-Rise-of-Public-and-Private-Digital-Money-462919.

[17] "The Global Findex Database 2021," accessed July 10, 2024, https://www.worldbank.org/en/publication/globalfindex.

[18] "Home," accessed July 10, 2024, https://www.fatf-gafi.org/.

[19] "Central Bank Digital Currencies for Cross-Border Payments," July 9, 2021, https://www.bis.org/publ/othp38.htm.

[20] Barrister Safi Ullah Ghauri, Gul Rukh Nafees, and Syed Abdullah Anwer, "Navigating Socio Economic and Security Challenges: An Exploration of Central Bank Digital Currency (CBDC) Implementation in Pakistan," *Journal of Indian Studies* 10, no. 1 (2024): 49–76.

regulatory order.

Global Pressures and Geopolitical Influences on Pakistan's Crypto Policy

Pakistan's position on digital currencies is not shaped solely by domestic considerations. A combination of geopolitical dynamics, international regulatory expectations, and global economic trends exerts growing pressure on the State Bank of Pakistan (SBP) and national policymakers to clarify and modernize their stance on digital assets. These external forces highlight the extent to which Pakistan's crypto policy is entangled in broader questions of financial sovereignty, compliance, and competitiveness.

FATF Compliance and Anti-Money Laundering (AML) Mandates

Perhaps the most influential external force has been the Financial Action Task Force (FATF), which grey-listed Pakistan between 2018 and 2022 for deficiencies in countering money laundering and terrorism financing.[21] During this period, Pakistan faced intense pressure to monitor virtual asset flows and improve oversight mechanisms. Although Pakistan was removed from the grey list in 2022, the FATF's ongoing monitoring of virtual asset service providers (VASPs) remains relevant. The SBP's strict prohibition on crypto may be partly motivated by the need to avoid renewed scrutiny and demonstrate compliance with global AML standards.[22]

IMF and World Bank Policy Recommendations

The International Monetary Fund (IMF) and World Bank have increasingly urged developing countries to strengthen financial oversight over digital assets. Pakistan, being a regular IMF borrower, is often influenced by IMF technical advice and loan conditions that recommend fiscal discipline, capital controls, and risk containment.[23] These recommendations typically caution against the premature adoption of decentralized cryptocurrencies, especially where supervisory capacity is weak. Pakistan's crypto hesitancy may thus reflect an effort to align with lender expectations while safeguarding macroeconomic stability.

Cross-Border Crypto Governance Challenges

As crypto transactions routinely cross borders through decentralized platforms and offshore exchanges, cross-jurisdictional enforcement becomes almost impossible without legal harmonization. The lack of international consensus on crypto taxation, disclosure obligations, and legal status complicates regulatory choices for countries

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[21] Nasir Sultan et al., "The Sustainability of the International AML Regime and the Role of the FATF. The Objectivity of the Greylisting Process of Developing Jurisdictions like Pakistan," *Journal of Money Laundering Control* 27, no. 1 (2024): 76–92.

[22] Farzana Altaf, Muhammad Israr, and Sikandar Hayat Khan, "Counter Financing of Terrorism and Challenges for the Government of Pakistan," *The Journal of Research Review* 1, no. 04 (2024): 360–70.

[23] IMF-FSB-OCC Crypto Conference, "The Changing Landscape of Crypto Assets—Considerations for Regulatory and Supervisory Authorities," IMF, accessed July 10, 2024, https://www.imf.org/en/News/Articles/2024/02/23/sp022324-changing-landscape-crypto-assets-considerations-regulatory-and-supervisory-authorities.

like Pakistan.[24] Without international cooperation or model legislation, Pakistan faces difficulty in either cracking down on illicit crypto flows or developing mechanisms for lawful crypto integration.

Digital Dollarization and Financial Sovereignty Risks

Another concern is digital dollarization—the phenomenon whereby U.S. dollar-backed stablecoins (like USDT or USDC) become preferred stores of value in crypto transactions. This can weaken a country's control over monetary policy and reduce demand for the domestic currency. For Pakistan, already grappling with balance-of-payment crises and currency depreciation, the proliferation of dollar-pegged stablecoins in informal markets poses a real threat to financial sovereignty.[25] SBP's ban on crypto may be, in part, an attempt to prevent further erosion of the Pakistani rupee's dominance in domestic economic activity.

Need for Global Alignment and Legal Modernization

Pakistan's continued ambiguity toward digital assets may become increasingly untenable as global financial institutions, regulators, and trading partners adopt digital currency frameworks. The EU's MiCA regulation, U.S. developments under the SEC and CFTC, and the growing presence of CBDCs around the world all set global regulatory benchmarks. Failure to engage with these trends could marginalize Pakistan in future trade, fintech collaboration, and financial standard-setting forums.

Legal Reform Proposals for Pakistan's Digital Currency Framework

To address the mounting risks and seize the opportunities associated with digital currencies, Pakistan must undertake targeted legal and regulatory reforms. These reforms should aim to integrate digital financial innovation into the formal economy, while safeguarding against systemic risks, abuse, and financial instability. A proactive legal framework would not only improve compliance with international standards but also position Pakistan competitively in the emerging digital economy.

Enactment of a Comprehensive Digital Assets Law

Pakistan needs a dedicated Digital Assets Act that clearly defines and categorizes various types of digital currencies, including:

- Cryptocurrencies (decentralized),
- Stablecoins (asset-backed), and
- Central Bank Digital Currency (state-issued).

The law should differentiate between legal usage, regulated financial services, and prohibited practices, offering clarity to consumers, investors, and institutions. It should authorize the SECP and SBP to license and supervise digital asset service providers,

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[24] "Research of the Effectiveness of the System of Legal Regulation of Tax Relations for Operations with Cryptocurrency Currently in Force – Тема Научной Статьи По Экономике и Бизнесу Читайте Бесплатно Текст Научно-Исследовательской Работы в Электронной Библиотеке КиберЛенинка," accessed July 10, 2024, https://cyberleninka.ru/article/n/research-of-the-effectiveness-of-the-system-of-legal-regulation-of-tax-relations-for-operations-with-cryptocurrency-currently-in.

[25] "III. The next-Generation Monetary and Financial System," accessed July 10, 2024, https://www.bis.org/publ/arpdf/ar2024e3.htm.

impose disclosure obligations, and require compliance with AML/CFT norms.[26]

Legal Framework for CBDC Design and Deployment

If the State Bank of Pakistan decides to launch a **CBDC**, a legal mandate should define its design, issuance, circulation, and convertibility. This includes outlining:

- The CBDC's status as legal tender,
- Its relationship with existing fiat currency,
- Privacy safeguards for users, and
- Technological infrastructure requirements.[27]

The CBDC law must be technology-neutral, allowing flexibility for future upgrades while setting minimum regulatory and operational standards for issuance.

Data Protection and Cybersecurity Regulations

As digital currency platforms rely heavily on data collection and mobile-based infrastructure, Pakistan must implement a modern data protection law aligned with international standards such as the EU's GDPR. This would help safeguard user privacy, prevent identity theft, and limit algorithmic exploitation of financial behavior. Additionally, enhanced cybersecurity protocols for digital wallets, crypto exchanges, and payment processors should be mandated by the Pakistan Telecommunication Authority (PTA) and NADRA.[28]

Consumer Protection and Dispute Resolution Mechanisms

Legal reforms should introduce mandatory consumer protection standards for all digital currency service providers. These should include:

- Transparent pricing and terms,
- Cooling-off periods,
- User complaint redress systems, and
- Deposit insurance for licensed stablecoins or wallet providers.[29]

An independent digital financial ombudsman could be created to resolve disputes between users and service providers efficiently and affordably.

Taxation and Reporting Obligations

To integrate digital currencies into the formal economy, Pakistan should adopt a crypto taxation framework. This should clarify the treatment of:

- Capital gains from crypto trading,
- Income earned through mining or staking,

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[26] Afrasiab Ahmed Rana, Fiza Zulfiqar, and Salman Masud, "The Legal and Regulatory Framework for Cryptocurrency and Fintech in Pakistan: Challenges and Policy Recommendations," *UCP Journal of Law & Legal Education* 2, no. 1 (2023): 01–27.

[27] Giulio Soana and Thomaz de Arruda, "Central Bank Digital Currencies and Financial Integrity: Finding a New Trade-off between Privacy and Traceability within a Changing Financial Architecture," *Journal of Banking Regulation* 25, no. 4 (2024): 467–86.

[28] Muhammad Imran Ali and Khadeeja Ahmad Hussain, "Unveiling the Tapestry: A Comparative Investigation into Data-Protection Legislation in India and Pakistan," *Socrates. Rīga Stradiņš University Faculty of Law Electronic Scientific Journal of Law*, 2024, 1–8.

[29] Van Dinh et al., "Determinants Affecting Digital Financial Consumer Protection: Evidence from 135 Countries," *The Journal of Economic Asymmetries* 27 (2023): e00301.

- VAT or GST implications on token-based services.

All exchanges and digital wallet providers should be required to submit Know-Your-Customer (KYC) data and transactional reports to the Federal Board of Revenue (FBR).[30] This would help enhance revenue collection and prevent tax evasion through crypto markets.

Conclusion

The advent of digital currencies marks the turning point in the transformation of international finances. In the case of Pakistan, it becomes a major challenge as well as an opportunity. Although the national economy has been reluctant to enter the space of decentralized cryptocurrencies because of the fear of volatility risk, financial crime, and the regulatory ability to deal with it, the lack of coherent legal framework has enabled a parallel digital economy to develop unofficially in the dark-under the radar of taxes, protection, and financial regulation mechanisms.

The restrictive attitude of the State Bank of Pakistan toward cryptocurrencies is explained by a cautious attitude risk-wise to the international norms or requirements of compliance, above all, prescribed by the Financial Action Task Force (FATF) and multilateral lending agencies like the IMF. But even a restrictive approach no longer has a long-term future unless it is combined with legal innovation. The legal arbitrariness being experienced today in Pakistan which is characterized by obsolete laws, a crisis of jurisdiction, and impulsive policing, is injurious not only to investor confidence, but also to macroeconomic stability and monetary autonomy.

Simultaneously, the world trend presents a tendency to the increase in the convergence within the regulated digital asset ecosystem, where Central Bank Digital Currencies (CBDCs) and tokens issued by the private sector are equally available in the legally established spaces. Nigeria, India, and the European Union countries have already started taking concrete legislative actions to regulate the digital currencies by defining them and developing supervisory frameworks and involving the private sector through controlled innovation. Pakistan might become even more detached with global fintech trends and the global digital finance platform with the delay in seeking a visionary stance on the adoption of digital currency.

Pakistan needs to pursue an aggressive and integrity-driven method of legislation so that it can be relevant in the digital economy. This incorporates legislatively categorizing computerized resources, achieving regulatory assurances between the SBP and the SECP, executing data securities, and upholding the entitlements of the consumer in the digital finance environment. A CBDC when legislated correctly and technologically proficient would be the opening point to a larger-scale financial doctrainization of the Pakistan finances.

In the end, whether it is decentralized or state-sponsored currency, the digital currencies will be there to stay. The problem is not whether, but how wisely, safely and legally to do so with them. The era of legislative paralysis has long since come to its

[30] "FBR| Federal Board of Revenue - Government of Pakistan," accessed July 10, 2024, https://fbr.gov.pk/.

end; a new world of a complete digital currency framework is no longer a luxury but a necessity to economic robustness, regulatory integrity, and modern liftoff into the 21st century

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