Regulation & the Future of Crypto

An Ultra-Simple Visual Guide with Deep-Dive Appendix

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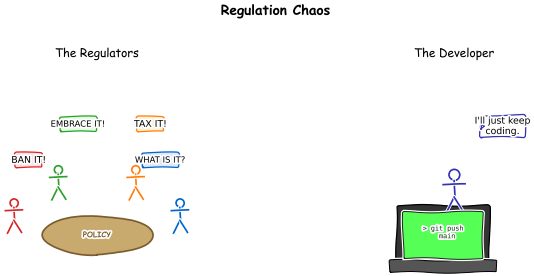
Welcome to the Wild West



195 countries, 195 opinions, 0 coordination.

Imagine a town with no sheriff, no laws, and gold lying in the streets.

Some people build honest businesses. Others rob everyone blind.

That was crypto until about 2023.

Now governments are writing the rules — but every country is writing different ones.

In 2022–2024, over 13 billion dollars in enforcement penalties were levied. FTX alone lost 8 billion dollars of customer funds.

Learning Objectives

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

1. **Explain** why governments regulate crypto and what they are trying to protect [Understand]
2. **Describe** how the US, EU, and Switzerland approach regulation differently [Understand]
3. **Compare** CBDCs with private stablecoins and explain the privacy trade-off [Analyze]
4. **Evaluate** where crypto regulation is heading and what it means for innovation [Evaluate]

No math required. Main slides use only plain English and pictures.
Legal and technical details are in the Appendix for those who want them.

Bloom's levels covered: Understand, Analyze, Evaluate. The Appendix adds Apply and Create.

Why Do We Need Rules?

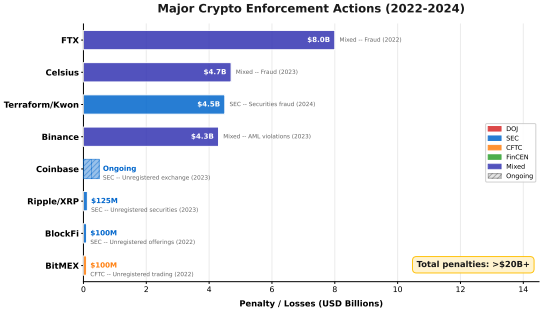
Think of crypto regulation like **traffic laws**. Without them:

Scams — People sell fake tokens and disappear overnight

Money laundering — Criminals move dirty money through anonymous wallets

Market manipulation — Insiders pump prices, then dump on retail buyers

Tax evasion — Billions in unreported crypto gains



Regulation is not anti-crypto. Clear rules attract institutional money and protect ordinary people.

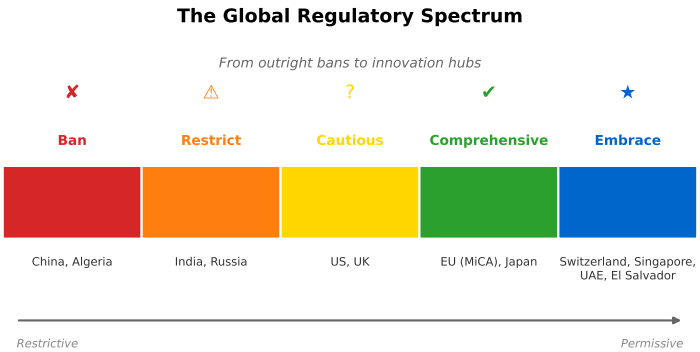
The Tightrope Every Government Walks

Industry wants: Legal certainty so companies can build real products without fear of sudden crackdowns

Regulators want: Consumer protection, market stability, and tools to fight financial crime

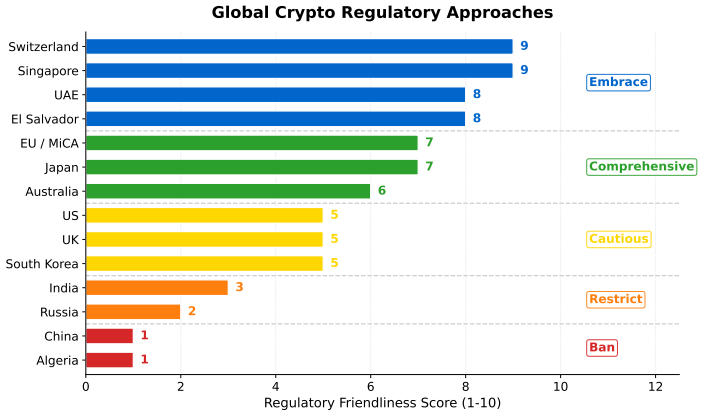
Every country picks a different point on this spectrum. That creates the patchwork we see today.

From “Banned” to “Welcome”: The Global Spectrum



Most countries are slowly moving rightward — from hostility toward regulated permissiveness.

195 Countries, 195 Different Rules



No two countries regulate crypto exactly the same way. This fragmentation is the core problem.

Four Approaches to the Same Problem

United States

"We'll sue you and figure out the rules later"

Multiple agencies fighting over who's in charge

European Union

"Here's a 150-page rulebook. Follow it."

MiCA: one framework for 27 countries

Switzerland

"Tell us what you're building. We'll guide you."

Principles over prescriptions

China

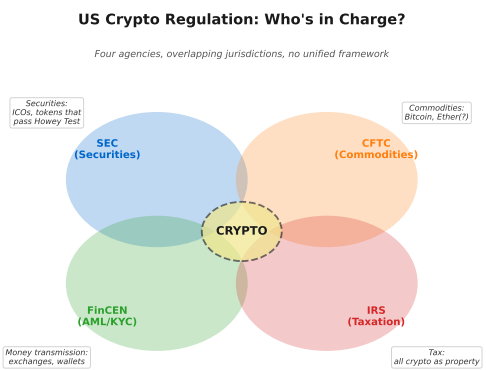
"Crypto is banned. Use our digital yuan instead."

Complete ban since 2021

Same technology, wildly different responses. That is why crypto companies "jurisdiction shop."

Jurisdiction shopping means moving your company to a country with friendlier rules — like Binance moving from China to Malta to Cayman Islands.

The US Problem: Too Many Sheriffs



In the US, **six different agencies** claim authority over crypto:

- **SEC** says most tokens are securities
- **CFTC** says Bitcoin is a commodity
- **FinCEN** enforces anti-money laundering
- **IRS** taxes crypto as property

The result? Companies get sued *before* they know the rules.

"Regulation by enforcement" — punish first, write rules later.

The Howey Test (1946) decides if a token is a security: Did you invest money, in a shared venture, expecting profit from others' work? Details in Appendix A2.

When Things Go Wrong: The Billion-Dollar Lessons

FTX Collapse (Nov 2022)

Sam Bankman-Fried secretly used 8 billion dollars of customer deposits to cover losses at his hedge fund. Exchange collapsed in 48 hours. SBF convicted of fraud, sentenced to 25 years.

Binance Settlement (Nov 2023)

World's largest exchange paid 4.3 billion dollars to the US Department of Justice. CEO CZ resigned and served prison time. Operated without proper anti-money-laundering controls for years.

Terraform Labs (Apr 2024)

Created UST, an algorithmic stablecoin that crashed to zero in May 2022, wiping out 40 billion dollars. SEC fined Terraform Labs 4.5 billion dollars. Do Kwon extradited to the US.

SEC vs Ripple (2020–2024)

SEC sued Ripple for 1.3 billion dollars in unregistered XRP sales. Final penalty: 125 million dollars. Court ruled: institutional sales were securities, retail sales were not.

These four cases alone total over 13 billion dollars in penalties. Each one made the case for clearer rules.

MiCA: Europe Wrote the Rulebook

MiCA stands for **Markets in Crypto-Assets Regulation**. Think of it as a **driver's license for crypto companies**.

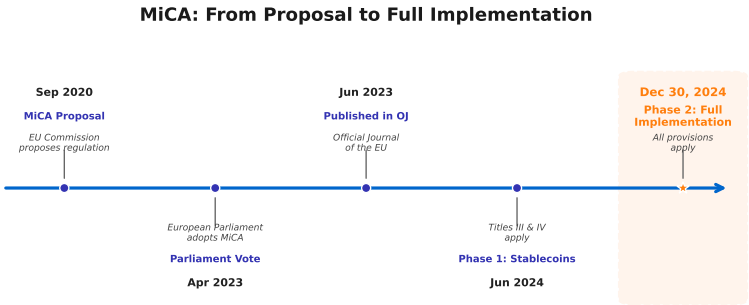
Before MiCA, every EU country had its own rules. A crypto exchange licensed in France had no automatic right to operate in Germany.

MiCA changed that. One license, 27 countries, 450 million people.

Full implementation: **December 30, 2024**
First comprehensive crypto law for a major economic bloc

MiCA took four years from proposal (2020) to full implementation (2024). It is now the global template other countries study.

MiCA: From Idea to Law



September 2020: proposed. April 2023: approved. June 2024: stablecoin rules active. December 30, 2024: full implementation.

What Does MiCA Actually Cover?

Stablecoins

Coins pegged to euros or dollars must hold real reserves. Algorithmic stablecoins (like the collapsed UST) are effectively banned.

Exchanges

Called "CASPs" (Crypto Asset Service Providers). Must get licensed, hold capital reserves, and follow anti-money-laundering rules.

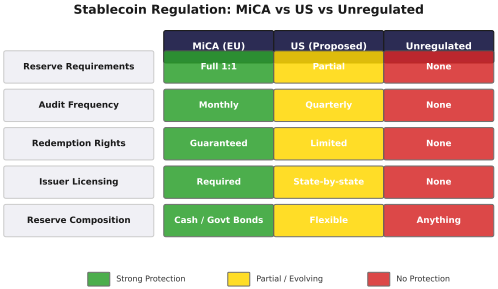
Token Issuers

Anyone launching a new token must publish a "white paper" with honest disclosures. No more vague promises.

What	Covered?	Note
Bitcoin, Ethereum	Yes	As utility tokens
Stablecoins (USDC)	Yes	Strict reserve rules
NFTs (unique art)	No	Unless fungible
DeFi protocols	Unclear	Future regulation expected

Real-world impact: Tether (USDT) was delisted by major EU exchanges for non-compliance. Circle (USDC) got its license in July 2024. Details in Appendix A1.

Stablecoins: The Regulation Battleground



MiCA splits stablecoins into two buckets:

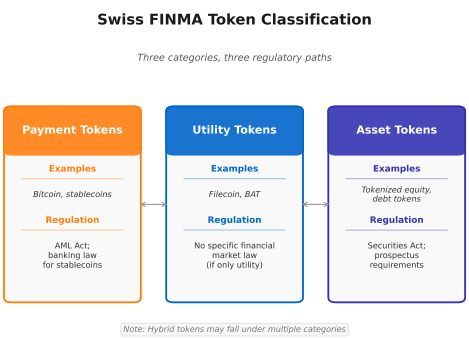
E-Money Tokens (EMTs)
Pegged to one currency (like USDC to the dollar).
Must hold 100 percent reserves in real bank accounts.

Asset-Referenced Tokens (ARTs)
Backed by a basket of assets or commodities.
Stricter rules, tougher oversight.

Why it matters: After Terra/UST lost 40 billion dollars overnight, regulators decided algorithmic stablecoins are too risky to allow.

"E-Money Token" = a stablecoin pegged 1:1 to a single fiat currency. "CASP" = Crypto Asset Service Provider (exchange, custodian, broker).

Switzerland: The Friendly Sheriff



While the US was suing companies, Switzerland was **inviting them in**.

Crypto Valley (the city of Zug) became home to over 1,100 blockchain companies, including the Ethereum Foundation.

The Swiss approach:

- **Principles-based**: Tell us what you're building, and we will guide you to the right license
- **DLT Act (2021)**: Gave blockchain tokens the same legal status as traditional securities
- **FINMA Sandbox**: Lets startups experiment with lighter rules

FINMA classifies tokens into three types: Payment (like Bitcoin), Utility (access to a service), and Asset (ownership claim). A token can be more than one type at once.

Two Neighbours, Two Philosophies

	EU (MiCA)	Switzerland (FINMA)
Style	Rules-based: detailed prescriptions	Principles-based: flexible guidance
Reach	27 countries, 450 million people	1 country, 9 million people
Speed	4 years from proposal to law	Continuous, evolving guidance
Stablecoins	Algorithmic banned, strict reserves	Case-by-case assessment
Best for	Large companies wanting one EU license	Startups wanting fast, clear answers

Both approaches work. The EU writes the exam in advance.
Switzerland lets you show your work and grades you on understanding.

This is the classic "rules vs. principles" debate in regulation. Neither is universally better — it depends on the goal.

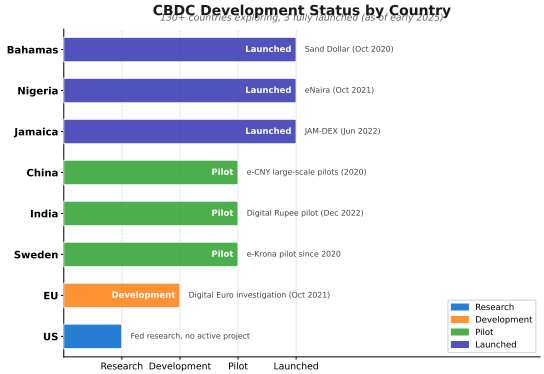
CBDCs: When Governments Make Their Own Crypto

A **CBDC** (Central Bank Digital Currency) is **digital cash issued by a government**.

Think of it this way:

- A **banknote** is paper money from the central bank
- A **CBDC** is the same thing, but on your phone
- It is **not** cryptocurrency — the government controls it completely

Why now? Cash use is declining. Private stablecoins (USDC, USDT) are growing. Governments worry about losing control of money.



130-plus countries (representing 90 percent of global GDP) are exploring CBDCs. Only a handful have actually launched one.

Why Would a Government Want Digital Cash?

The Good

- Financial inclusion for the unbanked
- Instant, cheap payments (goodbye wire fees)
- Better tools to fight money laundering
- Compete with private stablecoins

The Scary

- Government can see every transaction you make
- Money could be "programmed" to expire or restrict purchases
- Central bank could freeze your wallet instantly
- Social credit scoring becomes technically possible

Financial Inclusion

2 billion people worldwide have no bank account

Monetary Sovereignty

Governments keep control as cash disappears

Policy Tools

Direct stimulus payments in seconds, not weeks

The core debate: Is a CBDC a tool for inclusion, or a tool for surveillance? The answer depends entirely on design choices.

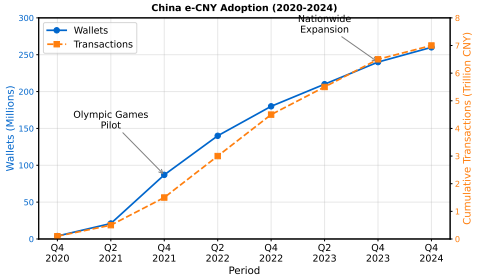
China's Digital Yuan: Already Here

China launched the **e-CNY** (digital yuan) in 2020 — the world's largest CBDC pilot.

By late 2024:

- 260 million wallets opened
- Over 7 trillion yuan in transactions
- Used in 26 Chinese cities

"Controllable anonymity": The government sees everything. Small purchases may get limited privacy, but the central bank has a complete view of all transactions.



China banned private crypto in 2021 and pushed its own digital currency instead. The e-CNY competes with Alipay and WeChat Pay.

Two Flavours of CBDC

Retail CBDC

Who uses it: Everyday people
What for: Buying coffee, paying rent
Like: Digital cash in your phone
Examples: China's e-CNY, Digital Euro
Privacy concern: High

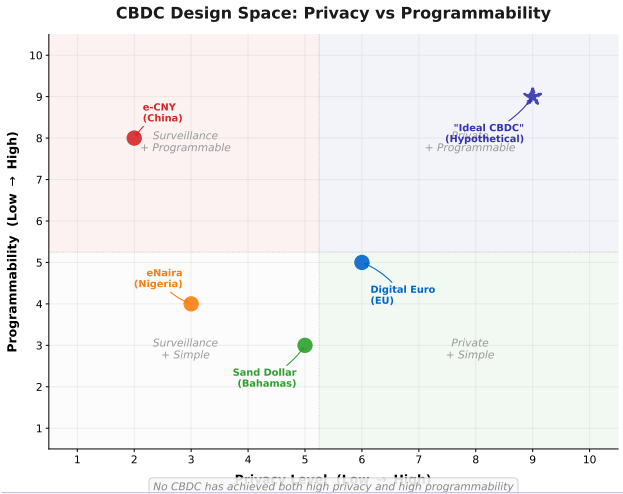
Wholesale CBDC

Who uses it: Banks and institutions
What for: Settling large transfers between banks
Like: A faster version of wire transfers
Examples: mBridge, Project Jasper
Privacy concern: Low

Retail CBDCs touch your daily life. Wholesale CBDCs change how banks talk to each other.

Retail CBDCs are far more controversial because they affect privacy. Wholesale CBDCs are mostly about efficiency.

The Privacy Spectrum: Cash to CBDC



Cash: Nobody knows

Crypto: Pseudonymous

Digital Euro: Tiered privacy

e-CNY: Full govt visibility

Privacy decreases as you move from cash to government-issued digital currencies.

The Digital Euro promises "cash-like privacy" for small transactions but full identity checks for large ones.

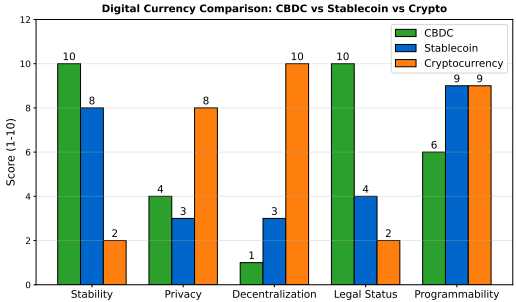
The Digital Euro: Europe's Answer

The European Central Bank is building its own digital currency.

Status: Preparation phase (2024–2026)
Decision: Late 2025
Launch: Expected 2027–2028

Design promises:

- Small purchases: cash-like privacy
- Large purchases: full identity checks
- Free for basic use
- Works offline (no internet needed)



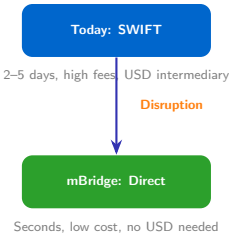
The Digital Euro would not replace cash — it would add a digital option. Banks would distribute it, not the ECB directly.

mBridge: Bypassing the Dollar?

Today, most international payments go through **SWIFT** — a messaging system dominated by US dollar transactions.

mBridge is a new system where central banks trade digital currencies **directly with each other**, skipping the dollar entirely.

Participants: China, Hong Kong, Thailand, UAE, Saudi Arabia



Geopolitical angle: BRICS nations could use mBridge to reduce dependence on the US dollar and avoid Western sanctions.

mBridge reached MVP (minimum viable product) stage in June 2024 with real transactions. It uses a permissioned blockchain.

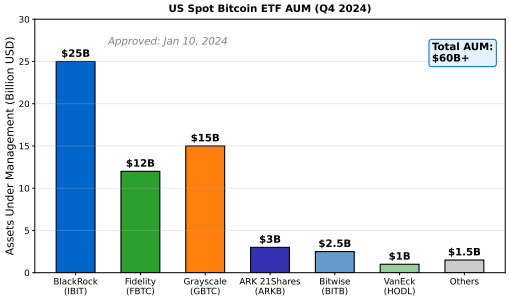
January 2024: The Day Crypto Grew Up

On **January 10, 2024**, the SEC approved 11 spot Bitcoin ETFs — after a decade of rejections.

What is an ETF? A fund that trades like a stock. You buy it through your normal brokerage account. No crypto wallet needed.

The numbers:

- 49 billion dollars in total inflows during 2024
- BlackRock's IBIT: 37 billion dollars alone
- Bitcoin surpassed 100,000 dollars (December 2024)
- Bitcoin ETFs surpassed gold ETFs in total assets



July 2024: SEC also approved spot Ethereum ETFs. Crypto is now available in every retirement account and brokerage in America.

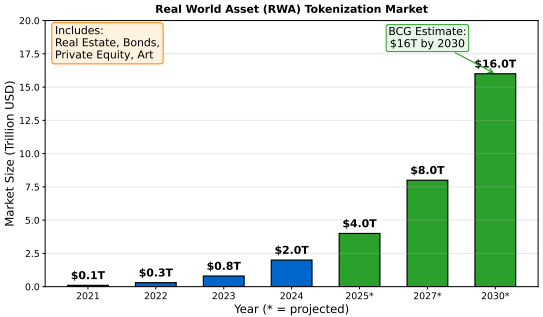
The Next Frontier: Tokenizing the Real World

RWA tokenization means putting real-world assets — buildings, bonds, gold, art — onto a blockchain as digital tokens.

Why it matters:

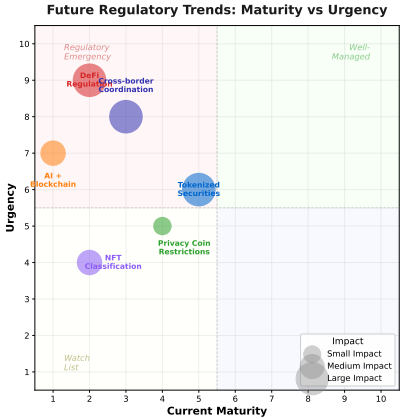
- You could own a fraction of a skyscraper
- Trade government bonds at midnight on a Sunday
- Programmable compliance: the rules are baked into the token itself

Projected market: 16 trillion dollars by 2030 (Boston Consulting Group estimate)



BlackRock, JPMorgan, and Goldman Sachs are all building tokenization platforms. This is where Wall Street meets blockchain.

The World Is Slowly Agreeing



Trend 1: Convergence
Countries are copying MiCA's approach — one comprehensive framework instead of piecemeal rules.

Trend 2: Licensing
Almost every country now requires crypto exchanges to get a license, just like a bank or broker.

The FATF (Financial Action Task Force) is pushing all countries toward the same anti-money-laundering standards for crypto.

Five Things to Watch in 2025–2026

1. US Legislation

Will Congress finally pass the FIT21 Act and stablecoin legislation? The new administration promised to make the US the "crypto capital of the world."

2. MiCA in Practice

How strictly will EU regulators enforce MiCA? Will it attract companies or push them to Switzerland and Dubai?

3. Digital Euro Decision

The ECB will decide in late 2025 whether to proceed. If yes, launch expected 2027–2028.

4. DeFi Regulation

Decentralized protocols have no company to regulate. Governments are still figuring out how to handle code that runs itself.

5. AI Meets Blockchain

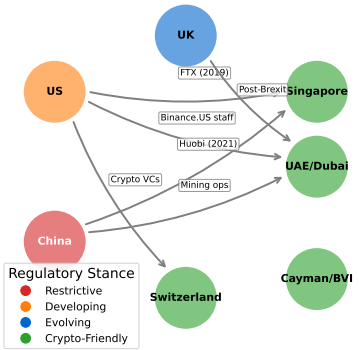
AI agents that trade, audit smart contracts, and manage portfolios autonomously. Who regulates a robot that invests?

The regulatory landscape will look very different by the time you graduate.

Career tip: "Crypto regulatory specialist" is one of the fastest-growing job titles in finance. Understanding these rules gives you an edge.

Jurisdiction Shopping: Follow the Money

Regulatory Arbitrage: Company Migration Patterns (2019-2024)



When one country tightens rules, companies move to a friendlier one. This is called **regulatory arbitrage**.

Real examples:

- Binance: China to Malta to Cayman Islands
- Ripple: Threatened to leave the US for Singapore or the UK
- Mining companies: China to Texas, Kazakhstan, Russia after the 2021 ban

The paradox: Strict regulation pushes companies offshore, where there is less oversight. The opposite of what regulators intended.

This is why global coordination matters. If every country has the same baseline rules, there is nowhere to run.

The Cryptoeconomics Lens: Regulation

1. What problem does regulation solve?

Fraud, money laundering, market manipulation, consumer harm. Without rules, trust collapses and institutional money stays away.

2. Who pays and who gains?

Companies pay compliance costs. Consumers gain protection. Regulators gain oversight. Innovation may be slowed or redirected.

3. What are the incentives?

Countries compete for tax revenue and jobs. Companies seek legal certainty. Both sides have reasons to cooperate — eventually.

4. What breaks it?

Regulatory capture (industry writes its own rules), jurisdictional arbitrage (flee to friendly countries), and the speed gap (tech moves faster than law).

5. What alternatives exist?

Self-regulation (industry codes), embedded compliance (rules in the code), insurance markets, and international harmonization via FATF.

6. How could it be improved?

Global standards (like MiCA for the world), regulatory sandboxes, and "same activity, same risk, same rules" principles.

Apply these six questions to any regulation topic and you will understand both the intent and the unintended consequences.

Key Takeaways

What we covered today:

- Regulation exists to protect consumers, prevent crime, and maintain financial stability
- The US regulates by enforcement (sue first). The EU wrote a comprehensive rulebook (MiCA). Switzerland uses flexible principles (FINMA).
- MiCA is the global template: one license, 27 countries, real stablecoin reserves required

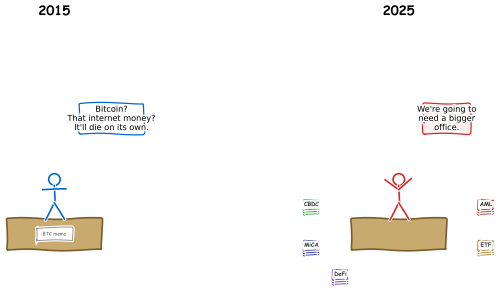
Looking ahead:

- CBDCs are government digital money — not crypto, but competing with it. Privacy vs. surveillance is the key design choice.
- Bitcoin ETFs (January 2024) brought institutional money flooding in: 49 billion dollars in one year.
- The world is slowly converging on common rules. Companies that adapt early will win.

The bottom line: Regulation is not the enemy of crypto.
Bad regulation is. The race is on to get it right.

For technical details on MiCA requirements, the Howey Test, CBDC architectures, and the cryptoeconomics of regulation, see the Appendix.

One Last Thought. . .



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

In 1995, governments tried to "regulate the internet."

They mostly failed. Then they adapted.

Crypto regulation is following the same arc — just twenty years faster.

The winners will be the countries that figure out the balance first.

"The internet interprets censorship as damage and routes around it." — John Gilmore. Crypto does the same with bad regulation.

Appendix

Technical Deep Dives

Legal details, regulatory analysis, and architecture comparisons

Click blue links in appendix slides to jump back to the main deck.

A1: MiCA — CASP Licensing Requirements

Crypto Asset Service Provider (CASP) licensing under MiCA:

Minimum Capital Requirements:

- Custody/administration: €125,000
- Exchange operation: €150,000
- Trading platform: €150,000
- Portfolio management: €125,000
- Transfer services: €125,000

Ongoing Obligations:

- Segregation of client assets
- Complaint handling procedures
- Conflict of interest policies
- Outsourcing governance
- Cyber-security and ICT controls
- Market abuse detection systems

Stablecoin Reserve Rules:

- E-Money Tokens (EMTs): 100% of reserves in bank deposits or liquid assets. Redeemable at par value at any time.
- Asset-Referenced Tokens (ARTs): Diversified reserve portfolio. Enhanced EBA (European Banking Authority) oversight if "significant" (>€5 billion market cap or 10 million holders).
- Algorithmic stablecoins: Not explicitly banned, but reserve requirements make them effectively impossible to comply.

← Back to main slide: MiCA Overview

Transition period: Existing CASPs had until mid-2025 to apply. Tether (USDT) was delisted from EU exchanges by December 2024 for non-compliance.

A1: MiCA — White Paper and Disclosure Rules

Mandatory White Paper Contents:

- Identity of issuer and key persons
- Description of the project and token utility
- Rights and obligations of holders
- Technology used (blockchain, consensus)
- Risk factors (comprehensive disclosure)
- Environmental impact assessment

Liability:
Issuers are legally liable for misleading or incomplete information in the white paper.

← Back to main slide: MiCA Overview

Market Abuse Prohibitions:

- Insider trading on material non-public information
- Market manipulation (wash trading, spoofing)
- Unlawful disclosure of inside information

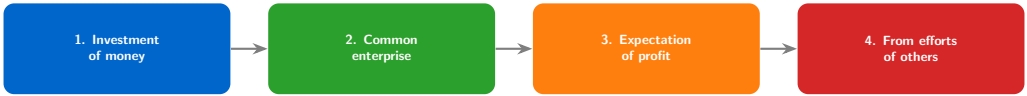
Exemptions:

- Tokens offered free of charge
- Mining/validation rewards
- Tokens offered to fewer than 150 persons per member state
- Total consideration below €1 million over 12 months

MiCA white papers must be notified to the national competent authority at least 20 working days before publication.

A2: The Howey Test — Is Your Token a Security?

The **Howey Test** comes from a 1946 US Supreme Court case (*SEC v. W.J. Howey Co.*). It defines an "investment contract" (security) as:



If ALL four prongs are met, the token is a security and must register with the SEC.

Likely a security:

- ICO tokens sold to fund development
- Tokens promising dividends or revenue share
- Tokens where one team drives all value

Likely NOT a security:

- Bitcoin (no central team, no ICO)
- Tokens used purely for network access
- Sufficiently decentralized projects

← Back to main slide: The US Problem

The SEC argued that most tokens fail the decentralization test. The Ripple ruling (2024) created a split: institutional sales = securities, retail exchange sales = not securities.

A2: Howey Test in Practice — Real Cases

SEC v. Ripple Labs (2020–2024)

- SEC claimed XRP was an unregistered security
- Court distinguished: institutional sales *were* securities (buyers expected profit from Ripple's efforts)
- Retail sales on exchanges were *not* securities (buyers did not know or rely on Ripple)
- Final penalty: $125M (vs. $2B SEC request)

SEC v. Terraform Labs (2024)

- UST and LUNA classified as securities
- Do Kwon marketed yields as investment returns
- $4.5B penalty

SEC v. Coinbase (2023–ongoing)

- SEC sued Coinbase for listing 13 tokens it considers securities (SOL, ADA, MATIC, etc.)
- Coinbase argues tokens are commodities, not securities
- Case may define the boundary between SEC and CFTC jurisdiction

The "Sufficient Decentralization" Test

- Former SEC Director Bill Hinman (2018): Ethereum is "sufficiently decentralized" and therefore not a security
- No formal legal definition exists
- Central question: At what point does a project stop being controlled by its founders?

← Back to main slide: The US Problem

The lack of clear rules means each case is decided individually. This is why the industry demands legislation, not just enforcement.

A3: CBDC Architecture — Design Choices

Account-Based vs. Token-Based

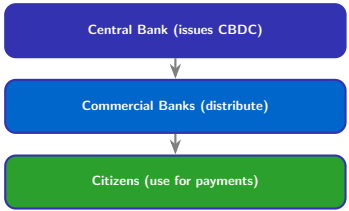
	Account	Token
Model	Like a bank account	Like digital cash
Identity	Know the person	Know the token
Privacy	Lower	Higher
Offline	Difficult	Possible
Example	e-CNY (primary)	Digital Euro (design goal)

DLT vs. Centralized Database

Most live CBDCs use centralized databases. DLT is used mainly for wholesale (interbank) systems like mBridge.

← Back to main slide: What Is a CBDC?

Distribution Tiers



Two-tier model (used by most CBDCs):

- Central bank issues and controls supply
- Commercial banks handle distribution and KYC
- Citizens interact with banks, not the central bank

The two-tier model preserves the existing banking system while adding a digital layer. A one-tier model (central bank to citizen directly) would disintermediate banks.

A3: CBDC Projects Around the World

CBDC	Status	Type	Technology	Key Feature
e-CNY (China)	Launched	Retail	Centralized DB	"Controllable anonymity," 260M+ wallets
Digital Euro	Prep phase	Retail	TBD	Cash-like privacy for small transactions
e-Naira (Nigeria)	Launched	Retail	Hyperledger	Financial inclusion focus
Sand Dollar (Bahamas)	Launched	Retail	Centralized	First national CBDC (2020)
mBridge	MVP	Wholesale	Permissioned DLT	Cross-border, bypasses SWIFT
Project Hamilton (US)	Research	Both	OpenCBDC	Fed + MIT research project

Note on the United States: The US has no CBDC plan. FedNow (launched 2023) is a real-time payment system, *not* a CBDC. Political opposition ("no government surveillance of purchases") makes a US retail CBDC unlikely in the near term.

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Nigeria's e-Naira adoption was very low (less than 1 percent of the population) despite aggressive promotion. Design matters more than launch.

A3: CBDC Privacy Models — A Closer Look

China's "Controllable Anonymity"

- Four wallet tiers based on identity verification
- Tier 4 (anonymous): Low limits, phone number only
- Tier 1 (full KYC): Highest limits, bank-linked
- Central bank has full visibility across *all* tiers
- "Anonymity" is from counterparties, not the state

Implication: The PBOC can trace every transaction, freeze any wallet, and program spending restrictions into the currency.

Digital Euro's "Tiered Privacy"

- Small offline payments: cash-like privacy (no reporting)
- Online payments: pseudonymous (bank sees, ECB does not)
- Large transactions: full AML/KYC compliance
- Privacy threshold to be decided (likely €50–150)

Technical approaches under consideration:

- Zero-knowledge proofs for transaction validation
- Hardware-based privacy modules
- Cryptographic blinding of transaction metadata

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The philosophical question: Should digital money have the same privacy as physical cash? Central banks say no — cash anonymity was a bug, not a feature.

A4: The Game Theory of Crypto Regulation

The Regulatory Game:

Three players with competing incentives:

- **Governments:** Maximize tax revenue, minimize crime, protect consumers, attract innovation
- **Companies:** Minimize compliance costs, maximize legal certainty, access largest markets
- **Users:** Maximize privacy, minimize fees, access innovative products

Nash Equilibrium:
All three parties benefit from clear, proportionate rules. But reaching that equilibrium requires coordination that is hard to achieve across 195 countries.

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Race to the Bottom vs. Race to the Top

Race to Bottom	Race to Top
Countries compete by *lowering* standards	Countries compete by *improving* rules
Attracts bad actors	Attracts institutional capital
Example: Cayman Islands, Seychelles	Example: Switzerland, Singapore
Short-term wins	Long-term sustainability

Key insight: Jurisdictions with clear, fair rules (Switzerland, Singapore) attract *better* companies than jurisdictions with *no* rules (offshore havens).

This is a coordination game: all countries would benefit from harmonized rules, but each has an incentive to deviate. FATF and MiCA are attempts at coordination.

A4: Who Pays and Who Gains?

Costs of Regulation:

- **Compliance costs:** Estimated $1–5M annually for a CASP to comply with MiCA
- **Innovation friction:** Startups may choose unregulated jurisdictions over compliant ones
- **Exclusion:** KYC/AML rules exclude the unbanked (the people crypto was supposed to help)
- **Regulatory capture:** Large incumbents can afford compliance; small innovators cannot

Benefits of Regulation:

- **Institutional access:** Bitcoin ETFs brought $49B in 2024 precisely because they were regulated
- **Consumer protection:** FTX-style fraud becomes harder (custody, audit, disclosure rules)
- **Market legitimacy:** Regulated markets attract pension funds, endowments, sovereign wealth
- **Reduced volatility:** Clearer rules reduce uncertainty-driven price swings

The verdict:
Regulation has a net positive effect *when done proportionately*. The MiCA model (clear rules, proportional costs) outperforms the US model (enforcement without rules).

← Back to main slide: Why Do We Need Rules?

The $49B in Bitcoin ETF inflows in 2024 is the strongest evidence that regulation, done right, unlocks far more value than it costs.

A4: Failure Modes — When Regulation Goes Wrong

Regulatory Capture

- Crypto PACs spent over $100M in the 2024 US elections
- Revolving door: Regulators join crypto firms (and vice versa)
- Risk: Rules designed to protect incumbents, not consumers

Overregulation

- India's 30% crypto tax collapsed trading volume by 90%
- Nigeria's ban pushed users to peer-to-peer platforms with no consumer protection
- Result: Same activity, less oversight

← Back to main slide: Why Do We Need Rules?

Underregulation

- FTX operated from the Bahamas with minimal oversight
- $8B in customer funds were misused
- Terra/LUNA collapsed without any regulatory intervention

The DeFi Blind Spot

- Tornado Cash: US Treasury sanctioned a smart contract (not a person)
- Uniswap: SEC sent a Wells Notice but the protocol has no CEO
- Ooki DAO: CFTC sued a DAO as a legal entity
- Fundamental question: Can you regulate code that runs itself?

The DeFi regulatory question remains the hardest unsolved problem in crypto regulation. "Code is speech" vs. "code is conduct" will be decided in courts.