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DOI Number of the Paper: <https://doi.org/10.5281/zenodo.20702963>

Link to the Paper: <https://jar.bwo-researches.com/index.php/jarh/article/view/607>

Edition Link: [Journal of Academic Research for Humanities JARH, 6\(2\) Apr-Jun 2026](#)

HJRS Link: [Journal of Academic Research for Humanities JARH \(HEC-Recognised for 2026-2027\)](#)

## Monetary Sovereignty and Digital Currency Governance: A Comparative Legal Analysis of China's e-CNY and Pakistan's Virtual Asset Framework

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### Paper Information

#### Citation of the paper:

(JARH)Ali, I., Sair, K. S., Mondal, S. (2026). Monetary Sovereignty and Digital Currency Governance: A Comparative Legal Analysis of China's e-CNY and Pakistan's Virtual Asset Framework. In *Journal of Academic Research for Humanities*, 6(2), 45–57.

#### Subject Areas for JARH:

- 1 Monetary Sovereignty
- 2 Digital Currency Governance
3. Social Sciences

#### Timeline of the Paper at JARH:

Received on: 23-05-2026.  
Reviews Completed on: 30-05-2026.  
Accepted on: 11-06-2026.  
Online on: 15-06-2026.

#### License:



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#### Recognised for BWO-R:



#### Published by BWO Research INTL:



#### DOI Image of the paper:

DOI [10.5281/zenodo.20702963](https://doi.org/10.5281/zenodo.20702963)

### Abstract

#### QR Code for the Paper:



**Background.** The emergence of central bank digital currencies (CBDCs) and privately issued virtual assets has challenged established assumptions about monetary sovereignty, financial regulation, and cross-border value transfer, particularly across the Global South.

**Research problem.** Existing scholarship tends to examine sovereign CBDCs and private crypto-assets in isolation, leaving the legal consequences of divergent national strategies insufficiently theorised.

**Objectives.** This article compares the legal architecture of China's Digital Yuan (e-CNY) with Pakistan's evolving virtual-asset regime to establish how each reconciles monetary sovereignty, financial stability, and innovation, and to draw lessons for emerging economies.

**Methodology.** The study adopts a qualitative, doctrinal, and functional-comparative design, drawing on primary legislation, regulatory instruments, and authoritative international standards, organised through an explicit analytical framework.

**Key findings.** China operationalises a centralised, sovereignty-driven CBDC embedded in existing monetary law, whereas Pakistan has moved, through the Virtual Assets Ordinance 2025 and the Virtual Assets Act 2026, from prohibition toward a statutory, risk-based licensing regime, while institutional capacity remains the binding constraint.

**Policy implications.** Regulatory effectiveness depends less on convergence with international norms than on statutory clarity, institutional coordination, and sequenced implementation. These findings are benchmarked against India, Singapore, and the European Union.

**Keywords:** Central Bank Digital Currency (CBDC); virtual asset regulation; monetary sovereignty; comparative financial law; e-CNY; Pakistan.

## I. Introduction

### 1.1 Background and Context

Over the past decade, digital money has spread rapidly, driven by distributed-ledger technologies, a proliferation of digital assets, and central-bank experimentation with sovereign currencies (Zetzsche et al., 2020). CBDCs are now piloted across developed and emerging markets (Liao & Carstens, 2022), while private cryptocurrencies and virtual assets have entered the mainstream, raising concerns about financial stability, consumer protection, market integrity, and monetary sovereignty (Kiff et al., 2020). These trends have generated sustained debate about the future of money and the law to govern it (Bossu et al., 2020).

CBDCs and private virtual assets should not be conflated: the former are sovereign money issued as a liability of a central bank, whereas the latter rest on private contractual and technological arrangements and lack legal-tender status. Because this distinction is foundational to the analysis, the definitive conceptual taxonomy is developed in Section III rather than restated here, and it is applied consistently throughout the comparison that follows.

China and Pakistan exemplify contrasting responses. China's Digital Yuan (e-CNY) embodies a state-centred, sovereignty-driven model in which the People's Bank of China (PBoC) integrates a CBDC into a tightly regulated payments system to reinforce monetary policy, supervision, and aligned cross-border arrangements (Jiang, 2023a). Pakistan, historically cautious, governed private virtual assets through circulars and sporadic reform rather than statute, a stance shaped by anxieties over AML/CFT compliance, capital flight, and limited capacity (Khan & Khan, 2024). That posture changed decisively in 2025-2026 with dedicated virtual-asset legislation, making the comparison especially timely.

### 1.2 Problem Statement

The central problem is the contrast between China's sovereign CBDC and Pakistan's movement from prohibition to statutory regulation. China has embedded the e-CNY in an integrated

monetary system, while Pakistan long relied on banking circulars and overlapping mandates, creating uncertainty over the classification, legality, and enforceability of digital value, especially in cross-border transactions. A comparative analysis is therefore needed to assess these divergences and their implications for sovereignty, stability, and cross-border cooperation (Ringe & Pietruszka, 2025).

### 1.3 Rationale for Case Selection

China and Pakistan are not arbitrary comparators. They occupy opposite positions on a single spectrum, the relationship between the state and digital money, while sharing the conditions of large, fast-digitising Global-South economies. China offers the most advanced sovereign CBDC; Pakistan, a leading grassroots crypto-adoption market despite formal restrictions, shows how a capacity-constrained state moves from containment toward statutory regulation. Pairing a mature CBDC with an emergent virtual-asset regime holds the Global-South setting constant while varying institutional capacity, regulatory philosophy, and degree of state control, the variables of interest.

### 1.4 Research Significance and Contribution

The article's principal contribution is to bring a sovereign CBDC and a private-virtual-asset regime into a single comparative frame rather than studying each in isolation. Maintaining a strict distinction between central-bank legal tender and privately issued virtual assets, it clarifies how issuance authority, monetary status, and regulatory purpose diverge and shape enforcement and cross-border cooperation. It advances transnational financial law by showing that domestic capacity and legal tradition mediate the reception of international norms, and offers a transferable model and typology for other emerging economies. This refinement preserves the article's comparative focus while keeping the manuscript concise, coherent, and suitable for journal review under the prescribed word limit. It also improves clarity, balance, structure, and readability.

### 1.5 Research Objectives

The article pursues five objectives:

1. To examine the legal and institutional architecture governing China's Digital Yuan (e-CNY).
2. To evaluate Pakistan's regulatory framework governing virtual assets and cryptocurrency activities, including its recent statutory reforms.
3. To compare regulatory philosophies, enforcement mechanisms, and governance structures in both jurisdictions.
4. To assess the implications of these frameworks for monetary sovereignty, financial stability, and cross-border digital finance.
5. To identify lessons for emerging economies developing digital-currency governance frameworks.

### 1.6 Research Questions

**Main research question.** How do China's e-CNY framework and Pakistan's virtual-asset regulatory regime differ in legal design, institutional governance, and policy objectives, and what implications do these differences have for transnational financial regulation?

The study also addresses four subsidiary questions:

1. How does monetary sovereignty shape digital-currency regulation in each jurisdiction?
2. What role do AML/CFT obligations play in digital-asset governance?
3. How do institutional capacities influence regulatory effectiveness?
4. What lessons can emerging economies derive from the Chinese and Pakistani experiences?

### II. Literature Review and Research Gap

The scholarship falls into four strands. The first concerns the legal nature and design of CBDCs as central-bank liabilities requiring statutory authority and careful choices between token- and account-based models (Bossu et al., 2020; Group of Central Banks, 2020). Related economic literature examines motives, design options, and cross-border effects, while China-focused studies analyse the e-CNY as an instrument of monetary sovereignty and data

governance (Auer et al., 2020; Agur et al., 2022; Hu, 2022; Jiang, 2023a).

The second strand examines private virtual assets, including crypto-asset classification, securities and payments-law treatment, and FATF AML/CFT obligations (Zetzsche et al., 2020; FATF, 2021). Pakistan is usually treated as a high-adoption or compliance case (Khan & Khan, 2023, 2024). Stablecoin scholarship is also relevant because it addresses assets between volatile cryptocurrencies and sovereign money, especially under the EU, FSB, and Singapore frameworks (Financial Stability Board, 2023; Monetary Authority of Singapore, 2023).

The third strand addresses transnational and comparative financial governance, emphasising how international standards diffuse unevenly across jurisdictions and how regulatory capacity mediates their implementation (Ringe & Pietruszka, 2025; Koziuk, 2024). Much of this work, however, is framed through advanced-economy or multilateral perspectives.

The fourth strand examines Global-South digital-currency governance, where financial inclusion and remittance efficiency interact with weaker institutional capacity. The evidence is instructive: India's digital rupee has reached several million users, yet Nigeria's eNaira, despite a 2021 launch and legal-tender status, shows adoption well under one per cent of currency in circulation, while Brazil's Drex and Indonesia's Project Garuda remain at the pilot stage (International Monetary Fund, 2024; Atlantic Council, 2025). Legal authorisation is thus necessary but not sufficient; this literature remains fragmented and rarely sets a mature CBDC beside an emerging virtual-asset regime, the comparison undertaken here.

**Research gap.** Three gaps follow. First, sovereign CBDCs and private virtual assets are seldom analysed within one comparative frame despite interacting in practice. Second, comparative work under-represents Global-South jurisdictions, where capacity is decisive. Third, the literature has not absorbed the 2024-2026 structural changes, notably Pakistan's shift to statutory regulation and maturing cross-border

CBDC arrangements. This article addresses all three by comparing China's e-CNY with Pakistan's reformed regime and benchmarking both against India, Singapore, and the European Union.

### III. Conceptual and Theoretical Framework

#### 3.1 Defining Digital Currencies

Digital currencies differ by issuer, legal status, and stabilisation mechanism. CBDCs are digital instruments denominated in a sovereign unit of account and issued as central-bank liabilities (Group of Central Banks, 2020; Bossu et al., 2020). Cryptocurrencies such as Bitcoin are privately created tokens with no central-bank claim and generally no legal-tender status. Stablecoins occupy an intermediate position by referencing a stable asset and creating reserve-backed claims, increasingly subject to prudential rules requiring full backing and redemption at par (Financial Stability Board, 2023; Monetary Authority of Singapore, 2023).

China and Pakistan illustrate distinct definitions. The e-CNY is defined in law as the digital form of the renminbi, hence sovereign money rather than a new asset class, integrating it into existing monetary, banking, and payments law (Hu, 2022; Huo, 2021), whereas Pakistan's privately issued cryptocurrency was never legal tender and, absent legislation, was treated as speculative or unregulated (Khan & Khan, 2023). The comparison thus juxtaposes a sovereign CBDC with a risk-averse response to private virtual assets rather than contrasting two CBDCs (Koziuk, 2024).

#### 3.2 Theoretical Approaches

Three theoretical lenses structure the analysis and are applied consistently throughout the comparison rather than repeated in the descriptive chapters.

**Monetary sovereignty** denotes the state's authority to designate legal tender, regulate the money supply, and structure settlement (IMF-FSB, 2023). Digitalisation raises the prospect that private or foreign digital monies may erode this authority, and CBDCs are framed as instruments for preserving it (Brooks, 2021; Hu, 2022). The e-CNY exemplifies proactive use of a CBDC to buffer the domestic system, whereas Pakistan's

defensive stance reflected capital-account vulnerabilities and reliance on foreign intermediaries.

**The regulatory-state lens** examines how the state embeds itself in payment infrastructures. CBDCs allow direct state participation, reinforcing public authority while raising concerns about data concentration and surveillance (Zetsche et al., 2020). The e-CNY illustrates a data-driven regulatory state with controlled regulator access to transaction data, while Pakistan's reliance on circulars showed the limits of regulatory-state capacity in weaker settings.

**Risk-based regulation** calibrates regulatory intensity to the risks of particular activities, namely issuance, custody, settlement, and trading, rather than to the formal status of instruments (Koziuk, 2024). In China, it appears in tiered wallets, transaction limits, and "controllable anonymity"; Pakistan's move from prohibition to graded VASP licensing reflects the same logic, tempered by institutional capability (IMF-FSB, 2023).

#### 3.3 Transnational Legal Perspective

Digital currencies are globalised through remittances and international platforms, so the applicable law is increasingly transnational. The FATF has brought virtual assets and service providers within AML/CFT obligations, requiring licensing, due diligence, and the "travel rule" (FATF, 2021; Huo, 2021), while the BIS and IMF have articulated principles for legal integrity, stability, and cross-border interoperability (IMF-FSB, 2023). China's e-CNY engages these debates while serving geopolitical aims, whereas Pakistan has been a rule-adapting jurisdiction shaped by FATF and IMF guidance. Situating domestic strategies within global regimes highlights extraterritorial effects and frictions from divergent definitions.

### IV. Comparative Analytical Framework

The comparison applies fixed analytical dimensions to each jurisdiction. These operationalise the three theoretical lenses and are used in Sections VI, VII, and VIII. Cross-border interoperability is central because

digital-currency regimes increasingly depend on shared settlement platforms, of which the BIS-incubated Project bridge is a leading example (Bank for International Settlements, 2023; Auer et al., 2021).

**Table 1.** Comparative analytical framework

Analytical dimension	Comparative question
Issuer and monetary status	Who issues the instrument, and is it legal tender or a private asset?
Legal basis	Does the instrument rest on primary legislation, subordinate rules, or administrative practice?
Regulatory objective	What policies (sovereignty, stability, AML/CFT, innovation) drive the regime?
Institutional structure	Is oversight centralised in one authority or distributed across agencies?
AML/CFT framework	How are due diligence, reporting, and the travel rule implemented and enforced?
Privacy and data governance	How are transaction data and user privacy treated, and with what safeguards?
Innovation posture	Does the regime facilitate, contain, or prohibit private innovation?
Enforcement mechanism	Is enforcement embedded in design (ex-ante) or reactive (ex post)?
Cross-border strategy	How does the regime engage cross-border payments and interoperability?

**Source:** Compiled by the author from the conceptual framework in Section III.

## V. Research Methodology

### 5.1 Research Design

The article employs a qualitative comparative legal design. It is doctrinal, interpreting and evaluating legal texts, regulatory instruments and policy frameworks rather than measuring outcomes, which suits questions of legal classification, regulatory rationale and institutional design (Bast & Hawkins, 2013; Watkins & Burton, 2018). Doctrinal analysis is combined with a policy perspective situating the law alongside innovation, financial inclusion, and international standards (Twining, 2009), assessing not only what the law is but why it takes its form.

### 5.2 Justification for Case Selection

As set out in Section 1.3, China and Pakistan form a theoretically rich small-N pairing: large, digitising Global-South economies that diverge on

institutional capacity and philosophy and occupy opposite ends of the state-market spectrum. Holding the regional context constant while varying these factors, and adding India, Singapore, and the EU as benchmarks (Section 8.5), mitigates the limits of a two-case study (Samuel, 2020).

### 5.3 Sources of Data and Selection Criteria

Documentary data are selected by authority, currency, provenance, and relevance to the framework in Section IV. For China, the study uses statutes, administrative regulations, and PBoC publications, supported by reliable translations and scholarship on Chinese financial law (Hu, 2022; Huo, 2021). For Pakistan, it uses constitutional provisions, statutes, SBP and SECP instruments, and the Virtual Assets Ordinance 2025 and Act 2026 (Khan & Khan, 2023). BIS, IMF, and FATF reports provide context rather than substitutes for doctrinal analysis.

### 5.4 Comparative Method

The comparison is functional: rather than matching systems by formal similarity, it asks how each jurisdiction addresses analogous problems, namely preserving monetary sovereignty, managing systemic risk, and responding to cross-border digital finance (Zweigert & Kötz, 1998). The e-CNY and Pakistan's regime are thus compared along the dimensions of Section IV despite not being functionally identical, with doctrine framed within regulatory capacity and the influence of international standard-setters (Samuel, 2020; Twining, 1999).

### 5.5 Validity and Interpretive Reliability

Because the study is doctrinal, validity is a matter of interpretive reliability: claims are grounded wherever possible in primary instruments corroborated by secondary literature, reliance on authoritative translations for Chinese-language materials is made explicit, and findings are triangulated and tested against the fixed framework, reducing the risk of selective reading.

### 5.6 Ethical Considerations

The research raises no human-subjects concerns, relying solely on publicly available

legal, regulatory, and scholarly materials with no fieldwork or personal data. Sources are cited transparently; a conflict-of-interest and funding statement appears before the references.

### 5.7 Limitations

Several limitations apply. Language barriers constrain access to some Chinese materials; both regimes are evolving rapidly, so later developments may not be captured; and the doctrinal method limits causal claims about market behaviour (Watkins & Burton, 2018). A two-jurisdiction core limits generalisability, which the benchmarking in Section 8.5 offsets (Zweigert & Kötz, 1998).

## VI. The Digital Yuan (e-CNY) in China: Regulatory Framework

### 6.1 Evolution of the Digital Yuan

The e-CNY originated in PBoC's concern that dominant private payment platforms were eroding central-bank control, a dependency seen from the early 2010s as a risk to monetary sovereignty and policy transmission (Zetzsche et al., 2020). The PBoC established its Digital Currency Research Institute in 2014 to study a sovereign digital currency (Hu, 2022), framing it as a means of reasserting the state's role and protecting the renminbi against decentralised and foreign currencies (Brooks, 2021).

Formal pilots launched in 2019-2020 in selected cities and zones (including Shenzhen, Suzhou, and Xiong'an) and expanded to further cities and events such as the Beijing Winter Olympics (Hu, 2022). They adopted a two-tier model in which the PBoC issues e-CNY to authorised operators that distribute it to users (Group of Central Banks, 2020). By late 2025, cumulative transactions reached about 16.7 trillion yuan (Atlantic Council, 2026), and in December 2025, the PBoC announced a new-generation framework, effective January 2026, reconceiving the e-CNY as an account-based, interest-bearing deposit money compatible with distributed-ledger technology (People's Bank of China, 2025).

### 6.2 Legal Basis and Institutional Framework

Despite its scale, the e-CNY rests not on a dedicated statute but on existing monetary and

banking law supplemented by administrative rules (Bossu et al., 2020). The Law on the People's Bank of China grants authority over currency issuance, monetary policy, and payments, read as broad enough to encompass a digital form of legal tender (Hu, 2022). Official publications classify the e-CNY within the renminbi rather than as a new asset class, situating it in public monetary regulation.

Institutionally, the model is centralised but operationally distributed: the PBoC issues and redeems e-CNY and runs core infrastructure, while licensed banks and payment institutions handle distribution, due diligence, and wallets under AML and cybersecurity supervision (Group of Central Banks, 2020; Hu, 2022). This affords agility through administrative rather than legislative change, but raises questions of legal certainty and accountability. As the e-CNY increasingly resembles deposit-like money, particularly under the 2026 framework, commentators urge firmer legislative grounding aligned with banking-law and deposit-protection principles (Bossu et al., 2020).

### 6.3 Regulatory Objectives

The e-CNY's objectives align with a state-directed digital financial system. It supports financial stability by offering a central-bank settlement layer that can reduce reliance on dominant private platforms. It also strengthens AML/CFT supervision through traceability and programmability, and may assist liquidity management and conditional public transfers (Group of Central Banks, 2020; Zetzsche et al., 2020; Hu, 2022). Cross-border use further supports renminbi settlement outside dollar-based intermediaries.

### 6.4 Privacy, Data Protection, and State Control

The e-CNY's design raises significant privacy questions. "Controllable anonymity" ties identity disclosure to transaction size through tiered wallets, framed as balancing the anonymity of cash against AML/CFT traceability, with data handling subject to China's cybersecurity and personal-data laws. Even so, a central-bank-centred architecture affords officials extensive potential access to

transaction data, especially where e-CNY interfaces with other state databases. Critics warn that technical safeguards may not constrain large-scale state use of financial data, and that integration with social-governance systems could enable fine-grained control. The case is a salient benchmark for the tension between innovation, rights, and state power.

### 6.5 Recent Cross-Border Developments

China has moved to internationalise the e-CNY. In September 2025, the PBoC launched an e-CNY International Operation Centre in Shanghai, complementing a Beijing operations centre under a "two-wing" architecture ([People's Bank of China, 2025](#)). The e-CNY features in retail cross-border testing and wholesale multi-CBDC experiments such as Project Bridge, which links central banks on a shared distributed-ledger platform to settle in multiple CBDCs and reduce reliance on correspondent banking ([Auer et al., 2021](#); [Bank for International Settlements, 2023](#)).

## VII. Pakistan's Virtual Assets Regulatory Framework

### 7.1 Regulatory Background

Pakistan's approach developed through precaution rather than ambition, encountering digital assets mainly as a threat to monetary stability and external-account management, so the first response came from prudential banking. In April 2018, the SBP directed regulated institutions not to deal in virtual currencies ([Khan & Khan, 2023](#)). The circular did not criminalise use or peer-to-peer exchange, but it severed crypto from the regulated payment system and confirmed such instruments were not legal tender ([Khan & Khan, 2024](#)). In practice, it pushed activity offshore rather than eliminating it.

The restrictive stance was macroeconomic: balance-of-payments pressure and remittance reliance heightened concern about untraceable transfers, capital-control evasion, and AML oversight. It later softened under judicial and international pressure: Sindh High Court litigation questioned the SBP's power to impose a blanket ban absent legislation, while FATF oversight required supervision rather than prohibition. Oversight was shared between the SBP

(payments, monetary policy, stability) and the SECP (market conduct), the latter issuing a 2020 position paper on possible licensing, custody, and disclosure (Securities and Exchange Commission of Pakistan, 2020), though staking, lending, and token issuance fell outside both banking and securities law.

### 7.2 The 2025-2026 Statutory Reforms

The framework changed fundamentally in 2025-2026. In March 2025, the government established the Pakistan Crypto Council to coordinate policy across the SBP, SECP, and other bodies. On 8 July 2025, the President promulgated the Virtual Assets Ordinance 2025 under Article 89, creating the Pakistan Virtual Assets Regulatory Authority (PVARA) as an autonomous federal regulator empowered to license and supervise virtual assets and service providers (VASPs), ensure FATF compliance, and impose penalties ([Virtual Assets Ordinance 2025](#)). The Ordinance defined virtual assets as tradeable or transferable digital representations of value, expressly not legal tender, and created a Virtual Assets Appellate Tribunal.

Because an ordinance is temporary, Parliament enacted the Virtual Assets Act 2026, giving PVARA permanent authority to license, suspend, and revoke VASP authorisations for exchanges, custodians, wallet operators, and token issuers, and to address money laundering and terrorist financing. PVARA began inviting licence applications in 2025, requiring recognition in a major jurisdiction such as the United States, the EU, or Singapore. The SBP announced a CBDC pilot in July 2025, and PVARA launched a regulatory sandbox in early 2026, showing a rapid transition from containment to statutory regulation.

### 7.3 AML/CFT Framework and Current Instruments

Even before statutory reform, digital-asset activity was reachable through general financial-crime law: the Anti-Money Laundering Act 2010 requires suspicious-activity reporting, and the Prevention of Electronic Crimes Act 2016 covers cyber-enabled offences. FATF Recommendation 15 supplied the external benchmark for VASP

licensing, due diligence, and the travel rule, while the SECP's 2020 position paper remained aspirational (FATF, 2021). The Virtual Assets Act 2026 now supplies the primary legislation that earlier instruments lacked. Table 2 summarises the main instruments.

**Table 2.** Key regulatory instruments relevant to Pakistan's virtual-asset framework

Instrument	Primary authority	Key function and regulatory impact
Virtual Assets Act 2026	Parliament / PVARA	Primary legislation: grants PVARA permanent status to license and supervise VASPs and enforce AML/CFT compliance.
Virtual Assets Ordinance 2025	President / PVARA	Temporary instrument that created PVARA and the Appellate Tribunal; confirmed virtual assets are not legal tender.
Pakistan Crypto Council (2025)	Federal Government	Coordinates national digital-asset policy across the SBP, SECP, and other bodies.
SBP Circular No. 03 of 2018	State Bank of Pakistan	Barred regulated institutions from dealing in virtual currencies; now superseded by the statutory regime.
Anti-Money Laundering Act 2010	Federal Government	Provides the legal basis for suspicious-activity reporting relevant to digital assets.
Prevention of Electronic Crimes Act 2016	Federal Government	Enables investigation and prosecution of cyber-enabled financial offences.
SBP AML/CFT Guidelines 2022	State Bank of Pakistan	Sets compliance and reporting requirements for virtual-asset transactions.
SECP Position Paper 2020	SECP	Early, non-binding proposal for licensing exchanges and protecting customer assets.
FATF Recommendation 15	International standard	Mandates VASP licensing, customer due diligence, and the travel rule.

**Source:** Compiled by the author from Pakistani legislation, SBP and SECP instruments, and FATF standards.

#### 7.4 Structural Challenges and Policy Debates

The central tension is the gap between formal authority and implementation. Even with legislation in place, much of the virtual-asset

economy runs through peer-to-peer and offshore channels beyond routine supervision, driven by remittance demand and hedging against depreciation (Khan & Khan, 2024). Judicial review shaped this trajectory: the Sindh High Court's scrutiny underscored the constitutional limits of administrative bans without legislation (Mohammad Umar Farooq v. State Bank of Pakistan, 2020). The single authority once proposed is now realised in PVARA, marking an accelerated transition from exclusion to conditional, statutory regulation, even as enforcement capacity lags the new architecture.

### VIII. Comparative Analysis: China and Pakistan

#### 8.1 Regulatory Philosophy

China and Pakistan adopt distinct approaches, reflecting different views of monetary sovereignty, state power, and risk (Hu, 2022). China embraces a state-centred conception in which the e-CNY extends public authority over money, payments, and data, treating the CBDC as an extension of legal tender rather than a rival private system. Pakistan has approached private virtual assets chiefly through financial risk, as speculative instruments to be managed, producing a precautionary, AML- and stability-oriented framework, though the 2025-2026 reforms add a facilitative, licensing-based dimension.

#### 8.2 Institutional Capacity and Enforcement

Philosophical differences are reinforced institutionally. China combines centralised authority in the PBoC with robust infrastructure, enabling preventive, design-embedded enforcement through automated monitoring and wallet controls. Pakistan's structure was fragmented across the SBP, SECP, Federal Investigation Agency, and Federal Board of Revenue; PVARA now consolidates licensing and supervision, but enforcement capacity over peer-to-peer and offshore activity remains nascent. China thus favours uniformity, whereas Pakistan is moving toward consolidation as its capability matures.

#### 8.3 Innovation versus Control

The regimes embody different settlements between innovation and control. China pursues managed innovation: the e-CNY is programmable, supports offline and interoperable payments, and engages private intermediaries within uniform central-bank standards (Bossu et al., 2020; Jiang, 2023a). Pakistan long practised managed containment, with compliance burdens and exchange controls pushing decentralised finance and tokenisation outside the regulated sector; the PVARA sandbox now signals a shift toward supervised experimentation, as Pakistan begins to create a regulated space for innovation (IMF-FSB, 2023).

#### 8.4 Comparative Matrix

Applying the dimensions of Section IV yields the following comparison.

**Table 3.** Comparative matrix: China and Pakistan across analytical dimensions

Dimension	China (e-CNY)	Pakistan (virtual assets)
<b>Issuer and monetary status</b>	Central-bank-issued legal tender (renminbi in digital form); private crypto effectively prohibited.	No operational state CBDC (SBP pilot announced 2025); virtual assets expressly not legal tender.
<b>Legal basis</b>	Existing monetary and banking law plus administrative rules; no dedicated CBDC statute.	Virtual Assets Ordinance 2025 and Act 2026 provide primary legislation.
<b>Regulatory objective</b>	Monetary sovereignty, stability, supervision, and renminbi internationalisation.	Financial stability, AML/CFT compliance, and investor protection; now also formalisation.
<b>Institutional structure</b>	Centralised in the PBoC with a two-tier operating model.	Consolidating in PVARA after a fragmented multi-agency structure.
<b>AML/CFT framework</b>	Traceability and tiered identity embedded in design; FATF-aligned monitoring.	Statutory licensing, due diligence, and travel rule under PVARA, building on the AML Act 2010.

<b>Privacy and data governance</b>	"Controllable anonymity" with extensive potential state access to transaction data.	Emerging; consumer-protection and reporting duties under the new regime, capacity-dependent.
<b>Innovation posture</b>	Managed innovation integrated into the monetary core.	Shifting from containment toward supervised experimentation (regulatory sandbox).
<b>Enforcement mechanism</b>	Ex ante, design-embedded and centralised.	Largely ex post and reactive, statutory powers are new and not yet fully operational.
<b>Cross-border strategy</b>	Active cross-border platforms (International Operation Center; Project Bridge).	Limited formal cross-border participation; large informal P2P remittance flows persist.

**Source:** Compiled by the author from the sources analysed in Sections VI and VII.

#### 8.5 Comparative Benchmarking: India, Singapore, and the European Union

Benchmarking against three jurisdictions clarifies the China-Pakistan contrast. India has piloted the Digital Rupee in wholesale and retail segments since 2022, while private crypto-assets remain lawful but heavily taxed (Reserve Bank of India, 2025). Singapore combines facilitation with strict stablecoin and payment-token rules under the Payment Services Act (Monetary Authority of Singapore, 2023). The European Union combines comprehensive private-asset regulation under MiCA with a digital-euro project framed around sovereignty and privacy (European Central Bank, 2025).

Three insights follow. First, the sharp Chinese separation between a sovereign CBDC and prohibited private crypto is not the only viable model: India, Singapore, and the EU each pair a CBDC with a regulated, rather than prohibited, private sector. Second, statutory clarity and institutional capacity, not severity, distinguish effective regimes. Third, Pakistan's reforms move it toward the facilitative-licensing space these benchmarks occupy, even as its

capacity lags; Nigeria's eNaira and Brazil's Drex reinforce the point, since legal authorisation does not guarantee uptake where trust and infrastructure are weak. Figure 1 maps these positions.

### Annexure(A)

#### 8.7 Transnational Implications

These frameworks carry distinct transnational implications. China's cross-border platforms could reshape trade settlement and remittances through near-real-time transfers with less correspondent banking, bringing opportunities and competitive pressure for partners such as Pakistan. Divergent data-governance assumptions, transparency-through-traceability in China versus emerging consumer-protection norms in Pakistan, complicate convergence and cooperation. The comparison reveals two Global-South pathways: state-led capacity and targeted technology in China, and a consolidating but capacity-constrained compliance model in Pakistan, whose value lies less in the formal rules than in the capacity to implement them (Ringe & Pietruszka, 2025; Koziuk, 2024).

### IX. Policy Implications and Recommendations

#### 9.1 Lessons for Pakistan

Statutory clarity and institutional integration are prerequisites for effective regulation. China shows that administrative flexibility works best when supported by a clear monetary-law foundation and phased pilots. Pakistan's Virtual Assets Act 2026 supplies the basis its circular-based regime lacked, but implementation now requires precise asset categories, custody rules, and supervisory capacity over peer-to-peer and offshore activity. PVARA's sandbox and the SBP CBDC pilot can use sequencing to build expertise while limiting risk.

#### 9.2 Institutional Reform and Strategic Integration

Governance of digital currency is institutional design. China's centralised structure permits coordinated regulation and enforcement, while Pakistan's previous division of mandates created duplication that PVARA now seeks to address. China's two-tier model also shows how private operators can participate without losing control over issuance and settlement. For Pakistan, data

integration should be paired with procedural safeguards, and any multilateral settlement participation should fit exchange-control rules.

#### 9.3 Implications for Policymakers

For policymakers in emerging economies, five priorities follow: anchor regulation in primary legislation; consolidate or coordinate supervision through a competent authority; sequence reform through pilots and sandboxes; align AML/CFT controls with FATF standards while making them enforceable against informal markets; and embed privacy and data-governance safeguards in any CBDC design. International standards should be treated as a floor requiring domestic adaptation.

### X. Conclusion

#### 10.1 Key Findings

This article has compared the legal architectures governing digital currencies in China and Pakistan, differences that reflect divergent institutional commitments. China's e-CNY is a sovereign manifestation of state-issued money, administered by the PBoC through a two-tier model within the monetary hierarchy, with stability, AML, data-governance, and sovereignty objectives built in. Pakistan historically governed virtual assets through risk-oriented circulars and overlapping mandates but has now enacted dedicated legislation, the Virtual Assets Ordinance 2025 and Act 2026, establishing a statutory regulator and licensing regime as enforcement capacity develops. The core differences lie in issuer authority, legal status, and institutional coordination.

#### 10.2 Theoretical and Policy Implications

Theoretically, the comparison shows that monetary sovereignty, regulatory state, and risk-based logics operate in both jurisdictions but are mediated by institutional capacity and legal tradition. Maintaining the distinction between sovereign CBDCs and private virtual assets produces a typology useful for emerging markets. For practice, the lesson is clear: regulatory effectiveness depends on statutory clarity, institutional coordination, and sequenced implementation rather than formal convergence with international norms. China

demonstrates early institutional investment, Pakistan illustrates the risks of legal form outpacing capacity, and India, Singapore, and the EU confirm that effective oversight need not require prohibition.

### Declarations

**Conflict of Interest.** The author declares no conflict of interest.

**Funding.** This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

**Author Contributions.** The author is solely responsible for the conception, research, analysis, and writing of this article.

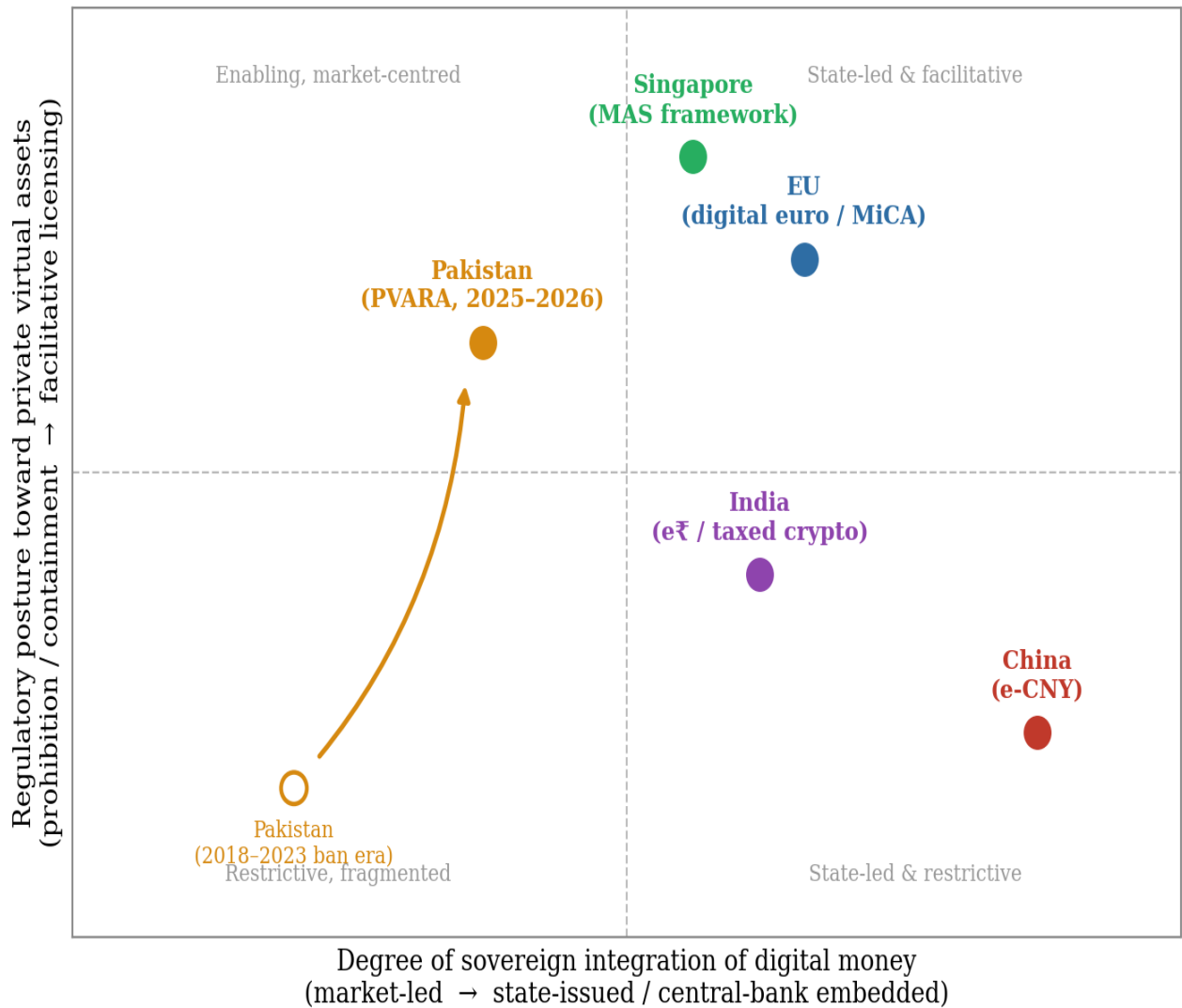
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Annexure(A)

**Figure 1. A comparative map of digital-currency governance models**



**Figure 1.** Positioning of selected jurisdictions by degree of sovereign integration of digital money (horizontal axis) and regulatory posture toward private virtual assets (vertical axis). The arrow indicates Pakistan’s trajectory from the 2018-2023 ban era to the PVARA regime of 2025-2026. Source: author.