Regulation & Future: Rules, CBDCs, and What Comes Next

Global Regulation, MiCA, Swiss FINMA, CBDCs, and the Future of Crypto

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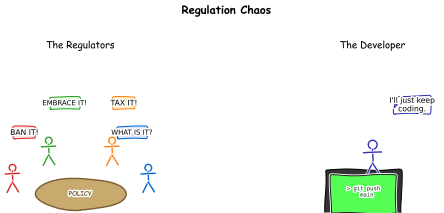
Spring 2026

[Cartoon] 195 Countries, 195 Opinions



195 countries, 195 opinions, 0 coordination.

Crypto is borderless. Governments are not.

Bitcoin does not care whether you are in Zurich, Shanghai, or Lagos. It processes your transaction the same way. But the moment you try to *sell* that Bitcoin, *launch* a token, or *build* a DeFi protocol — you collide with 195 different legal systems.

El Salvador made Bitcoin legal tender. China banned it entirely. The EU wrote 150 pages of regulation. The US cannot decide which agency is in charge.

The core tension: Who writes the rules for money that has no borders?

This lecture gives you a map of the regulatory landscape — so you can build without getting blindsided.

Since 2022, global enforcement actions have resulted in over $20 billion in fines, settlements, and asset seizures across the crypto industry

Learning Objectives

By the end of this lecture, you will be able to:

1. **Explain** the four core objectives of crypto regulation and why they conflict. [Understand]
2. **Apply** the Howey Test to classify whether a token is a security under US law. [Apply]
3. **Compare** the regulatory approaches of MiCA (EU), FINMA (Switzerland), and the SEC (US). [Analyze]
4. **Evaluate** CBDC design choices along the privacy-control spectrum. [Evaluate]
5. **Analyze** how regulatory arbitrage shapes where crypto companies locate and operate. [Analyze]

Prerequisites: Module A (blockchain fundamentals). No legal background required.

Bloom's levels covered: Understand, Apply, Analyze, Evaluate

This lecture synthesizes Lessons 45–47 (Module G): Global Regulation, MiCA & FINMA, and CBDCs & the Future

The Regulation Landscape

What this lecture covers:

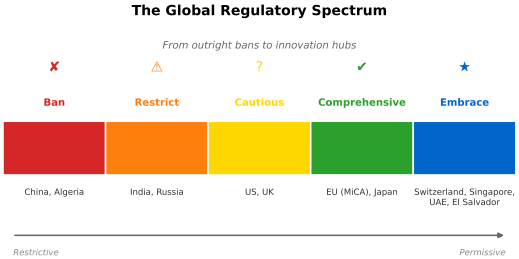
This lecture synthesizes Module G (Lessons 45–47). We cover global regulatory fragmentation, comprehensive frameworks, and central bank digital currencies.

Three pillars:

1. **Global fragmentation** — 195 countries, no consensus
2. **Comprehensive frameworks** — MiCA, FINMA, SEC
3. **CBDCs** — central banks building their own digital money

Start: Why regulate crypto at all?

End: You can evaluate any jurisdiction's regulatory approach and predict how it affects your project.



The regulatory spectrum ranges from outright bans (China, Algeria) to crypto-friendly hubs (Switzerland, Singapore, UAE)

Your Token Just Became a Security

A Thought Experiment

You spent 18 months building a DeFi protocol. You launched a governance token. 10,000 users bought it. Your treasury holds $2 million in ETH. The protocol is live, growing, and profitable.

Then a letter arrives from the SEC: *"Your token is an unregistered security."*

Within 48 hours, every US exchange delists your token. Liquidity drops 80%. Your US users cannot sell. Your legal team quotes $500K for defense. Your treasury is worth less than your legal bill.

What went wrong? You never checked the Howey Test. You never consulted a lawyer. You assumed "decentralized" meant "unregulated."

It does not.

This lecture gives you the tools to navigate regulation before you build — so that letter never arrives.

The SEC issued over 40 enforcement actions against crypto projects in 2023 alone, including against Coinbase, Binance, and Kraken

Why Regulate Crypto?

Regulatory Objectives

Every crypto regulation, regardless of jurisdiction, pursues some combination of four goals: consumer protection, anti-money laundering, financial stability, and tax compliance.

1. Consumer Protection

Prevent fraud, scams, and misleading claims. Ensure retail investors understand what they are buying. FTX collapse: $8B in customer funds lost.

2. Anti-Money Laundering (AML)

Prevent crypto from being used for money laundering, terrorist financing, or sanctions evasion. FATF standards require identity verification.

3. Financial Stability

Prevent crypto crashes from spreading to the traditional financial system. Stablecoin runs could trigger bank-like panics. Terra/UST collapse erased $60B.

4. Tax Compliance

Ensure crypto gains are reported and taxed. IRS estimates $50B+ in unreported crypto income annually. Most jurisdictions treat crypto as taxable property.

The fundamental tension: every regulation that protects consumers also raises barriers for innovators.

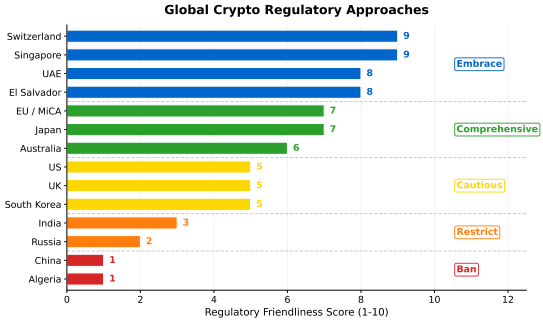
Regulators must balance innovation with protection — too little regulation invites fraud, too much drives projects offshore

The Global Regulatory Spectrum

Five categories of regulatory approach:

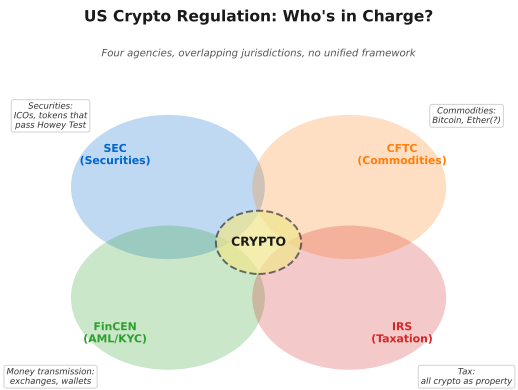
1. **Outright ban** — China, Algeria, Bangladesh. Crypto trading and mining illegal.
2. **Restrictive** — India (heavy taxation), Russia (limited use). Allowed but discouraged.
3. **Evolving** — US, UK, Japan. Active regulation but no unified framework.
4. **Comprehensive** — EU (MiCA), Switzerland (FINMA). Clear, codified rules.
5. **Crypto-friendly hub** — Singapore, UAE, El Salvador. Active promotion and low barriers.

What you see: Countries cluster at the extremes — either banning outright or racing to attract crypto businesses.



No global coordination framework for crypto regulation exists — the closest is the FATF Travel Rule, and only 29% of jurisdictions have implemented it

US Regulatory Structure: SEC vs CFTC



Four agencies, overlapping mandates:

- **SEC** (Securities and Exchange Commission) — regulates securities. Claims most tokens are securities.
- **CFTC** (Commodity Futures Trading Commission) — regulates commodities. Bitcoin and Ethereum classified as commodities.
- **FinCEN** (Financial Crimes Enforcement Network) — AML/KYC enforcement. Requires money transmitter licenses.
- **IRS** (Internal Revenue Service) — tax enforcement. Crypto treated as property; every trade is a taxable event.

The problem: No single federal crypto regulator. SEC and CFTC often disagree on whether a token is a security or a commodity.

The US lacks a single federal crypto regulator — projects must navigate multiple agencies with conflicting interpretations

The Howey Test: Is It a Security?

Howey Test (1946, US Supreme Court)

A transaction is an "investment contract" (i.e., a security) if it involves:

$$\underbrace{\text{Investment of money}}_{\text{Prong 1}} + \underbrace{\text{Common enterprise}}_{\text{Prong 2}} + \underbrace{\text{Expectation of profits}}_{\text{Prong 3}} + \underbrace{\text{From efforts of others}}_{\text{Prong 4}} = \textbf{Security}$$

Bitcoin fails Prong 4:

No central team drives Bitcoin's value. It is sufficiently decentralized that profits do not depend on the efforts of an identifiable group.

Most ICO tokens pass all 4:

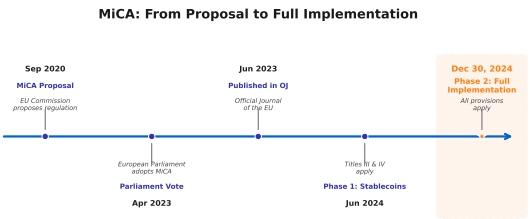
Investors buy tokens, funding a team that promises to build a product. Profit expectations depend entirely on that team's work.

Landmark cases:

- **SEC v. Ripple (2023):** XRP sold on exchanges is *not* a security (secondary market). Institutional sales *were* securities.
- **SEC v. Coinbase (2024):** SEC argued 13 tokens listed on Coinbase are unregistered securities.
- **SEC v. Terraform (2024):** UST/LUNA ruled investment contracts.

The Howey Test is 80 years old and was designed for orange groves — its application to crypto remains actively contested in US courts

MiCA: Europe's Comprehensive Framework



Markets in Crypto-Assets Regulation (MiCA):

The first comprehensive crypto regulation by a major economic bloc. Covers all crypto-assets not already regulated as financial instruments.

Three token categories:

1. **E-money tokens** (Title III) — pegged to a single fiat currency (e.g., USDC-EUR)
2. **Asset-referenced tokens** (Title IV) — backed by a basket of assets (e.g., Libra/Diem concept)
3. **Other crypto-assets** (Title V) — everything else (utility tokens, governance tokens)

Timeline:
June 2023: Signed into law
June 2024: Stablecoin rules effective
December 30, 2024: Full implementation

MiCA is the first comprehensive crypto regulation by a major jurisdiction — full implementation December 30, 2024, covering 27 EU member states

Classifying a Token Under MiCA

Worked Example: EUR-Pegged Stablecoin

Scenario: You issue a stablecoin pegged 1:1 to the Euro. Users can redeem at par value at any time. How does MiCA classify this?

Classification: E-money token (Title III) — it references a single fiat currency and maintains a stable value.

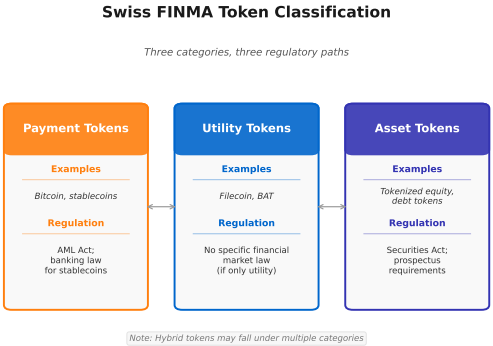
MiCA Title III requirements for e-money tokens:

Requirement	What it means
Authorized institution	Must be a licensed credit institution or e-money institution
1:1 reserve backing	Reserves in secure, low-risk assets equal to tokens in circulation
Par value redemption	Holders can redeem at face value at any time, free of charge
Monthly reserve reports	Public disclosure of reserve composition every 30 days

Significance threshold: If outstanding tokens exceed EUR 5 billion, the token is classified as "significant" and falls under direct ECB supervision with stricter capital and liquidity requirements.

Tether restructured its European operations in 2024 to comply with MiCA Title III requirements for e-money tokens

Swiss FINMA: The Principles-Based Approach



FINMA's three-category framework (2018):

- **Payment tokens** — used as a means of payment (e.g., Bitcoin). AML rules apply.
- **Utility tokens** — provide access to a digital service or application. Not securities unless investment function.
- **Asset tokens** — represent claims on assets, earnings, or dividends. Treated as securities.

Key difference from MiCA:

FINMA uses a *principles-based* approach: case-by-case assessment, no exhaustive rulebook. MiCA uses a *rules-based* approach: detailed categories with specific requirements.

Crypto Valley Zug: Over 1,100 blockchain companies headquartered in the Canton of Zug region.

Switzerland's principles-based approach enabled Crypto Valley Zug — over 1,100 blockchain companies and a regulatory sandbox for innovation

Worked Example: Launching a Governance Token

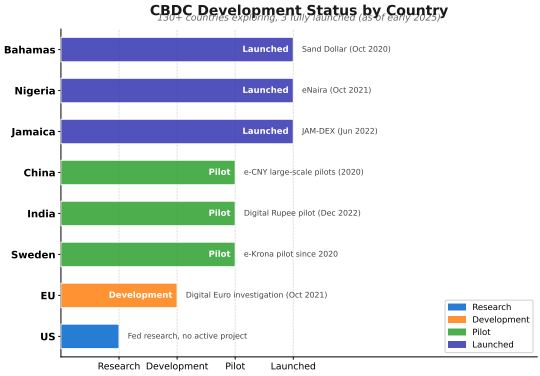
Scenario: You are launching a DAO governance token. Where should you incorporate? Compare the Swiss and EU regulatory paths.

Aspect	Switzerland (FINMA)	EU (MiCA)
Classification	Case-by-case assessment	Rules-based: other crypto-asset (Title V)
Timeline	Weeks (informal guidance)	6–12 months (formal authorization)
Cost	Lower ($50K–$150K legal)	Higher ($150K–$400K compliance)
Passporting	Switzerland only	27 EU member states
Key advantage	Speed and flexibility	Single license, 450M consumer market
Key risk	No EU market access	Longer timeline, higher fixed costs

Common strategy: Many firms maintain dual presence — Swiss HQ for speed and innovation, EU subsidiary (often Ireland or Luxembourg) for MiCA-compliant market access.

Many crypto firms maintain dual presence: Swiss headquarters for speed and flexibility, EU subsidiary for MiCA-compliant access to 450M consumers

CBDCs: Central Banks Enter the Game



Central Bank Digital Currency (CBDC):

A digital form of a country's fiat currency, issued and controlled by the central bank.

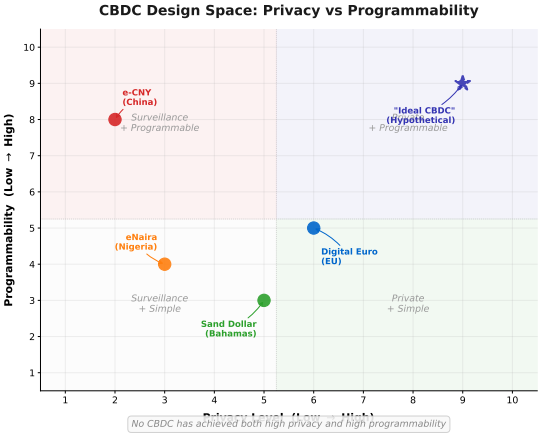
Four motivations:

1. **Financial inclusion** — reach the 1.4 billion unbanked adults worldwide
2. **Payment efficiency** — faster, cheaper domestic and cross-border payments
3. **Monetary policy** — programmable money enables direct stimulus, negative rates
4. **Counter stablecoins** — maintain central bank control over monetary system

What you see: 130+ countries are exploring CBDCs, but only 3 have fully launched (Bahamas, Jamaica, Nigeria). Most remain in research or pilot phases.

CBDCs represent the most significant change to monetary systems since the abandonment of the gold standard — 130+ countries exploring, only 3 launched

CBDC Design Choices: Privacy vs Control



Two fundamental design dimensions:

1. **Account-based vs token-based:**
   - *Account-based:* Identity-linked. You prove *who you are* to transact. Like a bank account.
   - *Token-based:* Possession-based. You prove *what you hold*. Like cash.
2. **Privacy spectrum:**
   - *Full surveillance:* Government sees every transaction in real time.
   - *Tiered privacy:* Small transactions anonymous, large ones reported.
   - *Cash-like privacy:* Transactions private, only metadata visible.

What you see: No CBDC design achieves both high privacy *and* high programmability simultaneously. Every design makes a trade-off.

The ECB's Digital Euro proposal aims for "cash-like" privacy for small offline transactions, but full KYC for larger amounts

Digital Yuan, Digital Euro, Project Hamilton

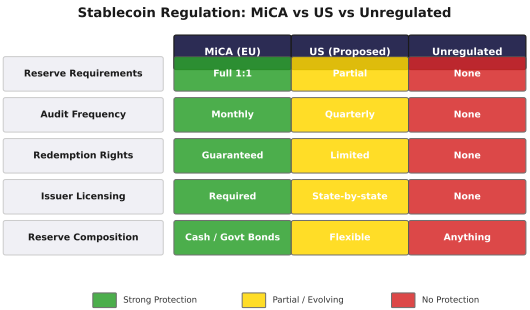
Dimension	e-CNY (China)	Digital Euro (ECB)	Project Hamilton (US)
Status	Pilot (26 cities, 260M+ wallets)	Preparation phase (2023–2025)	Research concluded (2022)
Model	Two-tier (PBOC → banks → users)	Two-tier (ECB → banks → users)	Two architectures tested
Privacy level	Low — government visibility on all transactions	Medium — "cash-like" for small payments	High — zero-knowledge focus
Technology	Centralized ledger, not blockchain	Undecided (multiple options)	Custom high-throughput system
Key concern	Surveillance tool	Slow timeline, bank disintermediation	Political opposition, no mandate

Key insight: Each CBDC reflects its country's priorities. China prioritizes control and monitoring. Europe prioritizes privacy with compliance. The US prioritizes research without commitment.

The design of a CBDC tells you more about a government's values than any policy speech.

China's e-CNY has processed over 7 trillion yuan ($1T) in pilot transactions — the most advanced CBDC deployment globally

Stablecoin Regulation Under MiCA



MiCA classifies stablecoins into two types:

- **E-money tokens (EMTs):** Pegged to a single fiat currency. Must be issued by a licensed credit or e-money institution.
- **Asset-referenced tokens (ARTs):** Backed by a basket of assets (fiat, commodities, crypto). Must be issued by an authorized entity with a white paper.

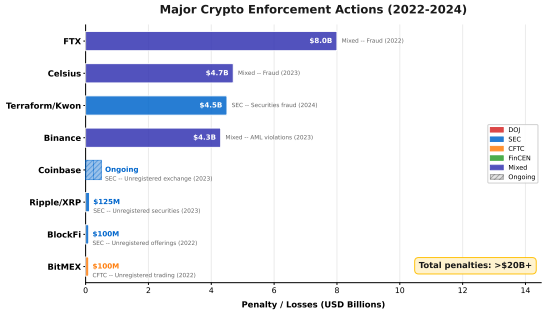
Key requirements:

- 1:1 reserve backing in safe, liquid assets
- Monthly public audits of reserves
- Redemption rights at par value for all holders
- Licensing by national competent authority
- "Significant" threshold triggers ECB oversight

Impact: Algorithmic stablecoins (like Terra/UST) cannot meet these requirements — MiCA effectively bans unbacked designs.

Stablecoins represent over $150 billion in market capitalization — MiCA's reserve and redemption rules are the strictest global standard

Enforcement Actions: When Regulators Strike



The enforcement escalation (2020–2025):

Regulators shifted from targeting small operators to pursuing industry leaders:

- **2020:** BitMEX founders arrested for AML violations ($100M settlement)
- **2021:** BlockFi fined $100M for unregistered securities
- **2022:** Tornado Cash sanctioned by US Treasury (OFAC)
- **2023:** Binance — $4.3B settlement, largest corporate DOJ penalty. CZ pleaded guilty.
- **2024:** SEC sues Coinbase, Kraken settles staking case

What you see: Penalties increased 100x between 2020 and 2024. The era of "move fast and ignore regulators" is over.

Binance's $4.3 billion settlement in November 2023 was the largest corporate penalty in US Department of Justice history

The Privacy-Surveillance Trade-off

The spectrum from privacy to surveillance:

	Cash	Bank Card	CBDC (full visibility)
Who knows?	Nobody	Your bank	Government (real-time)
Reversible?	No	Yes (chargeback)	Yes (programmable freeze)
Limits?	Physical only	Bank-imposed	Programmable (auto-enforced)
Offline?	Yes	No	Depends on design

The government perspective:

- Prevent money laundering and terrorist financing
- Enforce tax compliance automatically
- Enable targeted sanctions and asset freezes
- Detect fraud patterns in real time

The individual perspective:

- Financial surveillance without warrant
- Social credit scoring via spending data
- Political donations become visible
- Programmable money can be "turned off"

A CBDC with full visibility is the most powerful financial surveillance tool ever conceived.

9 out of 10 central banks cite AML as a primary CBDC motivation — but privacy advocacy groups warn of unprecedented surveillance potential

Regulatory Arbitrage: The Race to the Bottom

Jurisdiction shopping:

When regulation tightens in one country, crypto companies move to friendlier ones. This creates a competitive dynamic where jurisdictions lower standards to attract business.

Notable examples:

- **Binance:** Moved HQ from China to Japan to Malta to Cayman Islands — no fixed jurisdiction
- **FTX:** Chose Bahamas for its light-touch regulation. Collapsed in 2022.
- **ICO boom (2017):** Projects incorporated in Cayman Islands, BVI, and Singapore to avoid SEC oversight

Counter-trend: FATF Travel Rule

The Financial Action Task Force requires crypto service providers to share sender/receiver identity for transfers above $1,000. Adopted by 200+ jurisdictions in principle.

The mining migration:

After China's 2021 mining ban, Bitcoin hashrate shifted within 6 months:

- US: 0% $\rightarrow$ 38% (largest)
- Kazakhstan: 1% $\rightarrow$ 18%
- Russia: 7% $\rightarrow$ 11%
- China: 65% $\rightarrow$ near 0%

Capital and computation go where they are welcome.

After China's 2021 ban, 75% of global Bitcoin mining shifted to the US, Kazakhstan, and Russia within 6 months

The CBDC World Map: 130+ Countries

Regional overview of CBDC development (as of January 2026):

Americas:

- **US:** Research concluded (Project Hamilton). Fed studying wholesale CBDC. Political opposition to retail CBDC.
- **Brazil:** DREX pilot ongoing (2024–2025). Focus on programmable finance.
- **Bahamas:** Sand Dollar launched (2020). First CBDC globally. Low adoption.
- **Jamaica:** JAM-DEX launched (2022). Targeting financial inclusion.

Europe:

- **EU:** Digital Euro in preparation phase. ECB targeting 2028 launch.
- **Sweden:** e-Krona pilot since 2020. Most advanced European CBDC.
- **UK:** "Britcoin" — consultation complete, development phase.

Asia-Pacific:

- **China:** e-CNY pilot in 26 cities, 260M+ wallets. Most advanced globally.
- **India:** Digital Rupee pilot (2022). 5M+ users in wholesale and retail.
- **South Korea:** CBDC pilot with commercial banks (2024).

Africa:

- **Nigeria:** eNaira launched (2021). Forced adoption via cash restrictions. Mixed results.
- **South Africa:** Project Khokha — wholesale CBDC testing.
- **Ghana:** e-Cedi in pilot phase.

Key pattern: Emerging economies focus on *inclusion*. Advanced economies focus on *payment efficiency* and *monetary sovereignty*.

Atlantic Council CBDC tracker: 134 countries representing 98% of global GDP are exploring or developing central bank digital currencies

Regulatory Sandboxes

What is a regulatory sandbox?

A controlled environment where startups can test innovative financial products under relaxed regulatory requirements, with direct regulator oversight.

How it works:

1. Apply with product description and risk assessment
2. Receive temporary, limited authorization
3. Operate under supervision with restricted user base
4. Graduate to full license or pivot/exit

Benefits: Faster time-to-market, direct regulatory dialogue, reduced compliance costs during testing.

Limitations: Small user caps, time-limited (typically 12–24 months), no passporting.

Major sandbox programs:

Sandbox	Details
UK FCA (2016)	First major sandbox. 800+ firms tested. 200+ graduated to full license.
Singapore MAS	Strong DeFi and tokenization focus. Cross-border experiments.
Abu Dhabi ADGM	Crypto-friendly, fast approval. Attracts Middle East and Asian firms.
EU MiCA sandbox	DLT Pilot Regime (2023). Tests tokenized securities on-chain.
Switzerland	FINMA no-action letters provide informal sandbox function.

Sandboxes let regulators learn about new technology before writing permanent rules.

The UK FCA pioneered regulatory sandboxes in 2016 — over 800 firms have tested and 200+ have graduated to full authorization

The FATF Travel Rule

What is it?

The Financial Action Task Force (FATF) Recommendation 16 requires Virtual Asset Service Providers (VASPs) to collect, verify, and share sender and receiver identity information for crypto transfers exceeding $1,000.

Requirements:

- Sender VASP must collect: name, account number, address or national ID
- Receiver VASP must collect: name, account number
- Information must travel *with* the transaction (hence "Travel Rule")
- Applies to transfers $\geq$ $1,000 (thresholds vary by jurisdiction)

Implementation challenges:

- Different thresholds across jurisdictions ($1,000 vs $3,000 vs none)
- No standard protocol for VASP-to-VASP data exchange
- Self-hosted wallets: no receiving VASP to collect data

Impact on the ecosystem:

- Compliance costs increase significantly for smaller exchanges
- Pushes users toward DeFi protocols and self-custody wallets (which have no VASP)
- Creates a two-tier system: compliant exchanges (transparent) vs unregulated DeFi (pseudonymous)

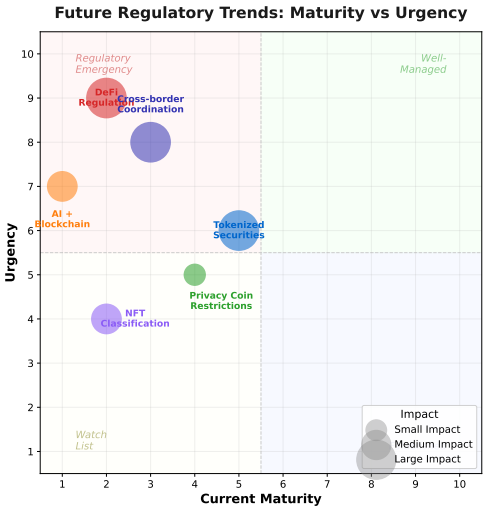
Adoption status:

200+ jurisdictions committed in principle, but only 29% have fully implemented the rule as of 2025. Implementation lags behind commitment.

The Travel Rule is the closest thing to a global crypto regulation — and most countries have not actually enforced it.

Only 29% of jurisdictions have fully implemented the FATF Travel Rule — the gap between commitment and enforcement remains the biggest challenge

Future Regulatory Trends



Five themes shaping 2025–2030:

1. **DeFi regulation** — targeting front-ends, governance tokens, DAOs
2. **Tokenized securities** — real-world assets on-chain, $16T+ market by 2030
3. **Cross-border coordination** — FATF, FSB, IOSCO developing global frameworks
4. **Privacy coin restrictions** — Monero/Zcash delisted, some jurisdictions considering bans
5. **AI + blockchain** — AI agents on-chain raise novel liability questions

BIS estimates that DeFi regulation will be the defining regulatory challenge of 2025–2030 — no jurisdiction has a complete answer yet

Winners and Losers of Crypto Regulation

Winners:

- **Institutional investors** — Regulatory clarity removes legal uncertainty. Pension funds and endowments can finally allocate.
- **Compliant exchanges** — Licensing creates a competitive moat. Smaller competitors cannot afford compliance.
- **Stablecoin issuers (large)** — MiCA legitimizes the sector. Circle (USDC) gains market share from unlicensed competitors.
- **Regulators** — New enforcement tools, tax revenue, systemic risk monitoring.

Losers:

- **Privacy projects** — Monero, Zcash face exchange delistings and potential bans. Tornado Cash sanctioned.
- **Small startups** — Compliance costs ($200K–$850K/year) are prohibitive. Barrier to entry rises.
- **DeFi protocols** — "Responsible person" liability threatens pseudonymous developers. Front-end operators become targets.
- **Users in ban jurisdictions** — No legal access to crypto services. Pushed to VPNs and P2P markets.

Regulation creates a two-tier market: compliant institutional crypto and unregulated DeFi.

Regulation creates a two-tier market: compliant institutions operate in the light, while unregulated DeFi operates in a legal gray zone

The Regulatory Evaluation Framework

Five questions to evaluate any jurisdiction's crypto regulation:

1. **Consumer protection without stifling innovation?**
   Does the regulation protect retail investors from fraud without making it impossible for startups to experiment?
2. **Technology-neutral?**
   Does it regulate the *activity* (lending, trading, payments) or the *technology* (blockchain, smart contracts)? Technology-neutral rules age better.
3. **Cross-border coordination?**
   Does it work with international frameworks (FATF, IOSCO), or create isolated rules that push companies to other jurisdictions?
4. **Proportional compliance costs?**
   Are requirements scaled to company size? A startup with 100 users should not face the same burden as Binance.
5. **Legal clarity for all participants?**
   Can a developer, user, and exchange operator each understand their rights and obligations? Ambiguity breeds regulatory risk.

Apply these five questions to any jurisdiction. No country scores perfectly on all five.

Good regulation is technology-neutral, proportionate, and internationally coordinated — few jurisdictions achieve all three simultaneously

Predicting Regulatory Risk for Your Project

Risk assessment criteria:

Token classification risk:

- Does your token pass the Howey Test? (US)
- Which MiCA category applies? (EU)
- Is it a payment, utility, or asset token? (Switzerland)
- Does it touch securities law in *any* target market?

Jurisdiction risk:

- Where are your users located?
- Where is your team incorporated?
- Which regulators have enforcement reach?
- Are you subject to sanctions compliance?

Compliance cost formula:

$$\underbrace{\text{Legal setup}}_{\$50\text{K}–\$200\text{K}} + \underbrace{\text{Annual compliance}}_{\$100\text{K}–\$500\text{K}} + \underbrace{\text{Audit costs}}_{\$50\text{K}–\$150\text{K}}$$

$$= \underbrace{\text{Total regulatory cost}}_{\$200\text{K}–\$850\text{K per year}}$$

Rule of thumb:

- If regulatory costs exceed 30% of operating expenses, your business model may not be viable
- Budget for legal counsel *before* writing code
- "We'll figure out regulation later" is the most expensive sentence in crypto

Compliance can exceed 30% of operating expenses for small firms — budget for legal counsel before writing code, not after

What Comes Next

Three developments that will reshape the next decade:

1. DeFi Regulation

"Code is not law" — regulators are targeting front-end operators, governance token holders, and DAO treasuries.

Key question: Can you regulate a protocol that has no legal entity, no employees, and no physical location?

Emerging answer: Regulate the *access points* (front-ends, wallets, on-ramps), not the protocol itself.

2. AI + Blockchain

AI agents executing on-chain transactions autonomously. Who is liable when an AI bot causes a flash crash? Who owns tokens earned by an AI?

No jurisdiction has answers yet. The convergence of AI and blockchain creates regulatory questions that did not exist 2 years ago.

3. Tokenization of Everything

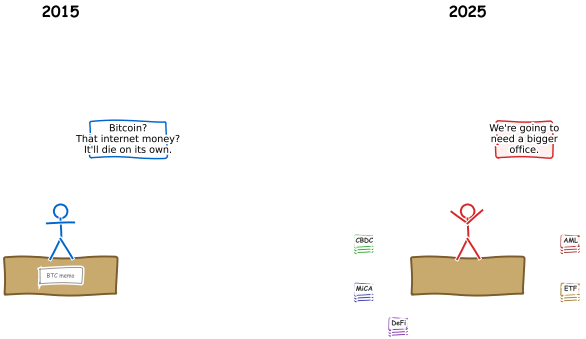
BlackRock's BUIDL fund tokenized $500M+ in US Treasuries in 6 months. JP Morgan tokenizes bonds. Franklin Templeton runs a fund on Stellar.

The $16 trillion addressable market for tokenized securities means Wall Street is now *inside* the blockchain ecosystem, not watching from outside.

The question is no longer "will crypto be regulated?" but "who will write the rules and for whose benefit?"

BlackRock's BUIDL fund surpassed $500M in tokenized US Treasuries within 6 months of launch — Wall Street is now building on-chain

[Cartoon] One Last Thought...



Regulation: the sequel nobody asked for, but everybody got.

Regulation is not going away. The question is whether it is designed *with* the technology or *against* it.
The projects that survive the next decade will be those that treated compliance as a feature, not an afterthought.

The crypto industry spent over $20 million on US lobbying in 2024 — regulation is now a business strategy, not just a legal constraint

Key Takeaways

Seven ideas to remember from today:

1. **The global regulatory spectrum ranges from outright bans to crypto-friendly hubs** — no consensus exists, and companies exploit the gaps through jurisdiction shopping.
2. **The Howey Test determines security classification in the US** — four prongs, 80 years old, still the primary tool. Bitcoin fails prong 4; most ICOs pass all four.
3. **MiCA is the first comprehensive crypto framework** — three token categories, mandatory licensing, full implementation December 2024 across 27 EU states.
4. **FINMA uses a principles-based approach** — case-by-case classification, faster and cheaper than MiCA, but limited to the Swiss market.
5. **130+ countries are exploring CBDCs, but only 3 have launched** — design choices on privacy and control reflect each government's values and priorities.
6. **Enforcement has escalated to industry leaders** — Binance ($4.3B), Coinbase, Kraken. The era of ignoring regulators is over.
7. **Regulatory arbitrage and cross-border coordination remain unsolved** — the FATF Travel Rule exists on paper, but only 29% of jurisdictions enforce it.

Review question: Can you apply the 5-question Regulatory Evaluation Framework to compare Switzerland and the EU?

Regulation defines which projects survive — understanding the regulatory landscape is as important as understanding the technology

Summary and Course Conclusion

Summary:

Crypto regulation is the defining challenge of the next decade. The spectrum ranges from outright bans to comprehensive frameworks like MiCA, with most jurisdictions still figuring out where they stand. The Howey Test remains the primary US classification tool despite being 80 years old. Switzerland's principles-based approach offers speed; the EU's rules-based MiCA offers market access. CBDCs represent the most significant change to monetary systems in a generation, but their design choices on privacy and control will shape the future of money. Enforcement has escalated dramatically, compliance costs are rising, and the winners are those who plan for regulation before they build.

Key Vocabulary:

1. MiCA
2. CASP
3. Howey Test
4. FATF Travel Rule
5. CBDC
6. Regulatory Sandbox
7. E-money Token
8. Asset-Referenced Token
9. Jurisdiction Shopping

Module G Complete

You have now covered the full course arc:

- Module A: How blockchain creates trust
- Module B: How smart contracts enable programmable money
- Module C: How NFTs create digital ownership
- Module D: How tokenomics designs incentives
- Module E: How DeFi rebuilds finance
- Module F: How scaling and security evolve
- **Module G: Who writes the rules**

The connecting thread: Every technical innovation we studied creates a regulatory question. Every regulatory decision shapes which innovations survive.

You now have the framework to evaluate not just the technology, but the legal, economic, and political forces that determine its future.

Module G complete — you can now evaluate any crypto project across its technical, economic, and regulatory dimensions