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From Prohibition to Licensing: The Evolution of Virtual Asset Regulation in Pakistan, 2018–2026

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Abstract

Between 2018 and 2026 Pakistan moved from a regime of perceived prohibition on virtual assets to a statutory licensing framework administered by a dedicated regulator. This article traces that transition and asks what it reveals about regulatory design in a developing jurisdiction. Using a doctrinal and chronological method, it divides the period into five phases: prohibition by central bank circular (2018–2021); judicial scrutiny and the 2022 recommendation of a complete ban; the policy reversal and institution-building of 2025, culminating in the Virtual Assets Ordinance, 2025 and the Pakistan Virtual Assets Regulatory Authority (PVARA); statutory consolidation through the Virtual Assets Act, 2026; and operationalisation through banking circulars and subordinate regulations in 2026. The article argues that the transformation was driven less by a considered change in legal doctrine than by the convergence of three pressures: the practical failure of prohibition to suppress a large informal market, the demands of international anti-money laundering standards, and a political decision to attract capital to the sector. It further argues that the regime's legitimacy and effectiveness will depend on matters the Act leaves to subordinate rules and supervisory practice, including regulatory independence, the sequencing of entry, enforcement against offshore providers, and consumer protection during transition. The article concludes with recommendations for the next stage of rule-making.

Keywords: Virtual Assets, Cryptocurrency Regulation, Pakistan, PVARA, Virtual Assets Act 2026, State Bank of Pakistan, Virtual Asset Service Providers, Regulatory Transition

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Introduction

Few areas of financial law have changed as quickly in Pakistan as the regulation of virtual assets. In April

2018 the State Bank of Pakistan (SBP) instructed banks, development finance institutions, microfinance banks and payment system operators to stop dealing in virtual currencies and initial coin offering tokens, and to report any such transaction to the Financial Monitoring Unit as suspicious (State Bank of Pakistan [SBP], 2018a). By 2026 Parliament had enacted a statute establishing a permanent regulator empowered to license exchanges, custodians, token issuers and other service providers (Arab News, 2026b; The News, 2026b), and the central bank had replaced its earlier prohibition with a circular permitting banks to serve licensed providers (ABS & Co, 2026). Within eight years, therefore, the official position moved from exclusion to structured inclusion.

This trajectory is significant for three reasons. First, Pakistan is repeatedly described as one of the world's largest markets for crypto-asset adoption, although estimates of the number of users vary considerably. The head of PVARA has referred to 30 to 40 million users (Dawn, 2025c), while a legal commentary cites the Pakistan Crypto Council's lower estimate of 15 to 20 million and a third-place ranking in a 2025 global adoption index (Esquare Legal, 2026). Whatever the true figure, a very large population of users operated for years outside any supervisory perimeter. Second, the shift illustrates a recurring problem in comparative financial regulation: how a legal system should respond when a technology outpaces its legislative framework (Zetzsche et al., 2019). Third, the transition is recent and still unfolding, so the legal literature is thin and largely descriptive, while the commentary that does exist is dominated by law firms and trade media.

The article addresses three questions. What legal instruments and institutional choices defined each stage of Pakistan's regulatory evolution? What explains the movement from prohibition to licensing? And what unresolved issues does the present framework leave for regulators, courts and legislators? Its contribution is a consolidated, source-based account of the entire 2018–2026 period, together with an analysis of continuities and tensions that chronological narratives tend to obscure. The article is intended as the historical and doctrinal foundation for a wider comparative analysis of virtual asset service provider (VASP) regulation in Pakistan.

The discussion proceeds as follows. Section 2 sets out the conceptual framework and method. Sections 3 to 7 examine the five phases of development. Section 8 offers a critical analysis, Section 9 presents recommendations, and Section 10 concludes.

Conceptual Framework and Method

Regulatory responses to technological disruption

Three strands of literature inform the analysis. The first concerns how regulators respond to financial innovation. Arner et al. (2017) and Zetzsche et al. (2019) describe a recurring tension between enabling innovation and preserving market integrity and financial stability, and note that regulators often oscillate between permissive and restrictive postures before settling on a durable framework. Pakistan's trajectory can be read as a compressed version of that oscillation.

The second strand is responsive regulation. Ayres and Braithwaite (1992) argue that regulators are most effective when they can escalate from persuasion to sanction in proportion to the conduct they face, and Black (2002) emphasises that regulation is a negotiated process involving the regulator, the regulated and third parties. These ideas are useful here because Pakistan's earlier approach relied on a single blunt instrument, the exclusion of regulated banks, whereas the 2026 framework adopts a graduated structure of sandbox, no-objection certificate, licence and criminal sanction.

The third strand is the comparative law literature on legal transplants (Watson, 1974). The 2026 framework borrows structural ideas from international standards, particularly those of the Financial Action Task Force (FATF, 2019, 2021) and the international recommendations on crypto-asset regulation (Financial Stability Board [FSB], 2023; International Organization of Securities Commissions [IOSCO], 2023). Whether those ideas fit Pakistan's institutional capacity is a theme that recurs below.

Method and sources

The study is doctrinal and chronological. Primary sources include SBP circulars and public notices, the reported proceedings of the Sindh High Court, and the Virtual Assets Ordinance, 2025 and Virtual Assets Act, 2026 as described in official statements and professional analyses. Where the text of a subordinate instrument was not available in an official public archive, the article relies on detailed legal commentary and flags that reliance. Press reports are used to establish dates, official statements and reported events. Because the framework is evolving, the account reflects the position as at the end of October 2026, and readers should verify specific provisions against the Gazette of Pakistan and PVARA's published legal framework.

The study has two limitations. Much of the practitioner commentary on licensing is produced by firms with a commercial interest in attracting applicants, so its descriptive content is used with caution and its promotional claims are not relied upon. In addition, there is little supervisory practice yet to analyse, which means some conclusions are necessarily prospective.

Phase One (2018–2021): Prohibition by Circular

On 6 April 2018 the SBP issued BPRD Circular No. 03 of 2018, titled "Prohibition of Dealing in Virtual Currencies/Tokens." It stated that virtual currencies such as Bitcoin and Litecoin, together with initial coin offering tokens, were not legal tender and were neither issued nor guaranteed by the Government of Pakistan, and that the SBP had not authorised or licensed any person to issue, sell, buy, exchange or invest in them (SBP, 2018a). The circular directed regulated financial institutions not to facilitate customers in transacting in such instruments and to treat any such transaction as a suspicious transaction to be reported to the Financial Monitoring Unit (SBP, 2018a). A parallel circular was addressed to exchange companies (SBP, 2018b), and a public notice cautioned the public about the risks of virtual currencies, citing anonymity, the potential for illicit use, pyramid-style schemes and the absence of legal recourse for losses (SBP, 2018c).

The legal character of these instruments is central to understanding the period. They were directions to entities regulated by the SBP, not statutory prohibitions of general application. Contemporary commentary noted that a ban binding on all persons would require legislation, and that the SBP's authority extended only to the institutions within its jurisdiction (Khan, 2018). Nonetheless, the circular was widely understood as a general prohibition. News reports at the time described it as a ban on cryptocurrency, and at least one domestic exchange announced that it would close (TechJuice, 2018). The effect was to sever the link between virtual asset activity and the formal banking system, which is the most effective enforcement lever a central bank possesses over a market it cannot directly regulate.

The SBP's rationale reflected the prevailing international concern about anonymity and illicit finance (SBP, 2018c). The timing also preceded Pakistan's placement under increased monitoring by the FATF in 2018 (FATF, 2022). The sources do not establish a causal link, but the circular is consistent with a risk-averse posture adopted by a jurisdiction facing external scrutiny of its anti-money laundering framework.

The subsequent years revealed the limits of this approach. Activity moved to peer-to-peer channels and offshore platforms, outside the visibility of the banking system and therefore of the Financial Monitoring Unit. The 2018 instruments created uncertainty rather than clarity: individuals could not know whether holding or trading virtual assets was unlawful, banks de-risked broadly, and neither the legislature nor the executive articulated a coherent policy. The 2019 revision of FATF Recommendation 15, which required jurisdictions to license or register virtual asset service providers and subject them to supervision (FATF, 2019), made the position increasingly difficult to sustain, because a policy of exclusion cannot satisfy a standard that presupposes a supervised sector.

Phase Two (2021–2022): Judicial Scrutiny and the Recommendation of a Ban

The ambiguity reached the courts through a constitutional petition before the Sindh High Court filed by Waqar Zaka, who challenged the SBP's 2018 position and sought clarity on the legality of virtual currencies (Geo News, 2021). The proceedings were reported as raising Article 18 of the Constitution, which protects the freedom to conduct lawful trade, business or profession (Dawn, 2022a), and the petitioner also contended that the SBP directive infringed other constitutional guarantees (Newsweek Pakistan, n.d.).

Two features of the litigation deserve emphasis. The first is the SBP's own position. The central bank's representatives informed the court that virtual currencies had not been declared illegal (The News, n.d.), which confirmed the distinction drawn in Section 3 between a direction to regulated entities and a general prohibition. The court's apparent dissatisfaction with a state of affairs in which a technology was neither lawful nor unlawful was reported in the press (Pakistan Observer, n.d.). The second feature is the court's institutional response. In October 2021 it directed the formation of a high-level committee headed by an SBP deputy governor and including representatives of the Ministry of Finance, the Ministry of Information Technology, the Securities and Exchange Commission of Pakistan (SECP), the Pakistan Telecommunication Authority, the Financial Monitoring Unit and the petitioner, to examine whether any form of cryptocurrency could be permitted under Pakistani law in light of Article 18 (Dawn, 2022b; Geo News, 2021). The court also restrained the Federal Investigation Agency from taking action against those operating digital currency businesses while the matter was pending, and stated that the SECP would continue to act against illegal exchanges (Geo News, 2021).

On 12 January 2022 the committee reported that, after a risk-benefit analysis, the risks of cryptocurrency outweighed its benefits, and it recommended a complete ban on cryptocurrency and related activities together with penalties on unauthorised exchanges (Dawn, 2022a; Daily Times, 2022). The petitioner, who was a member of the committee, dissented (Newsweek Pakistan, n.d.). The court forwarded the report to the federal ministries, and in April 2022 it directed the secretaries of the law and finance ministries to submit final recommendations so that they could be placed before the federal cabinet (Khurshid, 2022).

For present purposes the importance of this phase lies in what it did not decide. The sources consulted for this study do not disclose a final merits judgment on the constitutional questions, and the committee's recommendation of a ban was not enacted. The result was a deliberately unresolved position in which the highest executive-side body that had examined the issue favoured prohibition, the courts had restrained enforcement against operators, and the market continued to grow offshore. The recommendation of 2022 is therefore better understood as the high-water mark of the prohibitionist approach than as a settled legal outcome.

Phase Three (2025): Policy Reversal and Institution-Building

The reversal came through executive action. In March 2025 the government launched the Pakistan Crypto Council under the chairmanship of the Finance Minister, with Bilal Bin Saqib as chief executive, and international figures from the industry, including the former chief executive of a major global exchange, joined as strategic advisers (PhoneWorld, 2025). In May 2025 the Council's chief executive announced at an international conference the creation of a strategic Bitcoin reserve (Dawn, 2025a).

The decisive legal step was the promulgation of the Virtual Assets Ordinance, 2025 (Ordinance No. VII of 2025) on 8 July 2025 under Article 89 of the Constitution, which empowers the President to promulgate ordinances when Parliament is not in session (Dawn, 2025b). The Ordinance established PVARA as an autonomous federal body empowered to license, regulate and supervise entities dealing in virtual assets, and required any person offering virtual asset services in or from Pakistan to be licensed (Dawn, 2025b). Reports indicated that the Finance Minister would chair the authority's board, with operational oversight vested in the Prime Minister's special assistant on blockchain and crypto (Crowdfund Insider, 2025).

The choice of an ordinance has two consequences that bear on legitimacy. An ordinance is temporary and must be placed before Parliament, so the regime had a built-in expiry that created pressure for early legislation. In addition, the manner of introduction meant that the foundational rules of the new regime were made without prior parliamentary debate, even though they reversed a position that had stood for seven years. The concentration of promotional and regulatory roles is also noteworthy. The same office-holders who led the Crypto Council, whose mandate included developing the sector, held leading positions in the regulator, which sits uneasily with the principle that supervisors should be insulated from short-term policy objectives and from the interests of those they regulate.

The first practical application of the new regime came in December 2025, when PVARA issued no-objection certificates (NOCs) to the exchanges Binance and HTX, allowing them to register with the anti-money laundering reporting system, establish local units and prepare full licence applications (Dawn, 2025c). PVARA's chairperson described the NOCs as a first step in a "risk-mitigated, phased, supervised entry framework" rather than a blanket approval, and said that platforms would be required to register with the Financial Monitoring Unit and submit to ownership and fitness checks (Dawn, 2025c). The approach reflects a deliberate sequencing: bring operators within the anti-money laundering perimeter first, and license later. It is also an example of a gateway instrument, the NOC, doing substantial work before the licensing rules existed.

Phase Four (2026): Statutory Consolidation

The Ordinance was replaced by the Virtual Assets Act, 2026. The Senate passed the bill in late February 2026 (Arab News, 2026a) and the National Assembly followed in early March (The News, 2026a), with parliamentary passage reported on 6 March (Arab News, 2026b; The News, 2026b). Section 70 of the Act later used 5 March 2026 as the reference date for existing operators (Esquare Legal, 2026). One commentary reported that enactment fulfilled a reform milestone under the country's programme with the International Monetary Fund (ProPakistani, 2026), indicating that external economic commitments, as well as domestic policy, shaped the legislative timetable.

Professional analyses allow the Act's architecture to be summarised in six points (ABS & Co, 2026; Esquare Legal, 2026).

Definition and scope. A virtual asset is defined as a digital representation of value that can be digitally traded, transferred and used for payment or investment purposes. The definition excludes digital representations of fiat currency and securities or other financial assets regulated under other laws, unless represented, issued or transferred using distributed ledger technology (ABS & Co, 2026). The Act applies to service providers and issuers operating "in or from Pakistan" (ABS & Co, 2026).

Institutional design. PVARA is a permanent body corporate with rule-making, licensing, inspection, suspension, revocation and enforcement powers (ABS & Co, 2026). A dedicated Virtual Assets Appellate Tribunal is established under Section 62 (LEAP Pakistan, n.d.). The Act requires cooperation and information-sharing with the SBP, SECP, Financial Monitoring Unit, Federal Investigation Agency, Federal Board of Revenue and other authorities, and it preserves the application of other laws, including the Foreign Exchange Regulation Act, 1947 and legislation on data protection and cybersecurity (ABS & Co, 2026).

Licensing. Licences are granted for specified services listed in Schedule I, including advisory, broker-dealer, custody, exchange, lending and borrowing, derivatives, asset management, transfer and settlement, token issuance, and mining services that involve third-party customer assets (ABS & Co, 2026). A prospective company must first obtain an NOC before incorporating and then apply for a licence. The Act also empowers PVARA to classify any asset, service or offering by its substance rather than its label (ABS & Co, 2026). Commentators count the Schedule I categories as ten or eleven, apparently depending on whether token issuance is treated as one category or two.

Sandbox. Section 35 establishes a legal basis for supervised testing of innovative products, with provision for guidance and no-action communications (ABS & Co, 2026).

Enforcement and offences. Carrying on an unlicensed service is an offence punishable with imprisonment of up to five years, a fine of up to PKR 50 million, or both (ABS & Co, 2026; Esquare Legal, 2026). PVARA may remove or block online material, including websites, apps and payment links, that promote unlicensed services (ABS & Co, 2026).

Cross-border reach. Section 4 permits PVARA to exercise investigative and enforcement powers extraterritorially to the fullest extent permitted by law, to conclude arrangements with foreign regulators and to prescribe by regulation when an offshore service is deemed to be offered to persons in Pakistan (ABS & Co, 2026). Section 50 requires any person providing virtual asset services in or from Pakistan to be incorporated in Pakistan and licensed (ABS & Co, 2026).

Taken together, these features mark a clear departure from 2018. The Act creates a primary legal basis, a specialised regulator, a defined set of regulated activities, criminal sanctions and a route to lawful operation. Yet, as the next section shows, its operative content depended heavily on instruments made under it.

Phase Five (2026): Operationalisation

The banking channel

Because the 2018 prohibition operated through banks, its formal replacement was a precondition for a functioning market. PVARA's board reportedly discussed withdrawal of BPRD Circular No. 03 of 2018 at its first meeting, but the SBP governor was reported to have opposed immediate withdrawal on the

ground that doing so without a licensing structure in place would create serious problems (Express Tribune, 2026). The disagreement is revealing: it shows that the central bank, which had been the principal architect of the prohibitionist regime, was not a passive participant in the reversal, and that sequencing was a live point of institutional tension.

The issue was resolved by a new SBP instrument, BPRD Circular Letter No. 10 of 2026, issued in April 2026. According to professional analysis, it replaces the 2018 prohibition, permits regulated entities to open accounts for PVARA-licensed VASPs subject to due diligence and ongoing monitoring, contemplates segregated, non-remunerative rupee Client Money Accounts for settlement, and allows limited-purpose accounts for entities holding NOCs so that they can complete licensing formalities (ABS & Co, 2026). Banks nevertheless remain prohibited from investing in, trading or holding virtual assets with their own or customers' funds (ABS & Co, 2026). The circular thus reproduces the earlier gatekeeping logic in inverted form: the banking system, which had been the instrument of exclusion, becomes the instrument of controlled inclusion.

Subordinate regulations

According to a legal guide updated in October 2026, PVARA notified the Pakistan Virtual Asset Services Regulations, 2026 (S.R.O. 1419(I)/2026) and the Activity Specific Regulations, 2026 (S.R.O. 1420(I)/2026) on 21 August 2026, after a period in which draft versions had circulated for comment (Esquare Legal, 2026). The same source reports the following features, which should be verified against the official texts.

- Entry runs through three steps: an NOC, to be decided within 60 days of a complete application and valid for three months with a possible single three-month extension; incorporation of a Pakistani company and registration with the Financial Monitoring Unit; and a licence application, to be decided within 90 days of completeness with a possible 60-day extension for complex cases (Esquare Legal, 2026).
- Minimum paid-up capital is graduated by activity, from PKR 15 million for advisory services to PKR 500 million for exchange, lending, derivatives and mining-related services, and must be maintained at all times (Esquare Legal, 2026).
- A licensee must maintain a registered office in Pakistan and at least one resident key individual with operational and decision-making authority (Esquare Legal, 2026).
- An activity is treated as carried on in Pakistan where it targets, solicits, promotes to or onboards persons in Pakistan, for example through marketing, rupee payment rails or Pakistan-directed channels. A website that is merely accessible from Pakistan is not caught if the operator takes reasonable steps not to serve the Pakistani market, although PVARA may determine otherwise on recorded grounds (Esquare Legal, 2026).
- Virtual assets may not be used as a means of payment for domestic commercial transactions unless the SBP approves (Esquare Legal, 2026).
- Persons already providing services on or before 5 March 2026 were required, under Section 70 of the Act, to submit an NOC application by 5 September 2026 or cease operating (Esquare Legal, 2026).

The same source indicates that licence fees and certain further rules remained to be published (Esquare Legal, 2026), and the sources reviewed do not report the grant of any full licence as at the time of writing. The system is therefore operational in structure but unproven in supervision.

Analysis

Continuity beneath the reversal

The movement from prohibition to licensing is real, but it conceals a continuity of method. In both periods the authorities relied on control of access to the banking system and on registration with the Financial Monitoring Unit as the primary means of shaping the market. The 2018 circular denied access; the 2026 circular conditions access on a licence. This continuity suggests that Pakistan's regulatory capacity is concentrated in the traditional financial sector, and it points to a risk: a regime that depends on banks as gatekeepers may be effective against firms that need rupee settlement but less so against peer-to-peer activity, offshore platforms and stablecoin flows that bypass the domestic banking system.

Explaining the shift

The sources suggest three overlapping drivers. The first is the failure of exclusion. A prohibition that did not criminalise holding or trading and did not reach offshore platforms could not remove demand; it could only push it beyond supervision. The second is the international standards environment. FATF Recommendation 15 presupposes that virtual asset service providers are licensed or registered and supervised (FATF, 2019, 2021), and the FSB and IOSCO recommendations likewise assume a regulated sector (FSB, 2023; IOSCO, 2023). A jurisdiction seeking to demonstrate compliance with these standards, particularly one that has been under increased monitoring, has a strong incentive to build a supervisory framework rather than maintain a ban. The third driver is political economy. Official statements explicitly frame regulation as a means of attracting capital and retaining young technical talent (Dawn, 2025c), and the Act's passage was linked in the press to external programme commitments (ProPakistani, 2026). These drivers explain why the reversal occurred through executive and legislative action rather than through a judicial determination of rights: the courts had not resolved the constitutional questions, and policy moved around the unresolved litigation.

Legitimacy and the hierarchy of instruments

The sequence of instruments (circular, committee report, ordinance, Act, regulations) also illustrates a gradual movement towards greater legal legitimacy. The 2018 restrictions rested on a regulator's directive and, as the SBP acknowledged in court, did not amount to a declaration of illegality. The 2025 Ordinance offered a statutory basis but was temporary and executive in origin. The 2026 Act supplies parliamentary authority. The remaining legitimacy question concerns delegation: a large part of the operative regime sits in regulations, handbooks and circulars that PVARA is empowered to issue (ABS & Co, 2026). The breadth of that delegation makes the content and quality of subordinate rule-making, and the availability of review through the Appellate Tribunal and the superior courts, decisive.

Institutional independence

The Act describes PVARA as an autonomous authority, but the origins of the regulator in a government promotional initiative, and board arrangements in which senior officials of ministries and other regulators participate (Esquare Legal, 2026), raise the question of independence in practice. International standards identify independence, adequate resources and technical expertise as conditions of effective supervision (IOSCO, 2023). Statutory autonomy and operational independence are not always the same thing. It will be important to see how PVARA handles enforcement against well-connected operators, and whether its funding model preserves its freedom to act.

The offshore and transitional problem

The regime's approach to offshore providers combines two techniques: a requirement of local incorporation and a targeting test for deciding when a foreign platform falls within scope (ABS & Co, 2026; Esquare Legal, 2026). This is a sensible response to the difficulty of regulating a borderless activity, but its effectiveness depends on enforcement tools, namely website and payment blocking, mutual assistance arrangements with foreign regulators and the willingness of intermediaries to comply. The transition adds a further problem. Millions of users hold assets with providers that may not obtain a licence by the deadline for existing operators. The sources reviewed do not describe an orderly mechanism for protecting customer assets and migrating accounts if an incumbent provider ceases operating. Consumer protection in the transition period is therefore an acute and underdeveloped issue.

Matters outside the framework

Several questions identified in the legal literature remain at best partly addressed in the sources reviewed. The private-law status of virtual assets as property, and its consequences for insolvency, succession and enforcement, is not resolved by a licensing statute. The treatment of decentralised arrangements with no identifiable controller is described by commentators as a matter for future rule-making (Esquare Legal, 2026). The interface between the Act and the tax regime, the securities perimeter overseen by the SECP, and foreign exchange controls requires coordination that the Act contemplates but cannot itself guarantee (ABS & Co, 2026). Shariah compatibility, which matters to Pakistani users and to the constitutional environment, has so far received little institutional attention in the sources consulted.

Recommendations

The analysis supports the following recommendations for the next stage of rule-making and supervision.

1. **Safeguard regulatory independence.** Separate the promotional functions of the Crypto Council from PVARA's supervisory functions, publish clear conflict-of-interest rules for board members, and secure funding arrangements that do not depend on the goodwill of the ministries being supervised.
2. **Publish a transition and customer-asset protection protocol.** PVARA should require incumbents to disclose their licensing status to customers, ring-fence customer assets, and provide an orderly wind-down or migration pathway if an application fails.
3. **Specify the legal status of virtual assets in private law.** The legislature, with guidance from the courts, should clarify whether and how virtual assets are treated as property for the purposes of insolvency, succession and enforcement, drawing on law reform work in comparable jurisdictions.
4. **Operationalise cross-border cooperation.** Conclude memoranda of understanding with major foreign regulators, define the process for blocking and de-listing offshore services, and publish guidance on the targeting test so that foreign providers can predict its application.
5. **Adopt proportionate and risk-based supervision.** Capital floors should be complemented by outcome-focused requirements on custody, segregation, cybersecurity and market integrity, and supervisory effort should be directed at the largest and riskiest providers, consistent with the principle of graduated enforcement (Ayres & Braithwaite, 1992).
6. **Clarify jurisdictional boundaries.** The Act's coordination provisions should be supplemented by formal protocols among PVARA, the SBP, the SECP, the Federal Board of Revenue and the Financial Monitoring Unit, particularly for tokens at the boundary between virtual assets and securities.

7. **Create a process for judicial and public accountability.** PVARA should publish reasons for licensing decisions, enforcement actions and sandbox outcomes, and the Appellate Tribunal's decisions should be reported, so that supervisory precedent develops transparently.

Conclusion

Pakistan's regulatory path between 2018 and 2026 can be read as a movement through five phases: prohibition by circular, judicial scrutiny and a recommendation of a ban, a policy reversal with rapid institution-building, statutory consolidation, and operationalisation through banking circulars and subordinate regulations. The instruments changed fundamentally, from a central bank directive to a parliamentary statute backed by criminal penalties, but the underlying method of control through the banking system and the Financial Monitoring Unit persisted. The shift was driven by the practical failure of exclusion, the logic of international anti-money laundering and crypto-asset standards, and a political decision to attract investment, rather than by resolution of the constitutional questions raised in the Sindh High Court.

The resulting framework is structurally coherent and internationally recognisable. Its success is not assured by enactment alone. It will depend on the independence and capacity of PVARA, the quality and proportionality of its subordinate rules, the protection of the very large population of existing users during the transition, and the practical enforceability of the regime against offshore actors. Pakistan has the advantage of regulating at a formative stage, and its experience between 2018 and 2026 offers a cautionary lesson: prohibition without supervision leaves a market neither prevented nor protected. Future research should examine how the regime performs once licences are issued and enforcement actions are taken, and should test the transferability of the comparative models that have influenced its design.

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