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The Shifting Sands of Cryptocurrency Regulation:
A Path Towards Global Cooperation

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Abstract

The growth of cryptocurrencies has raised critical questions for global financial governance. As digital assets challenge regulatory boundaries and national monetary sovereignty, multilateral responses have become increasingly necessary. This report examines global efforts to regulate cryptocurrencies, focusing on the roles of the Financial Action Task Force (FATF), the Financial Stability Board (FSB), and the Basel Committee on Banking Supervision (BCBS). While these institutions have developed important standards on anti-money laundering, financial stability, and bank exposure, their effectiveness is hindered by limited transparency, non-binding instruments, and uneven implementation. Additionally, the United States' recent pivot towards a more crypto-friendly stance under the second Trump administration risks weakening multilateral cooperation at a time when coordination is increasingly vital. In contrast, the European Union has maintained a risk-averse approach aligned with multilateral norms and continues to advance internal regulation through MiCA and the Digital Euro. This report calls for stronger EU leadership in sustaining effective global crypto governance.

Citation Recommendation

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Introduction

The white paper that gave rise to Bitcoin (Nakamoto 2008) presented cryptocurrencies as an alternative form of money that would allow people around the world to operate outside traditional financial systems. However, the nature of these instruments, their dynamics, and their long-term impact have remained uncertain: some still consider them currencies – or even potential reserve currencies (Fink 2025) – while others see them as a form of financial investment (Ackman 2022), and critics go so far as to liken them to gambling (Panetta 2023). Since 2008, the crypto sector has expanded significantly, attracting more users and increasing financial resources. New types of instruments have also emerged. Among the most significant are so-called stablecoins: cryptocurrencies issued by identifiable entities that, through the accumulation of reserves, aim to maintain their value pegged to a predetermined asset, thereby reducing the high volatility typical of digital currencies like Bitcoin (Bullman et al. 2019).

Regulating the cryptocurrency sector has become especially urgent, given the growing number of problems it poses.

For nearly a decade, governments remained largely passive in the face of the growing crypto sphere. The reason for this inaction likely lies in the difficulties entailed in clearly categorising these instruments. Likewise, many public institutions assumed cryptocurrencies were a niche or temporary phenomenon that would eventually fade away. However, as cryptocurrencies continue to attract more funding, policymakers – particularly those in high-income countries – have begun to recognise the need to act. Regulating the sector has become especially urgent, given the growing number of critical problems it poses. Four of these are particularly relevant to our analysis. First, the near-anonymity of transactions enabled by cryptocurrencies facilitates illegal activities, such as money laundering or terrorist financing (Foley et al. 2019). Second, the entities operating in this sector – be they trading platforms or stablecoin issuers – often lack adequate transparency when managing the money they receive. This can spell trouble: given the significant volume of funds crypto companies handle, their collapse could have serious consequences for global financial stability (Kosse 2023). Third, the widespread adoption of cryptocurrencies – particularly stablecoins – could erode states' monetary sovereignty, hindering the conduct of monetary policy and shifting control over a historically public domain into the hands of private actors (Assenmacher 2020). Fourth, these currencies also carry environmental costs: the proof-of-work mechanism underlying many cryptocurrencies drives up energy consumption, which complicates efforts to meet global commitments to pollution reduction and climate change mitigation (Zhang et al. 2021).

In the last decade, the wealthiest nations have begun working on specific regulations for the crypto sector, while simultaneously exploring the development of their own Central Bank Digital Currencies (CBDCs) to address the public's growing demand for digital money (Cunha et al. 2021). However, in today's interconnected world – where funds can easily move across borders – it quickly became clear that a multilateral approach was needed to establish a common baseline among the most advanced financial jurisdictions to limit regulatory arbitrage and address the dangers associated with the rise of cryptocurrencies. In this regard, three initiatives deserve closer examination: (1) the standards set by the Basel Committee on Banking Supervision (BCBS) concerning the banking sector's exposure to cryptocurrencies; (2) the recommendations issued by the Financial Stability Board (FSB) to regulate and supervise crypto-assets and global stablecoins; (3) the norms developed by the Financial Action Task Force (FATF) to counter the use of cryptocurrencies for money laundering and terrorist financing.

We call for more openness towards and engagement with stakeholders on cryptocurrencies.

Following ENSURED's analytical framework (Choi et al. 2024), this report focuses on the reform efforts undertaken by these three institutions. We combine reflections on how effectiveness, robustness, and democracy criteria have been addressed under these initiatives, particularly regarding the outcomes of decision-making processes. Our analysis pays particular attention to the transparency of institutional processes, especially considering the marked confidentiality surrounding deliberations within the three multilateral forums mentioned above. We call for more openness towards – and more systematic engagement with – stakeholders and political actors. We also examine the regulation initiatives undertaken by major global economies – the United States (US), China, and the European Union (EU) – emphasising the potentially far-reaching implications of the US's shift from a crypto-sceptical stance under the Biden administration to the more crypto-friendly posture of the Trump administration. Finally, we turn our attention to the EU. Despite the evolving US approach, the EU continues to underline the risks – rather than the opportunities – of the crypto phenomenon. With this in mind, we outline a recommended approach for the EU within the BCBS, the FSB, and the FATF in the near future.

Challenges to Institutional Norms on Cryptocurrencies

In order to properly frame the issues under analysis here – as well as the initiatives undertaken by international institutions – we must first briefly reconstruct the path that led the BCBS, the FSB, and the FATF to take action on cryptocurrencies. We will then examine how these three forums are positioned in terms of the key concepts in the ENSURED framework: effectiveness, robustness, and democracy (Choi et al. 2024).

Towards the end of the previous decade, when the value of Bitcoin – a true 'thermometer' for the sector overall – began to hover (with various fluctuations) around 10,000 dollars per piece,[1] policy-makers began to address the topic of crypto-assets more thoroughly. By that time, it had become clear that the public sector could no longer remain inactive on the issue: stablecoins were beginning to spread, the financial resources moved by crypto-management platforms were growing significantly, and Facebook – now Meta – had announced the launch of its own digital currency, Libra (which it later renamed 'Diem') (Murphy and Stacey 2022). In this context, the most advanced economic areas of the world began to devise internal norms specifically aimed at governing this new phenomenon. However, given the cross-national, digital nature of these instruments, it soon became evident that without coordinated multilateral action, the effectiveness of national rules would be limited. Between 2020 and 2023, the FSB adopted nine recommendations on crypto-assets and ten on global stablecoins. Likewise, in 2022 the BCBS issued standards on banks' exposure limits to various types of crypto-assets, and in 2018 the FATF revised its Recommendation 15, incorporating virtual assets among the new technologies that require regulation in order to combat money laundering and terrorist financing. It is important to underline that the FATF began to take action a few years before the other two institutions: indeed, since the inception of the crypto phenomenon, it was evident that these instruments could be used extensively to carry out illicit activities.

Cryptocurrencies and Democracy

Since the 1980s – with the rise of the neoliberal school of thought and the emergence of public choice theory[2] (Friedman 1993; Buchanan and Wagner 1977) – financial institutions (both national and multilateral) have been widely labelled as entities that evade traditional democratic dynamics (Porter

1 On the historical evolution of the Bitcoin price, see the Coinbase website: https://www.coinbase.com/en-it/price/bitcoin.

2 With the rise of public choice theory – and the idea that decisionmakers often manage the economy for short-term electoral purposes – national financial institutions such as central banks have gradually gained greater independence from governments and parliaments, carrying out their functions with increasing autonomy from political forces. Their independence is reflected not only at the national level, but also within multilateral financial forums (where these institutions play a central role). In this sense, we can reasonably say that central bankers and market-regulatory authorities make decisions at the international level with a considerable degree of autonomy from national executive and legislative branches.

2001; Slaughter 2004, 164). They are seen to enjoy extensive autonomy vis-à-vis governments and parliaments, often lacking transparency when it comes to their internal decision-making processes. This assessment is certainly not without merit, as it highlights several critical issues that have attracted increasing public and academic attention, particularly since the 2008 economic crisis (De Bellis 2020; Vercelli 2017). Nevertheless, the highly technical nature of the issues financial institutions address, as well as the widespread tendency among policymakers to pursue short-sighted electoral goals when dealing with economic matters, are often cited to justify a degree of "distance" between these entities and formal political processes (Klomp and de Haan 2009). The BCBS, the FSB, and the FATF – as well as the decision-making processes that led to the establishment of the crypto-related standards and recommendations we discuss in this report – are not exempt from these dynamics.

To begin with, national representatives within these financial institutions – such as central bank officials and various supervisory authorities who oversee financial markets and banking institutions – are often figures who, in most jurisdictions, enjoy a great degree of independence from national governments and parliaments. In the case of the FSB and the FATF, government-affiliated figures also participate in plenary sessions, but they are typically senior administrative officials from ministries of finance or economy who have closer ties to the bureaucratic than the political apparatus. As several scholars have noted, multilateral financial organisations (including the three under examination here) tend to operate much like a "club" (Fratianni and Pattison 2014; Drezner 2007, 119–48). Two key characteristics of such institutions stand out. First, they put great emphasis on the confidentiality of the discussions that take place during meetings, both to facilitate deliberations and to avoid the disclosure of information or assessments that could have undesirable effects on financial markets. Second, their membership is limited to a narrow swathe of countries, and the admission of new members is subject to approval by the respective plenary bodies.

The FSB, the FATF, and the BCBS maintain weak connections to national democratic institutions and are not particularly open towards third countries.

Membership in these organisations is restricted in part due to the nature of their decision-making processes: decisions are made by consensus, and an expansion of the membership base could complicate or impede the adoption of many decisions (Laing and Slotznick 1991). That said, it is important to note that all three institutions do engage in various forms of external dialogue. The FSB, the FATF, and the BCBS all cooperate with international forums such as the G7 and the G20, including over issues concerning crypto regulation. For example, the FSB's recommendations were solicited by the 2022 meeting of G20 finance ministers (G20 2022), and the FATF has produced reports on the subject for the same forum. In addition, all three organisations conducted public consultations as part of the process of drafting their crypto-related regulatory documents; the FSB, the FATF, and the BCBS each collected feedback from stakeholders at various stages of their regulatory work. The BCBS and the FSB also made the comments they received publicly available on their websites.

In sum, these three organisations maintain weak connections to national democratic institutions and are not particularly open towards third countries. Likewise, although the FATF, the BCBS, and the FSB engage in external dialogue aimed at sharing information with governments and the private sector and receiving feedback, the confidentiality of their deliberations – which facilitates the achievement of effective agreements – comes at the cost of transparency in their decision-making processes. Among other issues, this makes it difficult to understand the actual position adopted by the representatives of a member state on any given issue.

Cryptocurrencies and Effectiveness

The decisions adopted by these three institutions – including those related to cryptocurrencies – are soft-law instruments that do not establish binding rules for member states. The organisations issue recommendations and standards, leaving the implementation of these standards to the discretion of individual countries. Nevertheless, their normative and standard-setting activities often have tangible effects; in fact, many of the rules defined at the multilateral level have been widely adopted (Brummer 2015), demonstrating that – in the case of international agreements (especially those related to finance) – soft-law instruments can often be equally or even more effective than hard-law instruments (Karlsson-Vinkhuyzen and Vihma 2009; Quaglia 2022, 42). In recent decades, the acts adopted by the BCBS, in particular, have generally been implemented (Milano and Zugliani 2019). This is due to the fact that, under various legal systems, some of the established norms can be applied by central banks or regulatory authorities independently of the respective legislative power. Reputational motives and pressures from the financial markets may also play a role here (Kern 2016, 391–400).

Given the consensual decision-making mechanism that underpins each of these three institutions, one might expect limited ambition, resulting in lowest common-denominator compromises or vague recommendations. However, in the case of cryptocurrency regulation, this inference appears only partially valid. The FSB issues recommendations establishing principles that, if adopted, allow individual countries a certain degree of discretion. This margin is narrower in the case of the FATF – which has further specified its revision to Recommendation 15 by adopting an interpretative note and publishing guidance for regulators – and narrower still in the case of the standards established by the BCBS, which outlines precise prudential requirements for credit institutions' exposure to crypto-assets.

At the time of writing, implementation of the various rules related to cryptocurrency remains quite uneven.

At the time of writing, implementation of the various rules related to cryptocurrency remains quite uneven. According to a progress report published by the FSB in October 2024, 62 percent of its members planned to comply with its crypto-asset standards by 2025 – a figure that drops to 60 percent for standards related to stablecoins (FSB 2024a). The report also noted that compliance rates among the 49 non-FSB countries that are members of the six Regional Consultative Groups (RCGs) connected to the organisation are 56 percent and 44 percent, respectively. The

FATF has also conducted periodic evaluations on the implementation of its standards, covering both its member countries and those belonging to FATF-Style Regional Bodies (FSRBs) (FATF 2025). Data published by the FATF in 2022 revealed that only 23 percent of countries were largely compliant with the rules established at the multilateral level – a percentage that progressively increased in the subsequent years (according to follow-up reports), reaching 29 percent in 2025. Meanwhile the BCBS's prudential standards for the banking sector will enter into force only on January 1, 2026.

Organisational effectiveness is also measured in terms of responsiveness – an organisation's ability to respond promptly when a problem or a phenomenon emerges. Due to uncertainty about the nature of the crypto phenomenon and the widespread belief that it would disappear within a few years, the FSB and the BCBS only began addressing the crypto issue after a considerable delay. By contrast, the FATF started to engage in this domain significantly earlier than the other two institutions, as the use of cryptocurrencies to facilitate criminal activities became evident as early as the beginning of the 2010s – consider, for example, the Bitcoin donations received by WikiLeaks (Grinberg 2011).

Overall, these three organisations have historically had a substantial impact on the issues they address, succeeding in undertaking significant initiatives despite their consensus-based decision-making mechanisms. Even in the area of cryptocurrency regulation (albeit with some delay), the FATF, the FSB, and the BCBS have actively engaged with the domain's core challenges by developing rules that, if implemented by their various member countries, could have a significant effect on the crypto sector.

Cryptocurrencies and Robustness

The top positions within these three organisations are all held by institutional representatives from member countries (mostly sitting officials, with some on temporary secondment). Similarly, the internal working groups and committees – such as those at the FSB and the BCBS – are composed of and chaired by national representatives, who combine their domestic roles with responsibilities within these multilateral institutions.

In addition, each of the three entities has a secretariat engaged in behind-the-scenes activities to support – and in some cases even inspire – the work and discussions that take place in the plenary sessions. However, the size of these secretariats is limited: they comprise only a few dozen staff members, some of whom are seconded from national institutions. Moreover, the financial resources available to these organisations primarily derive from member-state contributions. Additionally, the FSB also has a multi-year funding agreement with the Bank for International Settlements (BIS).[3] The fact that the FSB – like the BCBS – is based in Basel underscores this connection and highlights the benefits it receives in the form of administrative support provided by the BIS. Similarly, the

3 The multi-year financing agreement dates back to 2013 and has been renewed several times – most recently in 2023, with expiry currently set for 2028 (FSB 2024b).

FATF enjoys certain administrative advantages resulting from the fact that it is hosted by the Organisation for Economic Co-operation and Development (OECD).

In an international context in which several multilateral bodies have recently come under pressure, these three institutions have not faced significant political attacks aimed at downsizing or dismantling them. This state of affairs is largely attributable to three factors. The first is purely financial: these organisations do not redistribute funds among member countries, and therefore cannot be accused of subtracting resources from some countries to benefit others. The second concerns the nature of the rules they adopt, which (as noted above) are soft-law instruments that do not impose binding obligations on member countries. The third factor is the enduring political independence of the individuals who participate in these international forums, which helps to protect them from political disputes.

Neither the financial resources available to these multilateral forums nor their overall existence appear to be under threat.

In sum, when it comes to robustness, the FATF, the FSB, and the BCBS all present a lean internal structure, with many of those in top positions within these organisations serving in their national institutions as well. Similarly, it is worth noting that – even in a turbulent geopolitical context such as the current one – neither the financial resources available to these multilateral forums nor their overall existence appear to be under threat.

The Major International Actors and Their Roles

The positions taken by the main global actors in the decision-making processes of the three multilateral institutions we analyse in this report are not easily identifiable. This difficulty mainly stems from a factor we have mentioned above: the BCBS, the FSB, and the FATF all operate with a high degree of confidentiality, and no publicly available documents directly link a specific stance to a specific country. In the absence of meeting minutes, the positions adopted by different states can only be inferred based on national legislation and by examining the (usually carefully measured) statements made by the representatives who participate in the various plenary sessions.

The BCBS, the FSB, and the FATF all operate with a high degree of confidentiality.

A country's ascendancy in financial matters inevitably depends on the size of its GDP and its overall financial strength on the global stage. Taking this as our starting point, we will consider the three most influential players in the cryptocurrency domain: the US, China, and the EU.

The United States

Following Donald Trump's election to a second term in the White House, the US position on cryptocurrency regulation has undergone a significant shift – one which will almost certainly be reflected in its stance within the three multilateral organisations dealing with cryptocurrencies as well as the implementation of their rules in the US.

The Biden administration made no secret of its scepticism regarding cryptocurrencies, although it did not establish a well-defined regulatory framework. This 'critical' stance is evident in the "Executive Order on Ensuring Responsible Development of Digital Assets," issued in March 2022, which paved the way for measures aimed at addressing the various challenges related to cryptocurrencies (Biden 2022). Similarly, top officials at regulatory bodies such as the Securities and Exchange Commission (SEC) and the Office of the Comptroller of the Currency (OCC) repeatedly expressed concerns about crypto, viewing crypto-assets more as a threat to financial stability than as an opportunity to improve the payment system. By the same token, Michael Barr, who was vice chair for supervision at the Federal Reserve (FED) until February 2025, frequently highlighted the sector's risks, urging US banks to approach cryptocurrencies cautiously (Barr 2023). Additionally, in January 2023, the FED, the OCC, and the Federal Deposit Insurance Corporation (FDIC) issued a joint statement warning that involvement in the crypto domain could negatively impact the stability of financial institutions (FED et al. 2023).

These positions aligned with the philosophy underpinning the standards set by the BCBS, the FSB, and the FATF, which generally urge member countries to adopt measures to mitigate the various risks posed by cryptocurrencies.

Consequently, under the Biden administration, US institutions supported multilateral regulatory efforts. In the above-mentioned executive order, President Biden himself emphasised the importance of the FATF's work in preventing the use of virtual assets for criminal purposes and stressed the critical role of coordinated multilateral action. This multilateral approach was also central to the Framework for International Engagement on Digital Assets, defined in July 2022 by the then-treasury secretary (in collaboration with, among others, the secretary of state and the secretary of commerce), which identified international cooperation as a pivotal factor in properly managing the crypto phenomenon (US Department of the Treasury 2022). Likewise, under Michael Barr the FED emphasised the cross-border nature of contemporary finance, underscoring the need to involve international counterparts to minimise regulatory arbitrage across jurisdictions (Barr 2023). Similar remarks were made by Michael J. Hsu, the acting comptroller of the currency until February 2025, who noted the need for international cooperation on multiple occasions, highlighting the active role the US played in the BCBS and expressing appreciation for the FSB's recommendations (Hsu 2024). Hsu went as far as to say that "interagency and international collaboration and coordination sit at the heart of the OCC's approach to crypto" (Hsu 2022).

Then came the elections on November 5, 2024, after which the new administration quickly shifted to a crypto-friendly approach. According to many observers, this 'conversion' has been largely driven by intense (and effective) lobbying on the part of crypto companies, and also by significant economic interests among key figures in the Trump administration – including Trump himself, whose family has invested heavily in the sector (Gara et al. 2025). Trump has revoked the executive order on digital assets issued by his predecessor (as well as the Framework for International Engagement on Digital Assets), excluded the issuance of a US CBDC, and proposed the creation of a Strategic Bitcoin Reserve.[4] His appointees to federal financial and banking regulatory agencies also favour crypto expansion, such as Paul Atkins at the SEC and Rodney E. Hood at the OCC (Atkins 2025). Thus it is not surprising that many crypto-related policies adopted by independent agencies under the Biden administration were rolled back in early 2025. For instance, the January 2023 joint statement by the FED, the OCC, and the FDIC was withdrawn in April 2025. The OCC also significantly revised several of the regulations it had issued since 2020, repealing acts (such as Interpretative Letter 1179) that had restricted banks' involvement in the crypto sector.[5]

The US Congress, with its Republican majority, has also been active in this area. With the Guiding and Establishing National Innovation for US Stablecoins of 2025 Act (Genius Act), US lawmakers introduced the first regulatory framework for stablecoins ad hoc (Yaffe-Bellany and Jimison

4 Trump adopted these decisions via two different executive orders: "Strengthening American Leadership in Digital Financial Technology" (January 23, 2025; https://www.whitehouse.gov/presidential-actions/2025/01/strengthening-american-leadership-in-digital-financial-technology/) and "Establishment of the Strategic Bitcoin Reserve and United States Digital Asset Stockpile (March 6, 2025; https://www.whitehouse.gov/presidential-actions/2025/03/establishment-of-the-strategic-bitcoin-reserve-and-united-states-digital-asset-stockpile/).

5 In this regard, consider OCC Interpretative Letter 1183, issued on March 7, 2025 (OCC 2025): https://www.occ.treas.gov/topics/charters-and-licensing/interpretations-and-actions/2025/int1183.pdf.

2025). This law set certain requirements for sector participants while also reflecting a markedly less negative stance towards stablecoins than had previously been the case (Warren 2025). According to some analysts, the Genius Act also aims to strengthen the global role of the US dollar and benefit the federal budget by encouraging stablecoin issuers to invest reserves primarily in American currency or government securities (Krause 2025, 7–8).

This change in crypto policy will likely lead the US to diverge from the multilateral framework, at least in some areas. This behaviour would be consistent with Treasury Secretary Scott Bessent's statement that the US should not outsource its regulatory decision-making in finance and banking to international bodies (Bessent 2025). While laws such as the Genius Act are in line with several FATF and FSB recommendations, the stance taken by various independent authorities – combined with a generally pro-crypto attitude among Republicans – makes it unlikely that BCBS standards will be adopted in the short-term. In fact, these prudential requirements would significantly reduce banks' crypto activities (especially those related to unbacked cryptocurrencies, such as Bitcoin), which would conflict with two of the Trump administration's goals: to make the US an international crypto hub, and to ease banking regulations.

Change in crypto policy will likely lead the US to diverge from the multilateral framework.

This position reflects the deep polarisation of current US politics: under the Democrats, the US played a proactive role in multilateral forums in an effort to curb the risks of crypto; under the Republicans, US action in this domain is more domestically focused, and the administration is partly breaking from its partners, with the aim of maximising the (perceived) benefits of crypto.

China and Hong Kong

The People's Republic of China banned all cryptocurrency-related transactions within its territory in September 2021 (People's Bank of China 2021). This ban stems from concerns about financial stability and investor protection, but also – perhaps above all – from Beijing's intent to preserve its sovereignty by preventing private entities from entering into state-controlled economic domains (Qin and Livni 2021). By contrast, China has heavily invested in its CBDC. Indeed, Beijing launched the pilot phase of the Digital Yuan project in 2019 and is currently promoting its broad adoption among citizens, aiming to achieve several 'explicit' objectives – such as countering the crypto phenomenon, facilitating monetary policy implementation, and strengthening the global role of the renminbi – as well as 'implicit' objectives, such as more pervasive control over the financial activities of individuals and businesses (Pfister and De Sèze 2023).

Nevertheless, in today's highly interconnected world, where money circulates at great speed, this ban includes certain loopholes that allow cryptocurrencies to continue to exist – at least partly – even within the Chinese territory (Chen and Liu 2022). Indeed, Chinese regulators find it extremely difficult to block transactions involving these instruments completely, since citizens can access crypto wallets simply by using a virtual private network (VPN). It is therefore unsurprising that Beijing authorities, recognising the inherently cross-border nature of the crypto phenomenon, have supported multilateral initiatives on virtual currencies, hoping for broad global adoption of regulations aimed at containing crypto-related risks. Although the Chinese regime is not known for its transparency and its positions are often ambiguous, it has supported coordinated action on cryptocurrencies. The Central Bank has repeatedly expressed approval of FSB decisions (People's Bank of China 2024). Moreover, China's support for multilateral decisions on crypto-assets stems from the fact that the internationally defined regulatory framework on this topic is fundamentally sceptical or even negative in its view of these instruments – an orientation that is consistent with China's domestic legislative framework.

While Beijing has completely banned crypto activities within its territory, Hong Kong has become one of the world's most important cryptocurrency hubs.

However, any assessment of China's position cannot be limited to written sources. While Beijing has completely banned crypto activities within its territory, Hong Kong – one of China's Special Administrative Regions – has become one of the world's most important cryptocurrency hubs (Henley and Partners 2024). The expansion of the crypto sector in this former British colony is partly a consequence of China's ban: Hong Kong has attracted a large amount of financial capital and activities prohibited by Beijing, allowing Chinese operators to circumvent the ban (Langley and Ho-him 2023). China's government has permitted the expansion of the crypto sector in Hong Kong for two main – not mutually exclusive – reasons. First, the region's regulatory peculiarity might be considered a legacy of the city's (ever-decreasing) independence from Beijing. Second, it seems to reflect the regime's concern about its exclusion from a sector that is attracting significant (and possibly growing) resources; in this regard, Hong Kong provides a well-delimited area in which crypto actors can operate.

Nevertheless, Hong Kong has not indiscriminately opened up to cryptocurrencies; indeed, it has adopted various regulations that align with multilateral decisions. Regional authorities have enacted legislative measures that partly reflect FATF provisions on anti-money laundering and FSB recommendations pertaining to stablecoins – such as the 2022 Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill and the Stablecoins Bill (passed by the Hong Kong Legislative Council on May 21, 2025). Additionally, the Hong Kong Monetary Authority (HKMA) plans to apply prudential requirements for the banking sector (beginning on January 1, 2026), which largely echo those set by the BCBS (Hong Kong Monetary Authority 2024, 37).

The European Union

EU institutions, as well as most EU member states, continue to maintain a rather sceptical attitude towards cryptocurrencies. Unlike the current US administration, the EU emphasises the risks such currencies entail rather than the benefits they might bring. This stance is shared by political figures as well as central bankers and members of various supervisory authorities. It applies primarily to unbacked cryptocurrencies – which are seen as a form of "gambling" (Panetta 2023) or "a new tulip bubble" (Nagel 2025) – but secondarily to stablecoins as well, given the opacity surrounding the management of their reserves and the risks they could pose to global financial stability and the conduct of monetary policy (Cipollone 2025).

Despite this widespread scepticism, unlike China, the EU has shied away from adopting an outright ban, opting instead for a regulatory framework largely inspired by multilateral recommendations. The central piece of the EU's regulatory framework is the Markets in Crypto-Assets Regulation (Regulation (EU) 2023/1114) or MiCA, which came into force in June 2023. This regulation established requirements for entities operating in the cryptocurrency sector, focusing particularly on stablecoins (Annunziata 2023). Regarding the latter instruments – which are divided into Asset-Referenced Tokens (ARTs) and Electronic Money Tokens (EMTs) – the European legislature set prudential requirements in line with FSB recommendations. Among other things, MiCA establishes precise rules for investing received funds and an authorisation regime which, in the event of threats "to the smooth operation of payment systems, monetary policy transmission or monetary sovereignty," can lead to an issuer's "exclusion" from the European market. This cautious approach stands in sharp contrast to the norms currently being developed in the US. Several major stablecoin issuers – including Tether, the main issuer – have not yet complied with the MiCA Regulation, and therefore remain excluded from the European market (Ardoino 2024).

The EU has also addressed the use of these instruments to support criminal activities. Directive (EU) 2018/843 and Regulation (EU) 2023/1113 have redefined anti-money laundering and counter-terrorism financing rules to encompass payments made in virtual currency as well; both pieces of legislation, as their recitals explicitly state,[6] draw on FATF recommendations and standards. At the same time, the crypto phenomenon and the announced (and subsequently aborted) launch of a virtual currency by Facebook/Meta have provided an incentive for European institutions – particularly the European Central Bank (ECB) – to proceed with their plan to develop a Digital Euro (Lane 2025), which has indeed gained momentum in recent years. A completely different instrument from cryptocurrencies, the project of a European CBDC is nevertheless seen as a response to the demand for financial digitalization made by a rapidly growing portion of the population, who could seek to satisfy this demand by using virtual currencies instead (whether unbacked crypto or stablecoins).

In regulating cryptocurrencies, the EU has drawn inspiration from the standards adopted by the BCBS, the FSB, and the FATF.

As we have already seen, in regulating cryptocurrencies, the EU has largely drawn inspiration from the recommendations and standards adopted by the three multilateral institutions covered in this report and has strongly supported attempts to achieve a common international regulatory framework. As Recital 8 of the MiCA Regulation emphasizes: "Markets in crypto-assets are global and thus inherently cross-border," and "the Union

6 The actions implemented by the Financial Action Task Force are mentioned in Directive (EU) 2018/843, Recitals 4, 12, 13, and 18; and in Regulation (EU) 2023/1113, Recitals 2, 4, 5, 7, 9, 10, 13, 27, 44, and 60.

should continue to support international efforts to promote convergence in the treatment of crypto-assets and crypto-asset services through international organisations or bodies such as the Financial Stability Board, the Basel Committee on Banking Supervision and the Financial Action Task Force." This statement is consistent with others previously issued by leaders of European institutions and regulatory agencies;[7] it expresses the EU's commitment to cooperate with other major global partners. Unsurprisingly, the EU subsequently outlined a transitional regime concerning the banking sector's exposure to cryptocurrencies (Regulation (EU) 2024/1623), whereby it committed to promptly incorporating the prudential requirements established by the BCBS[8] in its legislative framework. If the EU eventually adopts this stringent set of rules while the US does not, then a significant divergence could emerge in the levels of exposure to crypto-assets experienced by the banking sectors of the two sides of the Atlantic.

Table 1: Major Actors' Positions on the Effectiveness and Robustness of Cryptocurrency Regulation

Continued on the next page.

	Effectiveness	Robustness
United States	Played a leading role in the definition of multilateral financial standards and recommendations under the Biden administration; intended to implement the various multilateral agreements; (primarily) due to political fragmentation, little progress was made in adopting these rules, and no specific, comprehensive legislative framework on crypto was adopted; recently, a law (the Genius Act) was approved under the second Trump administration, leading to partial alignment with FATF and FSB norms; conversely, adoption of BCBS standards seems improbable.	Strong support for the work carried out by the FATF, the FSB, and the BCBS under the Biden administration; simultaneously the US continued to provide steady financial resources. In contrast, the second Trump administration has announced its intention to set financial rules independently of international bodies, which may weaken the robustness of these institutions; currently too early to say whether their budgets may also be affected by this stance.
China and Hong Kong	China forbids any crypto-related activity in 2021, thus going beyond FATF, FSB, and BCBS standards and recommendations; Hong Kong adopted norms (partly) in line with FATF and FSB standards and recommendations; also plans to adopt BCBS standards in a timely manner. China generally supports the processes implemented to prevent uncontrolled spread of crypto-assets worldwide; has not	Supports the Secretariat's role, despite selective criticism.

7 On this point, we refer, ex plurimis, to the report on crypto-assets drawn up by the European Banking Authority (EBA 2019), and to the argument made by the European Commission in its FinTech Action Plan (European Commission 2018, 6).

8 Recital 59 of Regulation (EU) 2024/1623 claims: "In light of ongoing developments in markets in crypto-assets and acknowledging the importance of fully implementing the Basel standard on institutions' crypto-asset exposures in Union law, the Commission should submit a legislative proposal by 30 June 2025 to implement that standard, and should specify the prudential treatment applicable to those exposures during the transitional period until the implementation of that standard."

Continued from the previous page.

	made accusations or distanced itself from FATF, FSB, or BCBS operations; continues to offer financial support to these institutions; Hong Kong aims to become an international crypto hub, yet simultaneously supports FATF, FSB, and BCBS norms.	
European Union	Adopted rules (in various regulations and directives) largely in line with FATF and FSB recommendations; plans to implement BCBS standards in 2026. Both the EU and its member states broadly support FATF, FSB, and BCBS standards and recommendations; continue to sustain the work implemented by these institutions, even in the current scenario (i.e., facing US withdrawal); remain committed to funding these organisations.	Generally backs the Secretariat, despite selective criticism.

A note on democracy: Given the substantial discretion that shields the behind-the-scenes work of the FATF, the FSB, and the BCBS, it is impossible to identify the stances taken by the US, China, or the EU relevant to this indicator. The representatives who participate in these forums abstain from making public statements concerning the involvement of national-political or private-sector actors in organisational decision-making processes.

Key Milestones in Multilateral Cryptocurrency Regulation

In October 2018, the FSB published a report titled "Crypto-Asset Markets: Potential Channels for Future Financial Stability Implications" (FSB 2018), in which it assessed the potential impact cryptocurrencies might have on global financial stability. This initial study stated that, at the time, cryptocurrencies did not present a particularly critical risk. Subsequent studies laid the groundwork for the publication of two other key texts: "Recommendations for the Regulation, Supervision and Oversight of Crypto-Asset Activities and Markets" (FSB 2023a), and "Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements" (FSB 2023b). Drafted between 2020 and 2023, the first document contains nine recommendations concerning crypto-assets and global stablecoins, and the second contains ten.

The BCBS presented a set of "prudential expectations" regarding the banking sector's exposure to crypto-assets.

During the same period, the BCBS also began to study the relevance of the crypto phenomenon for the banking sector. In its March 2019 newsletter, it presented a set of "prudential expectations" regarding the banking sector's exposure to crypto-assets, advising banks in jurisdictions that had not banned such activities to follow certain key principles (BCBS 2019a). In December of the same year, the committee published a discussion paper titled "Designing a Prudential Treatment for Crypto-Assets" (BCBS 2019b), which collected stakeholders' views on the prudential regulatory treatment of such assets. This document became the foundation upon which, over the years, the BCBS has built its standards for banks' exposure limits to cryptocurrencies.

The FATF has focused on the use of crypto to support illegal activities. In one of the first multilateral initiatives undertaken in the crypto domain, in June 2014 it published a report on virtual assets, titled "Virtual Currencies: Key Definitions and Potential AML/CFT Risks" (FATF 2014). In 2018, considering the developments in the crypto domain, the FATF revised its Recommendation 15 to incorporate virtual assets among the new technologies which require regulation to combat money laundering and terrorist financing.

The deliberative processes concerning cryptocurrencies at the FATF, the FSB, and the BCBS have benefited from a convergence of views among the main global economic actors in recent years. As we have highlighted in Table 1 above, the US, China, and the EU had long shared a sceptical stance towards virtual currencies. This attitude served as the foundation for targeted multilateral regulations intended to counter the threats associated with these instruments on the one hand, and to limit widespread expansion of the overall crypto sector on the other. Therefore, these three organisations have been able to proceed in a linear manner in defining their standards and recommendations.

Table 2: The Path Towards Multilateral Cryptocurrency Regulation – Financial Stability Board

	Financial Stability Board (FSB)
2018	Following the FSB chair's letter to G20 finance ministers and central bank governors, the report "Crypto-Asset Markets: Potential Channels for Future Financial Stability Implications" is published.
2020	The consultative document "Addressing the Regulatory, Supervisory and Oversight Challenges Raised by 'Global Stablecoin' Arrangements" is published. After public consultation, a report setting out high-level recommendations for such arrangements is also published.
2022	Consultative reports "International Regulation of Crypto-Asset Activities: A Proposed Framework – Questions for Consultation" and "Review of the FSB High-Level Recommendations of the Regulation, Supervision and Oversight of 'Global Stablecoin' Arrangements" are published.
2023	Nine recommendations on crypto-asset activities and markets and the revised ten recommendations pertaining to global stablecoin arrangements are published simultaneously.

Table 3: The Path Towards Multilateral Cryptocurrency Regulation – Financial Action Task Force

	Financial Action Task Force (FATF)
2014	The report "Virtual Currencies: Key Definitions and Potential AML/CFT Risks" is published.
2015	The first "Guidance for a Risk-Based Approach to Virtual Currencies" is issued.
2018	FATF Recommendation 15 (R.15) is updated to extend AML/CFT requirements to virtual assets and virtual-asset service providers.
2019	An interpretive note on R.15 is adopted to further clarify how FATF requirements apply to virtual assets and virtual-asset service providers.

Table 4: The Path Towards Multilateral Cryptocurrency Regulation – Basel Committee on Banking Supervision

	Basel Committee on Banking Supervision (BCBS)
2019	Statement on crypto-assets is published in the institute's March newsletter. In December, the discussion paper "Designing a Prudential Treatment for Crypto-Assets" is published.
2021	Consultative document "Prudential Treatment of Crypto-Asset exposures" is published, followed by publication of the comments received.
2022	Second public consultation on the prudential treatment of banks' crypto-asset exposures takes place, followed by publication of the comments received. In December, the prudential standards deliberated by BCBS are published.
2024	Following the publication of the consultative document "Disclosure of Crypto-Asset Exposures" in October 2023, the disclosure framework for banks' crypto-asset exposures is finalised.

The shift in the US stance may now change this scenario significantly, especially when it comes to the regulatory process initiated by the BCBS in the last few years. As we have already mentioned, the precise, stringent prudential requirements set by the BCBS with regard to the banking sector's exposure to cryptocurrencies clash with the second Trump administration's plan to make the US the main international hub for cryptocurrencies and its goal of deregulating the banking sector. At the same time, laws such as the Genius Act reveal a favourable inclination towards stablecoins, suggesting a mild application of the recommendations issued by the FSB. The loss of US support for a coherent multilateral regulatory framework for the crypto domain considerably weakens the network of rules developed internationally in recent years, given the still-predominant role which the US economy and financial system play in the global context.

The loss of US support for a coherent multilateral regulatory framework for the crypto domain considerably weakens the network of rules.

The potential consequences for the function of the multilateral institutions we have analysed here appear significant. If these norms are adopted only partially by the most important (in economic terms) member of these organisations, this would indeed have a negative impact on their robustness and effectiveness. Should the US withdraw from the BCBS norms and only partially implement the FATF and FSB recommendations, the three multilateral organisations (and particularly the BCBS) would lose clout, and the rules they define would lack effectiveness and credibility. Consequently, their capacity to influence core issues would be significantly reduced, and their overall norm-setting mandate would be undermined. Furthermore, there is a risk that another key player in these forums – namely the Federal Reserve – could lose relevance, thus depriving the FSB, the FATF, and the BCBS of clear leadership. Although independent of politics,[9] the FED – in discussions with its international partners – would then have to consider the stance taken by the US legislative and executive branches, since the effective adoption of multilaterally agreed rules inevitably also depends on the actions of the US Congress and the White House.

9 In recent months, the Federal Reserve's independence has been challenged by the executive branch, perhaps as never before (see Giles 2025; Smith 2025).

Prospects for Reform in a Changing International Context

Given the position taken by the United States, it is difficult to believe that reforms capable of strengthening the effectiveness and robustness of these three organisations can be implemented in the short- to medium-term. Yet when it comes to democracy, and specifically transparency, it is possible that some changes may occur – also in light of the Trump administration's orientation – which could lead to more openness and greater public scrutiny of the FATF, the FSB, and the BCBS.

The confidential nature of internal decision-making processes within these organisations exposes them to the accusation that they lack transparency.

In presenting his country's intention to preserve its autonomy in setting internal financial regulations, Scott Bessent, the US treasury secretary, also spoke about the Trump administration's desire to bring economic regulation more in line with democratic control mechanisms (Bessent 2025). This statement, arguably inspired by the will to preserve national sovereignty, touches on a crucial aspect of how these three organisations operate. Indeed, as we have repeatedly noted in this report, the FATF, the FSB, and the BCBS maintain a high level of confidentiality – sharing little information about their decision-making processes externally – and are mainly composed of figures who operate independently of governments and parliaments. This state of affairs mainly derives from the technical nature of the topics addressed and the belief (which emerged particularly between the 1970s and 1980s) that politics often tends to bend economic and financial management to short-term electoral goals (with potentially negative long-term effects). These two justifications still represent valid grounds on which to argue for maintaining a distance between these organisations and national politics, although the rules issued by the FATF, the FSB, and the BCBS are not hard law and therefore largely require legislative action to be incorporated into national regulatory frameworks. Nevertheless, the confidential nature of internal decision-making processes within these organisations exposes them to the accusation that they lack transparency, and also to allegations of regulatory capture (Tsingou 2008; Lall 2012, 7). This has a negative effect on how these rules are received in the domestic domain. Additionally, it is important to note that by presenting a broader set of data to politicians and the public, national decision-makers could legislate on these matters in a more informed manner and could also understand the reasons why a given multilateral decision was made in one direction rather than another.

In recent years – also in light of various critical voices raised after the 2008 economic crisis – these international institutions have demonstrated increased openness: they have published more studies, and institutional members have engaged more often with national political representatives.[10] These moves towards increased transparency could be further strengthened without jeopardising the quality of organisational deliberations. Particular attention should be paid to publication. Currently, the three institutions limit themselves to publishing very brief summaries of the issues addressed in plenary sessions, with no reference to the positions taken by various members. When it comes to internal committees, no publicly available documents summarise the topics discussed at meetings. Publishing detailed meeting minutes – including the positions taken by the various plenary members – would indeed make it more difficult to hold frank, in-depth discussions, as some representatives would likely take more cautious positions to avoid political attacks at home. Nevertheless, a greater level of detail (especially for plenary meetings) is certainly possible – in this respect, the minutes of European Central Bank meetings could serve as a good reference point. The ECB's minutes largely reflect the topics that emerge during the meetings, specifying the different views expressed on various points without reporting who supported what (Wyplosz 2015). This helps to shed light on the rationale behind the ECB's decisions without placing any member in the difficult position of having to justify to the public why they made a certain statement (Issing 2013, 5–6).

Drawing inspiration from the policies of certain central banks could help to improve the democratic credentials of these organisations.

A greater degree of openness could also be achieved by changing certain internal practices which contribute to confirming the idea that these institutions are not very transparent. For example, simply obtaining an interview with a researcher from these organisations is a complicated process, and when an interview is granted, the spectrum of permissible topics for discussion is very limited.[11] Here as well, drawing inspiration from the policies of certain central banks – which maintain confidentiality with regard to certain information yet do not so heavily restrict the channels of external dialogue in which their personnel can engage – could help to improve the democratic credentials of these organisations as well as the perceptions of these institutions among citizens and national policymakers.

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10 This point was emphasised in various interviews we conducted during the writing of this report.

11 We also experienced this difficulty in setting up an interview during the production of this report.

The EU's Role: Standing at a Crossroads

The EU and those of its member states involved in the three organisations discussed in this report have expressed significant support for multilateral initiatives on crypto-assets over the years. Both EU and national institutions have shared the sceptical stance expressed by the FATF, the FSB, and the BCBS towards this new form of financial instrument. Along with the US, the EU was at the forefront of efforts to create a multilateral regulatory framework. Once the rules were drafted, the EU broadly followed through on the agreements reached, revising its anti-money-laundering legislation, defining a specific regulatory framework for stablecoins (and for entities providing crypto-related services), and preparing to adopt BCBS rules concerning banks' exposure to crypto-assets. In this regard, while clear information on the positions taken within these three organisations is not available, we can say that EU and member-state institutions have acted to strengthen the robustness of the FATF, the FSB, and the BCBS while simultaneously taking internal action to ensure effective implementation of their recommendations and standards.

The EU was at the forefront of efforts to create a multilateral regulatory framework.

However, following the shift in the US stance on cryptocurrencies under the second Trump administration, we need to take a closer look at the EU's future role. For decades, the US has indeed played an effective leadership role within the organisations examined in this report. Now that it seems to be moving towards more unilateral positions – in a bid to become the main international hub for crypto – the scenario is likely to change radically. Given the persistent scepticism expressed by EU institutions and various member-state governments (regardless of their political stripe)[12] towards the expansion of the crypto sector, it is difficult to imagine the EU following the US example and drastically changing its approach. Instead, it seems that the EU – and specifically the ECB – is contemplating seizing this shift as an opportunity to boost the Digital Euro project (Bursi 2025). These latest developments also raise doubts over how the EU and its member states will behave in future within the organisations analysed here. With regard to EU policy, two different courses present themselves. The first is to continue investing in these international forums and to try to maintain an active dialogue with the other main global economies on cryptocurrencies, even though significantly ambitious norms would likely not be embraced by the US, at least under the current administration. Alternatively, the EU could scale back its multilateral efforts, focusing primarily on setting up an internal regulatory framework. This second line of action would no doubt deal a blow to the robustness and effectiveness of the FATF, the FSB, and the BCBS.

12 See the position expressed by the right-wing Italian government (Fonte 2025), which is currently the closest European ally of the Trump administration.

In either case, it would be appropriate for the EU and its member states to reconsider their internal representation within these three organisations. EU institutions are represented, but (with some variations depending on the organisation) several member states are not (Fromage 2022; Viterbo 2019). This creates an asymmetry that could raise doubts as to whether, in these multilateral contexts, the interests of certain European states are more protected than others. This situation could be remedied, either by expanding these organisations to include the currently excluded countries or by leaving European representation solely to EU institutions; the latter option would also be consistent with the significant transfer of powers related to economy and finance (such as banking supervision) to EU institutions that has taken place in recent years.

Conclusion: A Multilateral Approach to Cryptocurrencies

After nearly a decade of inaction, the most advanced economies have become increasingly aware of the threats associated with cryptocurrencies. There is also a widespread acknowledgement that, in the absence of a coordinated multilateral effort, any attempt to regulate these assets at the national level would be ineffective. Following the publication of studies and a series of consultations with external parties, the FATF, the FSB, and the BCBS have defined normative frameworks that, although still lacking in some areas like environmental protection, would help address the risks associated with cryptocurrencies if properly implemented.

The most advanced economies have become increasingly aware of the threats associated with cryptocurrencies.

However, the new stance taken by the second Trump administration makes it unlikely that certain rules – such as the more incisive standards defined by the BCBS – will be introduced into the US legal system. In turn, the US' disengagement from multilateral cooperation will likely reduce the overall effectiveness of international norms, given the cross-border nature of cryptocurrencies and the US' prominent position in global finance. While it is certainly possible that the US stance may change again in the future – for example, as a consequence of the next presidential election or a change in the congressional majority after the 2026 midterm elections – such a reversal is unlikely in the short term. In the meantime, cryptocurrencies will likely continue to attract more economic resources and take on an expanded role in the global financial system – further increasing the risks they entail. As a result, strong multilateral cooperation will be more necessary than ever.

If the EU intends to pursue its goal of limiting the risks associated with cryptocurrencies, then it should focus on strengthening the FATF, the FSB, and the BCBS by ensuring sustained financial support. At the same time, the EU should deepen its engagement with other key actors who remain committed to multilateral cooperation. Simultaneously, the EU should preserve its dialogue with the US through the various transatlantic forums and channels that remain open – even if opportunities for renewed convergent efforts within these multilateral frameworks currently appear limited.

List of Interviews

Number	Date	Interviewee	Location
1	05/07/2025	Professor of political sciences	Online
2	05/08/2025	Professor of commercial law	Online
3	05/09/2025	Political economist, researcher	Online
4	05/09/2025	Economist, crypto advocate	Online
5	05/13/2025	Crypto entrepreneur	Online
6	05/14/2025	Professor of administrative law	Online
7	05/19/2025	Professor of economics	Online
8	05/22/2025	Professor of economic law	Online
9	05/23/2025	Economist, crypto advocate	Online
10	05/26/2025	Economist at the ECB	Online
11	06/04/2025	Political economist	Online
12	06/05/2025	Professor of economic history	Online
13	06/06/2025	Political economist	Online
14	06/11/2025	Member of the European Parliament	Online
15	07/03/2025	Administrator at the European Parliament	Online

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