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Pakistan

Blockchain & Crypto Assets

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This country-specific Q&A provides an overview of blockchain & crypto assets laws and regulations applicable in Pakistan.

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Pakistan: Blockchain & Crypto Assets

1. Please provide a high-level overview of the blockchain market in your jurisdiction. In what business or public sectors are you seeing blockchain or other distributed ledger technologies being adopted?

Pakistan's blockchain and virtual asset market has grown rapidly in recent years, prompting the Government to establish a dedicated legal and regulatory framework. Over the last eighteen months, the Government has introduced several policy initiatives aimed at regulating blockchain technology and virtual assets while encouraging innovation.

Financial Services

The financial services sector accounts for the overwhelming majority of blockchain-related activity in Pakistan, with most activity concentrated in retail cryptocurrency trading, particularly involving Bitcoin and stablecoins. Pakistan's Habib Bank Limited (HBL) has recently signed a Research Consultancy Agreement with the Ghulam Ishaq Khan Institute (GIKI) to set up the HBL Center for Blockchain and Applied Research at GIKI. Through such developments, the key players in Pakistan's financial sector are encouraging not only the use of blockchain in Pakistan but also the study of blockchain mechanics, cybersecurity and applied fintech solutions for commercial banking in Pakistan.

Historically, Pakistani users relied on offshore exchanges, peer-to-peer trading platforms, and self-hosted wallets because no domestic Virtual Asset Service Providers (VASPs) were licensed. This position is now changing under Pakistan's new virtual asset regulatory framework including the Virtual Assets Act, 2026, the Pakistan Virtual Asset Services Regulations, 2026 and the Pakistan Virtual Asset Services Activity Specific Regulations, 2026. Against this background, in December 2025, the Pakistan Virtual Assets Regulatory Authority (PVARA) granted No Objection Certificates (NOCs) to Binance and HTX, allowing these companies to establish local entities and begin the process of applying for full operating licences under Pakistan's new virtual asset regulatory framework. Following the grant of these NOCs, the Government of Pakistan signed a Memorandum of Understanding (MoU) with Binance to explore the tokenisation of up to USD 2 billion in sovereign bonds, treasury bills and commodity reserves to boost liquidity and attract investors.

Asset-Referenced Tokens and Real Estate

A further emerging area is the tokenisation of real-world assets. The Virtual Assets Act, 2026 recognises the tokenisation of real-world assets through Asset-Referenced Token (ART). An ART must be fully backed by its underlying assets and may reference tangible or intangible assets, including real estate, other real-world assets, commodities, securities and financial assets. The Activity-Specific Regulations further provide that the type of assets capable of being tokenised are not restricted, provided that the resulting Virtual Asset is not prohibited by applicable law and complies with the relevant issuance, disclosure, prudential and conduct requirements. This creates a formal route for blockchain-based fractional or economic interests in underlying real-world assets, although the market remains at an early stage.

Cross-Border Remittances

Cross-border remittances represent another commercially significant use of blockchain technology in Pakistan. Overseas workers' remittances to Pakistan increased by 9% to USD 41.6 billion during July-June of fiscal year 2026, up from USD 38.3 billion in the previous fiscal year. Blockchain-based payment systems offer faster settlement and lower transaction costs compared to traditional remittance channels.

Pakistan's earliest practical blockchain deployment was Telenor Microfinance Bank's blockchain remittance corridor with Valyou in Malaysia. More recently, on 14 July 2026, the Prime Minister of Pakistan directed that all overseas remittances should be processed through digital channels, noting that approximately 92% of remittances were already being received digitally during 2025. These developments reflect the Government's broader objective of modernising cross-border payment infrastructure, which can now be further achieved by local-based VASPs developing cross-border remittance channels under the PVARA regime.

Additionally, the new regulatory framework creates a formal route for licensed VASPs to provide Virtual Asset Transfer and Settlement Services. The Pakistan Virtual Asset Services Activity Specific Regulations, 2026, notified through S.R.O. 1420(I)/2026 (the "**Activity-**

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Specific Regulations") expressly cover the initiation, routing, transmission, processing and settlement of virtual assets between clients and third parties, whether through blockchain networks, internal ledgers, banking rails or hybrid arrangements. This may facilitate faster and more efficient cross-border transfer structures, with the Regulations generally requiring final settlement within twenty-four (24) hours where settlement is within the VASP's reasonable control.

Where a transfer has a cross-border element, however, the VASP must comply with applicable remittance, payment, foreign-exchange, sanctions and AML/CFT requirements and manage the additional legal and settlement risks arising from the cross-border transaction. Accordingly, a PVARA licence provides a regulated virtual-asset infrastructure for such transfers but does not replace applicable State Bank or foreign-exchange requirements. This is particularly so for foreign-exchange requirements, because section 5(1) of the Virtual Assets Act, 2026 excepts the Foreign Exchange Regulation Act, 1947 from the Act's general precedence over inconsistent laws.

Public Sector Initiatives

The Government's principal blockchain initiative is the State Bank of Pakistan's proposed Central Bank Digital Currency (CBDC), commonly referred to as the digital rupee, which is discussed further in the response to Question 4.

The Government has also announced plans to allocate 2,000 MW of surplus electricity for Bitcoin mining and Artificial Intelligence (AI) data centres. Additionally, the establishment of Pakistan's Strategic Bitcoin Reserve was announced in May 2025 at the Bitcoin 2025 conference in Las Vegas, the United States. However, these initiatives remain at the policy stage and have not yet become operational.

2. Please outline the principal legislation and the regulators most relevant to the use of blockchain technologies in your jurisdiction. In particular, is there any blockchain-specific legislation or are there any blockchain-specific regulatory frameworks in your jurisdiction, either now or envisaged in the short or mid-term?

Legislation

Pakistan now has dedicated blockchain and virtual asset legislation in force. The Virtual Assets Act, 2026 is the country's principal law regulating blockchain technology and virtual assets.

The legislation was first introduced as the Virtual Assets Ordinance, 2025, which was promulgated by the President of Pakistan on 8 July 2025. The Ordinance was subsequently extended by the Senate before being enacted as permanent legislation. The Virtual Assets Act, 2026 provides Pakistan with its first comprehensive legal framework governing virtual assets, VASPs and blockchain technology.

Following public consultation, PVARA notified the Pakistan Virtual Asset Services Regulations, 2026 on 21 August 2026 as S.R.O 1419(I)/2026, together with the Pakistan Virtual Asset Services Activity Specific Regulations, 2026 as S.R.O. 1420(I)/2026. The Regulations operationalise the licensing framework under the Act and prescribe detailed requirements relating to licensing, governance, prudential standards, customer protection, technology and cybersecurity, and the requirements applicable to individual categories of Virtual Asset Services.

Establishment of PVARA

The Virtual Assets Act, 2026 establishes PVARA as an autonomous federal regulator responsible for overseeing virtual assets and their use in Pakistan. The Virtual Assets Act, 2026 defines virtual assets as digital representations of value capable of being traded, transferred, or used for payment or investment purposes. However, it expressly states that virtual assets do not constitute legal tender in Pakistan. The position on domestic payments is further addressed by regulation 3(6) of the Pakistan Virtual Asset Services Regulations, 2026, which provides that virtual assets may not facilitate, or be used or recognised as, a means of payment for domestic commercial transactions unless specifically approved by the State Bank of Pakistan.

The legislation requires any person or business wishing to provide virtual asset services in or from Pakistan to obtain a licence from PVARA. To qualify for licensing, an applicant must be a company incorporated in Pakistan under the Companies Act, 2017, as required for every licence category by Schedule I to the Pakistan Virtual Asset Services Regulations, 2026. Depending on the nature of the regulated activity, the minimum paid-up capital requirement ranges from PKR 15 million to PKR 500 million.

Licensing framework

The Virtual Assets Act, 2026 introduces a phased

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licensing process designed to ensure regulatory compliance before businesses commence operations. Licences may be applied for providing any of the virtual asset services listed in Schedule I to the Virtual Assets Act, 2026, which are as follows:

(i) Advisory services, such as the provision of personalised recommendations on a professional basis to a customer relating to one or more actions or transactions involving virtual assets.

(ii) Broker-dealer services, such as arranging or facilitating orders for the sale and purchase of virtual assets, soliciting or accepting orders and receiving consideration for the same, and trading virtual assets on a VASP's account.

(iii) Custody and administration services, such as the safekeeping or administration of customers' virtual assets and private cryptographic keys.

(iv) Exchange services, such as exchanging virtual assets for fiat currency or for other virtual assets, matching orders between buyers and sellers and executing conversions, or maintaining an order book for the foregoing purposes.

(v) Lending and borrowing services, such as the facilitation, arrangement, intermediation or direct provision of lending or borrowing arrangements involving virtual assets.

(vi) Virtual asset derivatives services, such as the offering, facilitation, execution, clearing, trading or arranging of transactions in derivatives that have a virtual asset as their underlying reference asset.

(vii) Virtual asset management and investment services, such as acting in a fiduciary or agency capacity for managing or administering another person's virtual assets.

(viii) Virtual asset transfer and settlement services, such as the transfer, transmission or settlement of virtual assets between parties.

(ix) Virtual asset issuance services, such as the creation, issuance, initial offering, administration and ongoing management of virtual assets.

(x) Mining-related virtual asset services, such as activities where mining operations provide services to third parties involving customer virtual assets or funds.

A person intending to establish a company in Pakistan for the purpose of carrying on Virtual Asset Services must first apply to PVARA for a No-Objection Certificate (**"NOC"**). Following the NOC, the applicant must complete the applicable regulatory requirements, establish a local company under the Companies Act, 2017, and then submit its application for the relevant VASP licence. The notified Pakistan Virtual Asset Services Regulations, 2026 now prescribe the detailed licensing, governance, fit-and-proper criteria, prudential and operational requirements applicable to applicants and licensees.

Wilfully offering virtual asset services in Pakistan without a licence constitutes a criminal offence under Section 54(1) of the Virtual Assets Act, 2026. The Virtual Assets Act, 2026 prescribes penalties of up to five years' imprisonment, a fine of up to PKR 50 million, or both. For businesses that were already providing Virtual Asset Services when the Act commenced, section 70(1) of the Act required such persons, within six months of commencement, to apply to PVARA for a licence or cease providing those services, and section 70(2) allowed a person who had submitted a complete application within that period to continue providing its existing services, subject to compliance with PVARA's interim directives. Under regulation 5A of the Pakistan Virtual Asset Services Regulations, 2026, a person who submitted, within the six months, a complete application meeting the NOC requirements could likewise continue operating. PVARA accordingly stated that transitional persons operating on or before 5 March 2026 were required to submit their NOC application by 5 September 2026 or cease operations. That deadline has now passed. To ensure accountability, the legislation also establishes a Virtual Assets Appellate Tribunal, allowing persons aggrieved by a PVARA decision to file an appeal within thirty (30) days of such decision.

Blockchain and Distributed Ledger Technology

The Virtual Assets Act, 2026 is not limited to regulating cryptocurrencies. It also provides a legal framework for the broader development and adoption of blockchain and Distributed Ledger Technology (DLT).

Section 5(3) of the Virtual Assets Act vests the power to regulate and supervise virtual assets, VASPs, tokenisation of real-world assets, and blockchain technology primarily in PVARA, in coordination with other relevant regulators where applicable. Further, Section 9(1)(e) provides that PVARA shall promote, develop, govern and regulate the adoption, deployment and scalable use of blockchain and DLT across Pakistan, while Section 9(1)(h) authorises PVARA to advise the Government of Pakistan on matters relating to tokenisation, stablecoins, blockchain innovation, and

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cyber-risk management. Accordingly, Pakistan's legislative framework expressly recognises blockchain technology as an area of national regulatory and technological development.

As per Section 36 of the Virtual Assets Act, PVARA is required to issue regulations, standards, directives and guidelines on the adoption, deployment and use of blockchain or DLT. The notification of the Pakistan Virtual Asset Services Regulations, 2026 and the Pakistan Virtual Asset Services Activity Specific Regulations, 2026 has now operationalised the regulatory framework for blockchain-based activities that constitute Virtual Asset Services.

Regulators

Pakistan's regulatory framework consists of PVARA as the specialised regulator, supported by several existing financial and enforcement authorities. The key bodies are as follows:

(i) Pakistan Virtual Asset Regulatory Authority: PVARA is the primary licensing and supervisory authority for VASPs in Pakistan. It is required to coordinate with other regulators and government agencies, including the State Bank of Pakistan (SBP), the Securities and Exchange Commission of Pakistan (SECP), the Financial Monitoring Unit (FMU), the Federal Investigation Agency (FIA), and the Federal Board of Revenue (FBR).

(ii) State Bank of Pakistan: The SBP regulates the banking relationship between licensed virtual asset businesses and financial institutions and is developing Pakistan's CBDC, as will be discussed in our response to Question 4.

(iii) Securities and Exchange Commission of Pakistan: The SECP retains jurisdiction where a digital token qualifies as a security under Pakistan's securities laws.

(iv) Financial Monitoring Unit: The FMU receives suspicious transaction reports under the Anti-Money Laundering Act, 2010.

(v) Federal Board of Revenue: The FBR is responsible for taxation and transaction reporting, as will be discussed in our response to Question 7.

In addition, the Pakistan Crypto Council (PCC), established under the Ministry of Finance, functions as a policy advisory body. It contributes to the development of national crypto policy but does not possess licensing or regulatory powers.

Future regulatory developments

The Virtual Assets Act, 2026 expressly contemplates further regulatory development in relation to blockchain and distributed-ledger technology. As noted above, sections 9(1)(e), 9(1)(h) and 36 mean that further standards, directives and guidance in these areas are expressly contemplated and may be notified from time-to-time. We anticipate that these may relate to specific regulations on tokenisation of real-world assets including debt instruments, real estate and listed company stocks.

3. What is the current attitude of the government and of regulators to the use of blockchain technology in your jurisdiction?

Shift From Restrictive to Supportive Regulation

Pakistan's approach towards blockchain technology and virtual assets has undergone a significant transformation. The Government's current policy is generally supportive and aims to encourage innovation while maintaining regulatory oversight. This represents one of the most notable changes in Pakistan's financial regulatory policy in recent years.

Until early 2025, the Government's position was largely restrictive. In April 2018, the SBP, through the Banking Policy and Regulations Department (BPRD) Circular No. 3 of 2018, instructed all banks, Development Finance Institutions (DFIs), microfinance banks, Payment System Operators (PSOs), and Payment Services Providers (PSPs) not to facilitate cryptocurrency-related transactions. Furthermore, in 2022, the FMU published its Strategic Analysis Report of 2021-2022, wherein it identified virtual assets as presenting money laundering risks.

Additionally, in May 2025, the SBP and Ministry of Finance disclosed to the National Assembly that cryptocurrency was not legal in Pakistan and its trading was not permitted in the country. At that point the Ministry of Finance stressed the importance of developing a legal framework to govern cryptocurrency in Pakistan.

The Government's Policy Shift

The Government's change in approach is reflected in concrete legislative and regulatory measures which have been taken in 2025 and 2026. In March 2025, the Pakistan Crypto Council (PCC) was established to advise

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on blockchain and virtual asset policy. In May 2025, the PCC's Chief Executive Officer was appointed as the Special Assistant to the Prime Minister on Blockchain and Cryptocurrency, with the status of a Minister of State.

The Virtual Assets Ordinance, 2025 was promulgated in July 2025 and was subsequently enacted as the Virtual Assets Act, 2026. During the same period, PVARA granted NOCs to Binance and HTX, allowing them to begin their licensing process in Pakistan.

A further indication of the Government's supportive approach came in April 2026, when the SBP replaced its earlier restrictions contained in BPRD Circular No. 3 of 2018 with a new regulatory framework governing the relationship between banks and licensed VASPs. Through BPRD Circular Letter No. 10 of 2026, SBP Regulated Entities (REs) were allowed to open bank accounts for entities duly licensed by PVARA as VASPs. This marked a significant departure from the previous policy, demonstrating the Government's intention to regulate and facilitate the virtual asset industry rather than prohibit it.

The licensing framework for VASPs has now moved into implementation. On 21 August 2026, PVARA notified the Pakistan Virtual Asset Services Regulations, 2026 and the Pakistan Virtual Asset Services Activity Specific Regulations, 2026, which operationalise the licensing and supervisory framework under the Act. Accordingly, the current approach of the Government and regulators can be characterised as supportive of blockchain and virtual asset innovation, but within a formal licensing and supervisory framework focused on market integrity, customer protection and AML/CFT compliance.

4. Is there a central bank digital currency ('CBDC') project in your jurisdiction? If so, what is the status of the project?

At present, Pakistan does not have a CBDC. However, the State Bank of Pakistan has been exploring the development of the Pakistani rupee CBDC, commonly referred to as the digital rupee. The project is being led by the SBP as part of the country's broader digital finance strategy. The SBP has been building its capacity to issue a CBDC and has begun a pilot programme alongside the implementation of Pakistan's new virtual assets regulatory framework.

Development of Pakistan's CBDC

The SBP has partnered with Soramitsu, a Japanese blockchain technology company, to develop the digital rupee. The project is supported by the Japanese Ministry of Economy, Trade and Industry (METI) under the Global South Future-Oriented Co-Creation Project.

The project primarily aims to improve financial inclusion by expanding access to digital payments, particularly in rural areas where banking services remain limited, and cash continues to be the dominant method of payment. To address connectivity challenges, the digital rupee is designed to support offline transactions, enabling users to make payments even in areas with limited or no internet access.

Current status of the project

The digital rupee remains in the pilot stage. Unlike decentralised cryptocurrencies, the proposed CBDC will operate as a fully centralised digital currency issued and controlled by the SBP. The SBP and PVARA have also coordinated their respective initiatives to ensure that the CBDC project aligns with Pakistan's broader digital assets strategy and regulatory framework.

Legal status

From a legal perspective, the digital rupee is distinct from cryptocurrencies and other virtual assets. The Virtual Assets Act, 2026 expressly provides that virtual assets are not legal tender in Pakistan. Additionally, Section 2(2)(c) of the Virtual Assets Act, 2026 states that the Act shall not apply to digital representations of fiat currency issued by the SBP. Accordingly, the proposed CBDC falls outside the scope of the Virtual Assets Act, 2026 and regulation 3(6) of the Pakistan Virtual Asset Services Regulations, 2026.

5. What is the current approach in your jurisdiction to the treatment of cryptoassets and decentralised finance ('DeFi') for the purposes of financial regulation?

Legal status of virtual assets

The legal position in Pakistan is now largely settled under the Virtual Assets Act, 2026. Cryptocurrencies and other digital assets are recognised as virtual assets, making them legal to own, trade, and transfer. However, they are not legal tender and therefore cannot be used to discharge legal obligations or debts in the same way as the Pakistani Rupee.

The Virtual Assets Act, 2026 establishes a comprehensive licensing regime for businesses providing virtual asset services. Any person or entity operating as a

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cryptocurrency exchange, broker, custodian, custodial wallet provider, token issuer, or virtual asset investment platform must first incorporate a company in Pakistan and obtain a licence from PVARA.

PVARA is responsible for regulating licensed entities and ensuring compliance with requirements relating to investor protection, corporate governance, cybersecurity, operational resilience, risk management, and measures to prevent market manipulation and insider trading.

Banking and financial institutions

The relationship between licensed virtual asset businesses and the banking sector is governed by SBP BPRD Circular Letter No. 10 of 2026.

Under this framework, banks are permitted to provide banking services to PVARA-licensed VASPs, subject to strict regulatory safeguards. Before opening an account, banks must verify the VASP's licence, conduct enhanced due diligence, apply appropriate customer risk assessments, continuously monitor transactions, and report suspicious activity to the FMU where required.

Banks must also ensure that client funds are maintained in segregated accounts. Businesses that have only obtained a No Objection Certificate (NOC) may open limited-purpose bank accounts solely to complete the licensing process. Importantly, banks are not permitted to invest in, trade, or hold virtual assets using either their own funds or customer deposits, and must continue to comply with Pakistan's foreign exchange regulations.

Security tokens and the role of the SECP

Where a digital token possesses the characteristics of a security, SECP retains jurisdiction under Pakistan's securities laws, as per Section 2(2)(b) of the Virtual Assets Act, 2026. Tokenised securities may, however, be subject to both regimes: under Section 9(1)(f), PVARA may classify a Virtual Asset, service or offering by its substance and function, in consultation with the SBP or the SECP where the asset has characteristics within their respective mandates.

Decentralised finance (DeFi)

Pakistan has not enacted separate legislation specifically governing DeFi. Instead, the existing regulatory framework adopts a functional approach.

Where a DeFi platform performs activities that fall within the definition of a regulated virtual asset service, such as operating an exchange, providing custody services, facilitating brokerage, or issuing tokens, it must comply with the licensing requirements under the Virtual Assets Act, 2026, regardless of the extent to which its operations are decentralised.

Two additional features of the regulatory framework may be particularly relevant to DeFi projects. First, licensed virtual asset services may be subject to Shariah compliance review by the Shariah Advisory Committee to be constituted by PVARA under the Virtual Assets Act, 2026, for advice on Shariah matters. Consequently, DeFi protocols involving interest-bearing or yield-generating mechanisms may require additional scrutiny to determine their compliance with Islamic finance principles.

The regulatory sandbox provides a further route for the controlled testing of innovative Virtual Asset products or services. Section 35 of the Virtual Assets Act, 2026 authorises PVARA to establish a regulatory sandbox, with eligibility, supervisory arrangements, risk limits, duration and exit requirements prescribed under the regulatory framework. Under the notified Pakistan Virtual Asset Services Regulations, 2026, successful completion of sandbox testing does not itself confer a licence; however, a successful participant may proceed directly to a VASP licence application without obtaining a separate preliminary NOC, subject to satisfying the applicable licensing requirements.

6. What is the current approach in your jurisdiction to the treatment of cryptoassets and DeFi for the purposes of anti-money laundering and sanctions?

Anti-Money Laundering/Countering the Financing of Terrorism Framework

Pakistan has established a comprehensive Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) framework for virtual assets. This is one of the most developed aspects of the country's virtual assets regime, reflecting Pakistan's commitment to maintaining compliance with the standards of the Financial Action Task Force (FATF) following its removal from the FATF Grey List in 2022.

The principal provisions are found in Chapter 8 of the Virtual Assets Act, 2026, together with the Anti-Money Laundering Act, 2010 and the Pakistan Virtual Asset Services Regulations, 2026. Section 46 of the Virtual Assets Act provides that every licensed VASP is deemed to be a financial institution for the purposes of the Anti-Money Laundering Act, 2010. As a result, licensed VASPs are subject to the same AML and CFT obligations that apply to other regulated financial institutions.

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These obligations include customer due diligence (CDD), enhanced due diligence for higher-risk customers, record-keeping, and the reporting of suspicious transactions to the FMU. In addition, Section 46 requires PVARA to ensure that its supervisory framework is consistent with internationally accepted FATF standards, including those relating specifically to VASPs.

Compliance Obligations for VASPs

Licensed VASPs must implement robust AML and compliance programmes before commencing operations. Among other obligations, VASPs must verify the identity of customers before establishing a business relationship, conduct ongoing customer due diligence throughout the relationship, and monitor transactions on a continuous basis to detect suspicious or unusual activity.

VASPs are also required to maintain comprehensive customer and transaction records for at least ten years and immediately report suspicious transactions to the FMU in accordance with Section 7 of the Anti-Money Laundering Act, 2010.

Under Section 9(2)(h) of the Virtual Assets Act, 2026, PVARA retains the authority to impose administrative sanctions in accordance with the provisions of the Act. Additionally, an issuer of fiat-referenced tokens and asset-referenced tokens shall comply with robust AML, CFT and Countering of Proliferation Financing (CPF) and sanctions compliance programmes under Sections 31 and 32 of the Virtual Assets Act, 2026.

Banking Sector Responsibilities

Banks that provide services to licensed VASPs are also subject to enhanced AML obligations under SBP BPRD Circular Letter No. 10 of 2026. Before establishing a banking relationship with a VASP, banks must conduct customer due diligence not only on the business itself but also on its ownership structure, business model, onboarding procedures, customer profile, and geographic exposure. Banks are also required to incorporate virtual asset-related risks into their internal risk assessment frameworks and continuously monitor transactions for suspicious activity.

Where necessary, banks must report suspicious transactions to the FMU in accordance with the Anti-Money Laundering Act, 2010. The Virtual Assets Act, 2026, further requires PVARA to cooperate closely with the FMU and relevant law enforcement agencies to support effective supervision and enforcement.

International Standards and DeFi

Pakistan's regulatory framework also incorporates several safeguards designed to meet international compliance standards. Applicants seeking a PVARA licence are generally expected to demonstrate that they are implementing encryption, tokenisation and secure key-management protocols in accordance with internationally recognised standards, as per Section 40(3)(c) of the Virtual Assets Act, 2026. Additionally, under Section 4 of the Virtual Assets Act, 2026, PVARA is granted the authority to exercise extraterritorial powers for the enforcement of the Act, aligning its extraterritorial enforcement practices with mutual legal assistance treaties and international cooperation frameworks.

The framework does not provide a separate exemption for DeFi. Where an identifiable person or entity operates or controls a DeFi platform that performs regulated virtual asset services, it will generally be subject to the same AML obligations as any other licensed VASP.

7. What is the current approach in your jurisdiction to the treatment of cryptoassets and DeFi for the purposes of taxation?

Current Tax Framework

Pakistan has introduced a legal requirement for licensed VASPs to comply with income tax law, although the substantive tax regime for virtual assets is still evolving. While that requirement is established in legislation, the detailed tax treatment of crypto assets is expected to be further clarified through future Finance Acts.

Section 66 of the Virtual Assets Act, 2026 provides that every VASP licensed under the Act shall comply with the obligations imposed under the Income Tax Ordinance, 2001, and any Rules or Regulations issued by the FBR thereunder.

Section 66 does not itself prescribe specific registration, reporting or record-keeping duties; the content of a licensee's tax obligations depends on the Income Tax Ordinance, 2001 and on the rules and instruments issued by the FBR. Failure to comply with those obligations may result in penalties under the Ordinance, while deliberate tax evasion may give rise to criminal liability.

Current Tax Treatment

Although a dedicated statutory tax schedule for virtual assets has not yet been enacted, the current position reflected in government consultations and industry practice is as follows.

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Capital gains arising from the disposal of cryptocurrency may be chargeable under the general capital gains provisions of the Income Tax Ordinance, 2001 (the ITO), including section 37. Since this is a developing area, however, the ITO, as amended up to 30 June 2026, contains no provision specific to virtual assets, and no tax rate for gains on disposal of cryptocurrency has so far been formally prescribed. Income derived from cryptocurrency mining may be treated as business income under Section 18 of the Income Tax Ordinance, 2001, and may be subject to income tax according to the applicable progressive income tax rates for business income. Taxpayers may generally claim deductions for legitimate business expenses, including electricity costs, depreciation, and other operational expenses. However, since this a developing area of the law, till date we are not aware of any judicial or departmental determination of how these provisions would apply and no definitive answer as to tax treatment can be provided.

Returns generated through staking, yield farming, and other DeFi activities may be treated as income from other sources under Section 39 of the Income Tax Ordinance, 2001. Companies engaged in virtual asset businesses are subject to the ordinary corporate income tax regime.

8. What is the current approach in your jurisdiction to retail and wholesale tokenisation projects?

Legal Framework for Tokenisation

Pakistan's legal framework expressly recognises tokenisation as an area of regulated activity. The Virtual Assets Act, 2026 authorises PVARA to advise the Federal Government on matters relating to tokenisation, stablecoin structures, blockchain technology, and DLT.

The Virtual Assets Act, 2026 also treats token issuers as regulated VASPs. Accordingly, any person or entity wishing to issue virtual assets or conduct an initial virtual asset offering must obtain the necessary licence from PVARA. Conducting an unauthorised virtual asset offering constitutes a criminal offence and may result in imprisonment of up to three years, in addition to other applicable penalties under Section 54 of the Virtual Assets Act, 2026.

Real Estate Tokenisation

The new framework expressly accommodates the tokenisation of real-world assets, including real estate. Under section 32 of the Virtual Assets Act, 2026, an Asset-Referenced Token ("ART") may reference tangible or intangible assets, expressly including real estate and other real-world assets, and must remain fully backed by the relevant underlying assets.

The Pakistan Virtual Asset Services Activity Specific Regulations, 2026 provide the more detailed framework for such structures. In particular, where an ART represents or purports to represent direct or fractional ownership of an underlying asset, the Whitepaper must explain how that ownership or fractional interest is structured and how any separate legal requirements relating to settlement or transfer of title to the underlying asset will be satisfied. This is particularly relevant to real estate, because tokenisation does not itself replace the legal requirements governing ownership and transfer of the underlying property. A real-estate tokenisation project would therefore require more than simply creating tokens on a blockchain. The issuer would need the appropriate ART Issuance Services licence from PVARA, for which Schedule I of the Services Regulations now prescribes minimum paid-up capital of PKR 300 million. The particular issuance must also be notified to or approved by PVARA, depending on its nature and risk profile. The application must address the token structure and intended use, the underlying assets, reserve and custody arrangements, valuation, redemption rights, risks and the proposed Whitepaper.

In the case of real estate, the structure must additionally address how legal title to the property is held and how the rights represented by the token correspond to rights in the underlying property. Accordingly, implementation may require coordination with the relevant property-registration authority and, depending on the legal structure of the token, other financial regulators.

Pakistan's emerging framework is conceptually similar to the regulated approach being developed in Dubai in that the virtual-asset regulator governs the tokenisation activity while the legal rights in the underlying real estate must continue to be recognised through the applicable property-law and registration framework. Dubai has progressed further by integrating its land authority, the Dubai Land Department, directly into its real-estate tokenisation project alongside its Virtual Assets Regulatory Authority. Pakistan now has the PVARA regulatory framework for ART issuance, but the practical infrastructure linking token ownership with the relevant land and development authorities would need to be developed prior to the implementation of real-estate tokenisation.

Sovereign and Public Sector Tokenisation

The Government has expressed a strong policy interest in

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the tokenisation of public assets, although these initiatives remain at the planning and pilot stage. In December 2025, the Ministry of Finance entered into a non-binding agreement with Binance to explore the tokenisation of up to USD 2 billion worth of state assets, including sovereign bonds, treasury bills, and commodity reserves.

In December 2025, the Chairman of PVARA also announced that Pakistan is set to develop its first sovereign stablecoin. In addition, a separate agreement was signed in January 2026 between the Ministry of Finance and an affiliate of World Liberty Financial to study the possible use of the USD1 stablecoin for cross-border payments and remittances. These projects involve both the Ministry of Finance and the SBP and are intended to improve payment efficiency, particularly given Pakistan's significant remittance inflows.

Retail Tokenisation

Retail tokenisation is regulated jointly by PVARA and the SECP. Where a token represents a security, the SECP regulates the offering under Pakistan's securities laws. PVARA, on the other hand, supervises the blockchain infrastructure supporting the tokenised asset, including licensing, custody arrangements, cybersecurity, and measures designed to prevent market abuse.

The notification of the Services Regulations and Activity Specific Regulations means that tokenisation projects can now proceed through the formal PVARA licensing and issuance framework. The Activity Specific Regulations expressly address tokenisation under the Issuance Services Regulation. Regulation 3(3) provides that the types of assets which may be tokenised are not limited, provided that the resulting Virtual Asset is not prohibited by applicable law and complies with the applicable issuance, disclosure, prudential and conduct requirements. Regulation 4 further requires an ART or FRT issuance to be notified to or approved by PVARA and expressly permits PVARA to require prior approval for retail-facing issuances.

Furthermore, retail tokenisation projects may need to undergo Shariah compliance review by PVARA's committee of Islamic finance scholars. This review is expected to play an important role in distinguishing between different categories of digital assets, including unbacked cryptocurrencies, fiat-backed stablecoins, and tokenised securities.

9. Are there any prohibitions on the use or trading of cryptoassets in your jurisdiction? If permitted, is cryptoasset trading common?

Crypto asset trading is no longer prohibited in Pakistan. The position has changed significantly since the banking restrictions introduced in 2018. Pakistan now has a formal regulatory framework for virtual assets under the Virtual Assets Act, 2026, with the Pakistan Virtual Assets Regulatory Authority (PVARA) responsible for licensing and supervising virtual asset service providers (VASPs).

Regulatory developments

The regulatory position has evolved considerably over the past two years. In July 2025, the Virtual Assets Ordinance, 2025 established PVARA. At its first board meeting in August 2025, PVARA announced that it would seek the withdrawal of the State Bank of Pakistan's (SBP) 2018 circular and outlined plans for a formal licensing regime.

The Virtual Assets Act, 2026 was passed by the Senate on 27 February 2026 and approved by the National Assembly on 4 March 2026. Following presidential assent, the Act came into force and PVARA became the statutory federal regulator. PVARA is now responsible for licensing and supervising VASPs and other regulated participants in the virtual asset market.

The SBP also revised its position. On 14 April 2026, it issued BPRD Circular Letter No. 10 of 2026, replacing the 2018 circular. The new instructions permit SBP-regulated entities to open accounts for PVARA-licensed VASPs, while entities holding a PVARA NOC may maintain limited-purpose accounts to complete the formalities required for obtaining a licence. Additional virtual-asset-related transactional services are available only after the grant of a PVARA licence, subject to the applicable conditions.

Current legal framework

The Virtual Assets Act, 2026 is now the principal legislation governing virtual assets in Pakistan. It gives PVARA broad responsibility for licensing, regulation and supervision of VASPs and issuers operating in or from Pakistan. The Act covers a broad range of virtual assets, including cryptocurrencies, stablecoins and certain NFTs and tokenised arrangements, but expressly excludes, among other things, traditional securities and other financial instruments falling within the regulatory jurisdiction of the SBP or SECP, as well as certain NFTs and closed-ecosystem tokens.

The Act also introduces a comprehensive AML/CFT/CPF

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framework aligned with FATF standards, including the Travel Rule. Wilfully operating as a VASP without the required authorisation can result in penalties of up to PKR 50 million and imprisonment of up to five years. Conducting an Initial Virtual Asset Offering in contravention of the Act may attract penalties of up to PKR 25 million and imprisonment of up to three years (Section 54(2)).

Licensing in practice

PVARA has already started accepting applications from international cryptocurrency exchanges. Binance and HTX received NOCs from PVARA on 12 December 2025. These NOCs allow the entities to register locally for AML compliance and proceed towards full licensing. They do not, however, amount to permission to commence commercial operations; a full licence is required for that.

The licensing regime has since moved from NOC-only processing to full operation. On 21 August 2026, PVARA notified the Pakistan Virtual Asset Services Regulations, 2026 (S.R.O. 1419(I)/2026) and the Pakistan Virtual Asset Services Activity Specific Regulations, 2026 (S.R.O. 1420(I)/2026), and opened its online licensing portal for applications across the ten VASP licence categories set out in Schedule I to the Act (covering, among others, exchange, custody, broker-dealer, advisory, lending and borrowing, derivatives, asset management, transfer and settlement, token issuance and mining-related services). Transitional Persons, meaning entities that were providing virtual asset services in or from Pakistan on or before 5 March 2026, were required to submit their NOC applications by 5 September 2026 or cease operations, in accordance with Section 70 of the Act; continuing to operate without a submitted application after that date may constitute an offence under Section 54(1) of the Act. Other applicants may apply for the Regulatory Sandbox or an NOC once they meet the relevant requirements. The NOC Regulations, 2025 were superseded on 21 August 2026, when the Services and Activity Specific Regulations were notified; NOC applications are now made under regulation 6 of the Services Regulations.

Is crypto trading common in Pakistan?

Yes. Crypto trading is widespread in Pakistan despite the restrictions that applied to the banking sector in the past.

Chainalysis' 2025 Global Crypto Adoption Index ranked Pakistan third globally for crypto adoption, behind India and the United States, among 151 countries assessed. Pakistan also contributed significantly to the Asia-Pacific region's growth in on-chain transaction activity, which increased by 69% year-on-year in the twelve months to June 2025.

Estimates of the number of Pakistani crypto users vary. PVARA's chairman has publicly referred to between 30 and 40 million active users, while other industry estimates place the number between 25 and 40 million. PVARA has also projected annual on-chain transaction value associated with Pakistan at more than US$300 billion. Although these figures are estimates, they indicate that the earlier restrictions largely constrained institutional and banking participation rather than preventing widespread public adoption.

10. To what extent have initial coin offerings ('ICOs') taken place in your jurisdiction and what has been the attitude of relevant authorities to ICOs? If permissible, what are the key requirements that an entity would need to comply with when launching an ICO?

Pakistan has not historically seen significant regulated domestic ICO activity. Until recently, there was no dedicated legal framework governing token issuance. As a result, ICOs involving Pakistani investors were generally conducted through offshore platforms or outside a formal regulatory structure.

Development of the regulatory framework

The SBP's April 2018 circular (BPRD Circular No. 3 of 2018) stated that virtual currencies and tokens, including Bitcoin, Litecoin, PakCoin, OneCoin, DasCoin and Pay Diamond, were not legal tender and were not authorised.

In 2020, the Securities and Exchange Commission of Pakistan (SECP) launched a consultation on digital assets and acknowledged that ICOs and Security Token Offerings were not adequately addressed under the existing legal framework. The SECP subsequently prepared a draft framework for cryptocurrencies and ICOs in 2024.

The regulatory position changed materially in 2025, when the Presidential Ordinance establishing PVARA expressly brought token issuers within the proposed regulatory framework. Following the enactment of the Virtual Assets Act, 2026, token issuers now fall within PVARA's licensing and supervisory jurisdiction.

Are ICOs permissible?

Yes, but they are subject to regulatory approval and compliance requirements.

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The Act applies to both VASPs and issuers: under section 2(1)(b), it applies to any Issuer that offers, originates or distributes a Virtual Asset in or from Pakistan on its own behalf. The Act also adopts a substance-over-form approach. In practice, simply describing a token as a "utility" or "governance" token will not take it outside the regulatory framework if its actual economic characteristics bring it within the Act.

Additional requirements apply to Fiat-Referenced Tokens, including full reserve backing in High-Quality Liquid Assets, segregation of reserves, redemption at par, audited reserve disclosures and compliance with AML/CFT/CPF requirements. Asset-Referenced Tokens are regulated having regard to the nature of the underlying asset.

Key requirements for an ICO

An issuer should, among other things:

(i) **Obtain Appropriate Licences:** Obtain the appropriate PVARA licence before offering, issuing or distributing virtual assets;

(ii) **Meet Fit-and-Proper Requirements:** Satisfy PVARA's fit-and-proper requirements for directors, controllers and key management personnel;

(iii) **Ensure Proper Token Classification:** Ensure that the token is classified according to its economic substance rather than merely its stated label;

(iv) **Maintain Required Capital and Reserves:** Comply with applicable capital and reserve requirements;

(v) **Establish AML/CFT/CPF Controls:** Establish appropriate AML/CFT/CPF procedures, including compliance with the Travel Rule and suspicious transaction reporting to the FMU;

(vi) **Comply with Conduct of Business Requirements:** Comply with the conduct-of-business requirements under Chapter VII, including the obligation to act honestly, fairly and in customers' best interests;

(vii) **Meet IVAO Disclosure and Reporting Requirements:** Meet PVARA's disclosure, approval and reporting requirements for Initial Virtual Asset Offerings (IVAOs); and

(viii) **Address Shariah-Compliance Requirements:** Where applicable, address Shariah-compliance requirements through PVARA's Shariah Advisory Committee.

Issuers may also consider PVARA's Regulatory Sandbox. The Regulatory Sandbox Guidelines, 2026 have been approved by PVARA but, as at the date of writing, are yet to be formally notified. The approved framework is intended to provide a supervised environment in which innovative token structures can be tested before seeking full authorisation, subject to the applicable statutory framework and PVARA approvals.

11. Are there any legal or regulatory issues concerning the transfer of title to or the granting of security over cryptoassets?

The regulatory framework for virtual assets has developed considerably, but Pakistani law does not yet provide a clear property-law framework for crypto assets. There is no express statutory recognition of virtual assets as property capable of being owned, transferred or used as security in the traditional legal sense, and no reported Pakistani judicial decision has definitively settled the issue.

This creates several areas of uncertainty.

First, while the Act recognises Customer Assets as assets belonging to customers and provides important safeguards regarding their segregation, custody and treatment in the event of a Licensee's insolvency or liquidation, it does not set out a comprehensive framework for determining the nature of proprietary rights in virtual assets. In particular, the Act does not clearly set out how ownership of a particular virtual asset is to be established, transferred, traced or enforced, particularly where the asset is held through an exchange or custodian.

There is also uncertainty over proprietary remedies. For example, in a case involving fraud, misappropriation or insolvency, it is unclear whether a claimant could recover the specific on-chain asset or would instead be limited to a contractual claim against the relevant custodian or counterparty.

The position regarding security interests is similarly uncertain. The Financial Institutions (Secured Transactions) Act, 2016 does not recognise virtual assets as a separate category of collateral and there is no established statutory mechanism for perfecting a security interest over them.

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The position is further complicated by the fact that the 2016 Act gives statutory secured-creditor status and registration mechanisms to financial institutions, while other lenders would generally have to rely on contractual arrangements under the Contract Act, 1872.

In addition, SBP BPRD Circular Letter No. 10 of 2026 provides that settlement accounts maintained by licensed VASPs cannot be used as collateral.

The Act distinguishes between licensed custodial services and self-custody. Self-custody wallet providers are generally outside the custodial licensing regime, meaning that individuals holding their own assets do not benefit from the same regulatory protections available to customers of licensed custodians.

Further guidance has now come from the Pakistan Virtual Asset Services Regulations, 2026, together with the Pakistan Virtual Asset Services Activity Specific Regulations, 2026. Both instruments were circulated in draft for public consultation, with submissions closing on 2 July 2026, and were formally notified by PVARA on 21 August 2026 (S.R.O. 1419(I)/2026 and S.R.O. 1420(I)/2026 respectively), bringing them into force. Among other things, they address matters such as segregation of client assets, custody arrangements and insolvency-related protections for customers of licensed VASPs. PVARA Chairman Bilal Bin Saqib has stated that the framework requires licensed providers to segregate customer holdings from their own assets and prohibits lending or pledging customer assets without written consent. It remains the case, however, that these instruments regulate the conduct of licensed businesses rather than settling the underlying proprietary status of crypto assets as a matter of general Pakistani property law.

For now, therefore, Pakistan has a regulatory framework for businesses dealing in virtual assets, but the underlying proprietary status of the assets themselves remains unsettled. This is particularly relevant to title, proprietary remedies and the enforcement of security interests.

12. How are smart contracts characterised within your legal framework? Are there any enforceability issues specific to the operation of smart contracts which do not arise in the case of traditional legal contracts?

Pakistan does not currently have legislation dealing specifically with smart contracts. In principle, they would be considered within the existing framework governing electronic contracts, principally the Contract Act, 1872 and the Electronic Transactions Ordinance, 2002 (ETO).

The ETO gives electronic records, signatures and transactions legal recognition and generally places electronic transactions on the same footing as their paper-based counterparts. Academic commentary has similarly suggested that smart contracts can be accommodated within the existing electronic-contracts framework without requiring separate legislation.

Under the Contract Act, 1872, a smart contract must still satisfy the ordinary requirements of a valid contract, including offer and acceptance, lawful consideration and object, contractual capacity and free consent of the parties. The fact that performance is automated or occurs through blockchain does not, by itself, remove these requirements.

The ETO further provides that a document or transaction cannot be denied legal recognition merely because it is in electronic form. It also recognises electronic form for purposes where the law requires something to be "in writing".

There are, however, issues that are more pronounced in the smart-contract context:

(i) **Relationship Between Code and the Underlying Legal Agreement:** It may not always be clear whether the code itself constitutes the contract or merely automates the performance of a separate agreement expressed in natural language.

(ii) **Immutability and Availability of Legal Remedies:** Once code has been deployed and automatically executed, there may be limited practical scope for remedies such as rescission or rectification where the transaction has resulted from mistake or fraud.

(iii) **Reliance on Oracles and External Data**: Smart contracts may depend on external data feeds or "oracles", and inaccurate, incomplete or manipulated data may trigger automatic execution without providing the parties with an opportunity to intervene beforehand.

(iv) **Pseudonymity and Enforcement:** Pseudonymity may make enforcement more difficult. Identifying the relevant party, establishing jurisdiction and serving legal process may all become more complicated where the parties are known only through wallet addresses. Licensed VASPs, however, are subject to customer identification and AML/CFT

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requirements, which may mitigate some of these concerns.

(v) **Absence of Judicial Precedent:** There is currently no reported Pakistani judicial decision dealing specifically with the enforceability of a blockchain-based smart contract. Questions concerning contractual liability, jurisdiction and the appropriate remedies therefore remain largely untested before Pakistani courts.

13. How are Decentralised Autonomous Organisations ('DAOs') treated in your jurisdiction?

Pakistan does not currently have legislation specifically addressing DAOs, nor is there reported Pakistani case law dealing with their legal status. A DAO involving Pakistani participants would therefore have to be considered under the existing regulatory framework and general principles of Pakistani law.

The Virtual Assets Act, 2026 regulates activities rather than particular organisational structures. A decentralised structure does not, by itself, place an activity outside the Act. If a DAO carries on an activity that falls within the regulated activities under the Act, the fact that the activity is conducted through a decentralised structure would not necessarily provide an exemption.

This is particularly relevant given PVARA's substance-over-form approach under Section 9(1)(f). A DAO that operates an exchange, provides custodial wallet services, facilitates lending or borrowing, manages assets for others or issues virtual assets to the public could potentially be treated as carrying on regulated activity. Depending on the circumstances, this could bring identifiable operators, developers, administrators or front-end providers within the regulatory framework.

General Pakistani law may also become relevant. If individuals operate a DAO as a profit-making enterprise and the arrangement has the characteristics of a partnership, the Partnership Act, 1932 could potentially apply, including its rules on joint and several liability.

Pakistan does not generally recognise an unincorporated association as a separate legal person. In the absence of a recognised legal structure, ownership, contractual rights and liabilities would therefore have to be determined by reference to the individual participants and general principles of partnership, agency or trust.

Those seeking separate legal personality and limited liability would need to use an existing legal vehicle, such as a company under the Companies Act, 2017 or an LLP under the Limited Liability Partnership Act, 2017. Pakistan does not currently provide a bespoke legal entity for DAOs.

14. Have there been any governmental or regulatory enforcement actions concerning blockchain in your jurisdiction?

Yes. Pakistani authorities have taken enforcement action in relation to crypto assets, although historically the focus has been on fraud, unauthorised investment schemes and unlicensed activity rather than blockchain technology itself.

OneCoin

Between 2017 and 2019, the Federal Investigation Agency (FIA) investigated OneCoin and related Bitcoin transactions following information received from the SBP. At least one individual was arrested in early 2018. The SBP's April 2018 circular (BPRD Circular No. 3 of 2018) subsequently identified Bitcoin, Litecoin, PakCoin, OneCoin, DasCoin and Pay Diamond as unauthorised virtual currencies.

App-based crypto fraud investigations (2021–22)

In 2021–2022, the FIA Cyber Crime Wing investigated a number of fraudulent trading applications. The investigation reportedly involved 11 applications and allegations that approximately 37,000 Pakistani investors had been defrauded of around US$100 million.

According to the investigation, victims were approached through Telegram and instructed to move funds from Binance accounts to wallets associated with the fraudulent applications. The FIA identified 26 Binance-associated wallets and sought transaction records. Binance subsequently appointed a specialist team, including former US Treasury investigators, to assist with the investigation.

Institutional changes

The National Cyber Crime Investigation Agency (NCCIA) was set up by the Federal Government on 3 May 2024 and is now established under Section 29 of the Prevention of Electronic Crimes Act, 2016 (PECA), as substituted by the Prevention of Electronic Crimes (Amendment) Act, 2025 (Act No. II of 2025). Responsibility for cybercrime investigations, including crypto-related offences, was consequently transferred

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from the FIA to the NCCIA.

The Virtual Assets Act, 2026 now gives PVARA extensive enforcement powers. These include granting, suspending and revoking licences; inspecting regulated entities; conducting market surveillance; investigating breaches; addressing market manipulation and insider trading; and taking action against unlicensed activities.

The penalties are significant. Wilfully providing an unlicensed Virtual Asset Service can attract a fine of up to PKR 50 million and imprisonment for up to five years (Section 54(1)), while conducting an Initial Virtual Asset Offering in contravention of the Act can result in a fine of up to PKR 25 million and imprisonment for up to three years (Section 54(2)).

15. Are there any other generally-applicable laws, case law or regulations that may present issues for the use of blockchain technology (such as privacy and data protection law or insolvency law)?

Pakistan does not currently have a comprehensive enacted data-protection statute. Several versions of a Personal Data Protection Bill have been proposed since 2018, including a 2023 version, but none has been enacted. A National Data Governance Policy 2026 has also been developed, but it remains at the draft/finalisation stage and therefore does not presently constitute an operative legal or regulatory framework.

The principal legislation relevant to cyber and data-related issues is PECA, 2016, as amended in January 2025. PECA is primarily a criminal statute dealing with cybercrime and unauthorised access rather than a general framework for data processing.

The National Cyber Security Policy 2021 is also relevant to blockchain-based activities. Its scope extends broadly to Pakistan's cyberspace, including digital assets and data processed, managed, stored or transmitted in both the public and private sectors. The Policy seeks to establish cybersecurity governance and information-assurance frameworks and addresses matters including security standards, risk assessment, audits, compliance, protection of information systems and the integrity of ICT products and services.

The Policy is therefore relevant to VASPs and other blockchain-based businesses, particularly in relation to cybersecurity controls, protection of customer information, wallet and private-key security, operational resilience and response to cyber incidents. It does not, however, establish a comprehensive blockchain-specific regulatory regime, and its application should be considered alongside PECA, the Virtual Assets Act, 2026 and the specific cybersecurity requirements applicable to the relevant VASP or business.

There are also sector-specific confidentiality and consumer-protection requirements. These include obligations applicable to financial institutions under the Payment Systems and Electronic Funds Transfers Act, 2007 and the PTA's Telecom Consumer Protection Regulations, 2009.

None of these instruments was designed specifically for VASPs, cryptocurrency exchanges or digital-asset custodians. The Virtual Assets Act, 2026 does, however, contain its own data provisions: section 39 (a licensee may store or process data outside Pakistan, subject to applicable data-protection, cybersecurity and cross-border transfer laws and prescribed safeguards, while PVARA may require localisation of specific datasets in certain circumstances), section 40 (segregation and protection of sensitive information) and section 49 (data privacy obligations of licensees). Section 5(2) also gives priority to other laws on data protection, data governance, cybersecurity, financial secrecy and cross-border transfer of personal data. These provisions apply to licensees, and there are still no comprehensive crypto-specific statutory rules governing data privacy more generally.

Insolvency

Pakistan's insolvency framework predates digital assets and remains fragmented.

Individual insolvency is principally governed by the Provincial Insolvency Act, 1920 and, in Karachi, the Insolvency (Karachi Division) Act, 1909.

Corporate insolvency is principally dealt with under the Companies Act, 2017, including its provisions concerning winding up, and the Corporate Rehabilitation Act, 2018, which provides alternatives to liquidation, including mediation, administration and rehabilitation plans.

The Virtual Assets Act, 2026 now provides specific rules concerning the treatment of Customer Assets in the event of insolvency or liquidation of a licensed VASP. Under section 24, Customer Assets must be held separately from the Licensee's own assets and, notwithstanding anything contained in any other law, do not form part of the Licensee's estate in the event of its insolvency or liquidation. The Licensee also owes a fiduciary duty to its customers in dealing with Customer Assets and may not rehypothecate, lend, pledge or otherwise encumber such

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assets without the customer's explicit, informed and revocable written consent. Section 23 further permits PVARA to suspend or revoke a licence where a Licensee is insolvent and, following revocation, to notify SECP for winding-up or dissolution proceedings.

However, these provisions do not amount to a comprehensive insolvency regime for virtual assets. In particular, while section 24 establishes that Customer Assets held by a Licensee are separate from the Licensee's insolvency estate, the Act does not comprehensively address the treatment of virtual assets in all insolvency scenarios or resolve every question concerning the proprietary rights and remedies of customers, including the precise mechanism by which a customer may recover its assets following a shortfall, misappropriation or unauthorised transfer like "tracing", which may otherwise be available under the law of trusts.

There is also limited judicial guidance on the treatment of virtual assets in insolvency proceedings. The practical classification, tracing and recovery of digital assets, and the prioritisation of competing claims in more complex insolvency scenarios, therefore, remain relatively untested.

16. Are there any other key issues concerning blockchain technology in your jurisdiction that legal practitioners should be aware of?

Although Pakistan now has a comprehensive statutory framework for virtual assets, several important parts of the regime are still being put into operation.

PVARA has issued NOCs to Binance and HTX, both on 12 December 2025. Since then, the position has moved on materially: on 21 August 2026 PVARA notified the Pakistan Virtual Asset Services Regulations, 2026 and the Pakistan Virtual Asset Services Activity Specific Regulations, 2026 (S.R.O. 1419(I)/2026 and S.R.O. 1420(I)/2026 respectively), and opened its licensing portal for applications for the Regulatory Sandbox, No Objection Certificates and full VASP Licences across all licence categories. The full VASP licensing framework is therefore no longer merely forthcoming; PVARA's public licensing information now describes the framework as live, while noting that firms progress to a full licence via either the Sandbox-to-Licence or the NOC-to-Licence track. The six-month transitional period under Section 70 has now expired: persons that were providing virtual asset services in or from Pakistan on or before 5 March 2026 were required to submit their NOC applications by 5 September 2026 or cease operating, and continuing to provide such services without having applied may constitute an offence under Section 54(1).

The Regulatory Sandbox Guidelines, 2026 have been approved by PVARA but, as at the date of writing, are yet to be formally notified. They are intended to provide a supervised environment for testing innovative products, including an initial focus on asset-referenced tokens. Until formal notification, the Guidelines should be treated as an approved regulatory framework awaiting notification rather than as notified regulations/guidelines having independent legal force.

Schedule I to the Services Regulations prescribes minimum paid-up capital by licence category: Advisory Services, PKR 15 million; Broker-Dealer Services, PKR 75 million; Custody, Asset Management and Transfer and Settlement Services, PKR 200 million each; Fiat-Referenced Token (FRT) and Asset-Referenced Token (ART) Issuance Services, PKR 300 million each; and Exchange, Lending and Borrowing, Derivatives and Mining Services, PKR 500 million each. Schedule I to the Services Regulations has eleven rows, rather than the ten services listed in Schedule I to the Act, because issuance is split into FRT and ART issuance.

The day-to-day licensing regime is accordingly now substantially in place, though PVARA continues to process the initial wave of NOC and full-licence applications, and practitioners should expect further activity-specific guidance and interpretive practice to develop as the regime beds in.

Overlapping regulatory responsibilities

Virtual asset businesses may also have to deal with several regulators and government bodies, including PVARA, the SBP, SECP, the Federal Board of Revenue (FBR), the Pakistan Digital Authority and the NCCIA.

The Virtual Assets Act recognises the need for coordination. Section 17 requires PVARA to cooperate and share supervisory and enforcement information with bodies including the SBP, SECP, Financial Monitoring Unit (FMU), FIA and FBR.

In practice, however, the respective roles of these institutions and the mechanisms for coordinating their oversight are still developing. This may create uncertainty for businesses operating across more than one regulated area.

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