



Legal & Legislative Working Group

Cryptocurrency and Exchange Act of 2024 Model Law

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Approvals

Name	Title	Date
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Introduction

A Model Bill for Cryptocurrencies and their Requisite Exchanges

Proposed and Drafted by the Government Blockchain Association

Be it enacted by any legislature of the world in accordance with their constitution or through international convention of several states for the furtherance of the welfare of humankind.

Section 1: Short Title

This law may be cited as the Cryptocurrency and Exchange Act of 2024 (or the year in which it is passed)

Section 2: Purpose of the Bill

This bill is created as a sample bill for nations who do as of yet not have clearly defined laws around cryptocurrency and their the exchanges on which they operate. Therefore, the purpose of this bill is to clearly define cryptocurrency types, its derivatives, and the types of exchanges on which it is traded, along with the required practices to prevent crime through the use of said cryptocurrency, its derivatives, and the exchanges on which it is traded.

Section 3: Definitions

Section 4: Operations of Cryptocurrency

All cryptocurrencies that choose to operate within the economy of [INSERT COUNTRY NAME HERE], shall register with [INSERT NAME OF ENTITY THERE] for a fee of no more than [INSERT THE EQUIVILANT OF \$100]. This registration shall include a statement of the name of the currency, the number of tokens being minted, whether the supply is limited or unlimited, the number of tokens being placed into circulation, and the type of cryptocurrency/crypto assets which it asserts itself to be.

Section 4.1 Rulings on Type of Crypto Currency

In the event that the type of cryptocurrency is challenged by a third party. The [NAME OF ENTITY from §4] shall appoint an ad hoc panel of financial professionals who both reside and work in [INSERT NAME OF COUNTRY HERE] to make the determination as to whether the initial declaration of type is valid. The panel shall be comprised of one person who is noted in cryptocurrency, one person who is a lawyer within [INSET COUNTRY NAME HERE] and an academic from a business department of a university within [INSET COUNTRY NAME HERE]. The members of the panel shall be paid [INSET FEE HERE] by the party whose claim is ruled against.



If the cryptocurrency issuer has made a false declaration, a fee of [INSERT FEE HERE] shall be levied against them, payable to the state. Additionally, for an incorrect declaration, 8% of the profits for the time in which the cryptocurrency has been operating within [INSERT COUNTRY NAME HERE] shall be paid to the state by the token issuer, based on the proportion of business which was conducted in [INSERT NAME OF STATE HERE]. If the person making the accusation is found to be in error, a fee of [INSERT FEE HERE] shall be assessed against them, payable to the state.

Should the cryptocurrency issuer wish, they may have a clarifying session held as to the typology of their cryptocurrency. In this case, a panel of the same composition shall be appointed to make the determination as to the type of cryptocurrency. The Fee for this service shall not exceed [ENTER LIMIT HERE]. Once a determination is made, it cannot be changed except by an act of this legislature.

Section 4.2 Types of Cryptocurrency and Underlying Rules

All cryptocurrency tokens fall into one of two categories, Fungible and Non-Fungible. While there are a series of crypto assets called Semi-Fungible Tokens, they will be catalogued as fungible tokens as far as they are used by the general public interchangeable only being used as non-fungible when they are generally used in that manner.

Section 4.2.1 General Considerations

All cryptocurrencies shall be declared into one of the following categories. Should a new category be created the creator or any purveyor of said token may submit a request to this legislature for a subcategory to be added to the nomenclature system. This determination will be made after a simple up/down vote, where members of the legislature may, at their discretion, ask for 20 minutes of debate on the topic per side. Barring any challenges, the addition to the nomenclature may be made by ascent. The general considerations around the new class of tokens will be created by an ad hoc committee of the same format as under §4, being paid by the petitioning party at a rate of no more than [INSERT FEE HERE].

Section 4.2.2 Fungible Tokens

Fungible tokens are financial instruments and assets under the laws of [INSERT COUNTRY NAME HERE]. The type of instrument and/or asset is determined by the class of tokens.

Section 4.2.2.a: Utility Tokens

Section 4.2.2.a.1: Operational Considerations

Criteria for being a utility token include:

- Must be create for a stated purpose;
- Must be on a blockchain or be the native token of a blockchain;
- Operation must be decentralized or have a plan for ongoing decentralization.



Criteria excluding a token from being a utility token:

- Tokens that represent ownership or fractal ownership of physical world assets.
- Tokens that represent ownership of stocks, bonds, commodities, securities, or other assets.
- Tokens whose primary purpose is speculative to increase in value for investment.

Section 4.2.2.a.2: Official Payments

Utility tokens MAY be used for the payment of public debt if the utility token has a modicum of tokometric stability and is easily liquidated into the currency of choice for the office receiving the payment. Any office to which an official payment in the form of a utility token shall be notified 30 days prior to the first payment that the payer intends to pay in the utility token. Offices will reply within 72 hours as to the status of the pay-ability or it is assumed that the request is denied. Offices may cease acceptance of any given token with immediate notice to parties making the payments currently.

Section 4.2.2.a.3: Taxes

Utility tokens are not taxable under the laws of [INSERT COUNTRY NAME HERE] as they are purpose driven tokens and not investment tokens.

Section 4.2.2.b: Security Tokens

Section 4.2.1.b.1: Operational Considerations

Criteria for being a security token included:

- Centralization of the token;
- Being a one for one representation of a single asset which is defined as a security;
- Being held with the same rights and privileges inherent to the underlying security.

Criteria excluding a token from being a security token include:

- Being a token representing a pool of multiple assets;
- Being a token representing fractal ownership of a high value security asset;
- Being a token representing future or past value of an asset.

Section 4.2.2.b.2: Official Payments

Security tokens may not be used for official payments in [INSERT COUNTRY NAME HERE].

Section 4.2.2.b.3: Taxes

Security tokens are taxed at the time of sale on the increase in value from the time of purchase by the private holder until the time of sale. If the token was held for more than 1 year, the value is assessed in the year in which the token was sold. The rate of the taxation shall be set by the capital gain tax rate. Security tokens held in a government supported or approved retirement account are not taxed.



Section 4.2.2.c: Governance Tokens

Section 4.2.2.c.1: Operational Considerations

Criteria for being a governance token:

- Issued for the primary purpose of voting within an organization.
- Value associated to the token is either secondary (residual) or directly associated with the ability to vote.

Criteria excluding a token from being a governance token:

- Tokens issued for fundraising purposes;
- Security Tokens;

Special Cases:

- DAO tokens are a special class within this category. They are not taxable and not usable for government payments under this law.

Section 4.2.2.c.2: Official Payments

Governance tokens may not be used for official payments in [INSERT COUNTRY NAME HERE].

Section 4.2.2.c.3: Taxes

Non-DAO governance tokens are taxed at any increase in value from one year to the next, regardless of sale or liquidation, based on the higher of the three tax rates: personal income tax, corporate tax rate, or capital gains tax rate.

Section 4.2.2.d: Native Tokens

Section 4.2.2.d.1: Operational Considerations

Criteria for being a native token:

- Token must be issued as part of the operation of a fully functional blockchain.

Criteria excluding a token from being a native token:

- Any token which operates on a blockchain which already has a native token

Special Considerations

- Chains modeled off of the Avalanche Chain may have multiple tokens within their ecosystem. If they are issued by the issuer, with the same purpose of being a native token. Then the family of tokens is considered the native token of the chain.

Section 4.2.2.d.2: Official Payments

Native tokens MAY be used for the payment of public debt if the native token has a modicum of tokometric stability and is easily liquidated into the currency of choice for the office receiving the payment. Any office to which an official payment in the form of a utility token shall be notified 30 days prior to the first payment that the payer intends to pay in the utility token. Offices will reply within 72 hours as to the status of the pay-ability or it is assumed that



the request is denied. Offices may cease acceptance of any given token with immediate notice to parties making the payments.

Section 4.2.2.d.3: Taxes

Users of native tokens are not taxed for holdings, use, exchange, or sale of native tokens. Miners of native tokens are taxed at their lawfully assessed personal income tax rate or 5% whichever is higher.

Section 4.2.2.e: Exchange Tokens

Section 4.2.2.e.1: Operational Considerations

Criteria for being an exchange token:

- Issued by an exchange for operational exchanges for the function of the exchange.;
- Present on a blockchain or on one of several blockchains on which the exchange functions.

Criteria for being excluded from being an exchange token:

- Being issued by an entity other than an exchange.
- Being issued for a purpose other than use as an exchange token.

Section 4.2.2.e.2: Official Payments

Each year a list of exchange tokens will be issued by [INSERT AGENCY HERE] of tokens with sufficient tokometric stability to be used for official payments. Any token on this list, at present value, may be used for official payments.

Section 4.2.2.e.3: Taxes

Exchange tokens are not taxable in [INSERT COUNTRY NAME HERE].

Section 4.2.2.f. Global Exchange Tokens

Section 4.2.2.f.1: Operational Considerations

Criteria for being a global exchange token:

- Issued by a party other than an exchange for the purpose of facilitating exchange;
- Backed by some asset pool.

Criteria for being excluded from being a global exchange token:

- Speculatory tokens;
- Issuance by an exchange.

Section 4.2.2.f.2: Official Payments

Global Exchange tokens (GET) MAY be used for the payment of public debt if the GET token has a modicum of tokometric stability and is easily liquidated into the currency of choice for the office receiving the payment. Any office to which an official payment in the form of a utility



token shall be notified 30 days prior to the first payment that the payer intends to pay in the utility token. Offices will reply within 72 hours as to the status of the pay-ability or it is assumed that the request is denied. Offices may cease acceptance of any given token with immediate notice to parties making the payments.

Section 4.2.2.f.3: Taxes

Global Exchange tokens are not taxable under {INSERT COUNTRY NAME HERE} law.

Section 4.2.2.g: Stablecoins

Section 4.2.2.g.1: Operational Considerations

Criteria for being a stablecoin:

- Must be backed by assets;
- Must have auditable records of reserves;
- Must work under either an algorithmic model, a 1:1 asset model, or a maturity model for value vesting
- Must have a supply control model (smart burn; burn/mint, etc.).

Criteria excluding a token from being a stablecoin:

- Speculative tokens;
- Unbacked tokens;
- Government issued tokens.

Section 4.2.2.g.2: Official Payments

Each year a list of stablecoins will be published by {AGENCY NAME HERE} no later than January 5th. Any token on this list may be used for official payments.

Section 4.2.2.g.3: Taxes

Stablecoins are not taxable under [INSERT COUNTRY NAME HERE] law.

Section 4.2.2.h: Memecoins

Section 4.2.2.h.1: Operational Considerations

Criteria for a token to be a memecoin:

- Must be based on a fad or internet phenomenon;
- Must have value derived from followers.
- Some memecoins may have a liquidity pool but it is not required.

Criteria excluding a token from being a memecoin:

- A utility proposition;
- A backing pool.



Section 4.2.2.h.2: Official Payments

Memecoins cannot be used for official payments.

Section 4.2.2.h.3: Taxes

Memecoins are taxed at any increase in value from one year to the next, regardless of sale or liquidation, based on the higher of the three tax rates: personal income tax, corporate tax rate, or capital gains tax rate. The rate of increase during a year in which the token is sold is set at the value of the highest value during the month which the token is sold. Losses may not be claimed on taxes for memecoins.

Section 4.2.2.i. Other Private Issuer Coins

Section 4.2.2.i.1: Operational Considerations

This category is for tokens not meeting the requirements of other categories. The [INSERT AGENCY HERE] will make a determination, on case by case basis, whether these tokens can be used in [INSERT COUNTRY NAME HERE]. This determination will be made within 6 weeks of the application, including all materials needed as stated by [INSERT AGENCY HERE], being submitted.

Section 4.2.2.i.2: Official Payments

Non-categorized tokens may not be used for official payments.

Section 4.2.2.i.3: Taxes

Taxes will be determined on a token-by-token basis.

Section 4.2.3 Non-Fungible Tokens

Section 4.2.3.a.: General Considerations

NFTs, in general, are considered business documents for the purpose of the law in [INSERT COUNTRY NAME HERE]. This provides the same protections which would befall any other business document within the country, including but not limited to anti-fraud measures, intellectual property measures, contract measures, collectible measures, and international trade issues. In general (unless otherwise noted in the following sections) NFTs are not taxable under the law.

Section 4.2.3.b.: Authentication NFTs

Any company issuing Authentication NFTs (digital IDs) shall register the contract address with [INSERT AGENCY NAME HERE] and provide a list of citizens within [INSERT COUNTRY NAME HERE] who are using the authentication NFT. Anyone forging or using a forged identification NFT will, at the discretion of a jury face a minimum fine of [INSERT AMOUNT HERE] and a minimum prison term of [INSERT TERM HERE]. The Maximum fine for the use of a forged,



stolen, or altered image within a Authentication NFT is ten times the amount of loss of the identity fraud or [INSERT FEE HERE (approx. \$10,000,000 USD)] and no more than 20 years in prison.

Section 4.2.3.c.: Single Use NFTs

Single use NFTs can be issued within [INSERT COUNTRY NAME HERE] freely, as long as the business to which the NFTs relate is registered in the country. Stealing, forging, or knowingly using a forged single use NFT carries a fine of [INSERT FEE HERE] or ten times the amount of the forged document, whichever is greater. Issuers of fake single use NFTs face a fine of [INSERT FINE HERE] and a prison term of [INSERT TERM HERE].

Section 4.2.3.d.: Reusable NFTs

Token issuers may issue reusable NFTs on any collectable, real property, or artistic rendition which they choose as long as:

1. They have the written permission of the current owners;
2. The document is registered with [INSERT AGENCY NAME HERE] that the item being tokenized is having ownership fragmented;
3. The records of the initial sales are recorded by the company for a period of no less than 7 years (secondary sales are not the responsibility of the token issuer.

Reusable NFTs are taxable at a rate of 5% on the increase in value of the token during the course of a year, filed annually. Lose in value cannot be claimed as a loss for tax purposes as you still own a portion, however, in the case of collectables and artistic renditions the value of the loss can be counted as depreciation under applicable law.

Section 4.2.3.e.: Perpetual NFTs

Perpetual NFTs may be issued in [INSERT COUNTRY HERE]. Any perpetual NFT which is issued in [INSERT COUNTRY NAME HERE] shall be taxed based on the revenue generated by the property. Perpetual NFTs will be treated as real property for all applicable laws and taxes.

Section 4.2.3.f.: Real Asset NFTs

Token issuers may issue real asset NFTs on any physical asset, digital asset, future profit, current profit, swap value, or collection of assets in whole or fractal form as long as:

1. They have written proof of ownership or written permission from the owner of the physical asset, digital asset, future profit, current profit, swap value, or collection of assets, their agents or a statement that they are a member of an organization which has control over such assets and the agency authorizes their tokenization.
2. The document is registered with [INSERT AGENCY NAME HERE] that the item being tokenized is having ownership fragmented;
3. The records of the initial sales are recorded by the company for a period of no less than 7 years (secondary sales are not the responsibility of the token issuer.



Real asset NFTs are taxable at a rate of capital gains tax on the increase in value of the token during the course of a year, filed annually. Loss in value can be claimed as a loss for tax purposes.

Section 5: Derivatives of Cryptocurrency

Section 5.1 General Considerations

Derivatives of Cryptocurrencies (except as otherwise noted in the following section) are considered to be securities under the law of [INSERT COUNTRY NAME HERE]. They must be registered in the same fashion as other securities. Offerings offered in other nations, on a global exchange or over the counter, need only be registered in one nation and the registration from the primary nation should be filed (no fee) with [INSERT AGENCY NAME HERE]. For a price of [INSERT FEE HERE] a listing document can be issued by [INSERT AGENCY NAME HERE] for the filing within the nation of [INSERT NAME HERE].

Section 5.2 Derivatives

The recognized derivatives in [INSERT COUNTRY NAME HERE], along with their tax repercussions, are:

1. Options- Options are the ability to buy (call) or sell (put) cryptocurrency on or before a given date. Options are taxable, the issuer of the option must pay a tax of 25% on the sale of the initial option. The sale of the token is taxable (if applicable) under section 4.2.
2. Forwards- Call and put forwards commit the buyer and seller to conduct their action on a given date. As such, this is a delayed purchase, and the transaction is taxable only as listed under section 4.2.
3. Futures- Future are like forwards, except that the purchaser of the future may either exercise the action prior to or on the specified date. The sale of a future is taxable at a rate of 25%, the execution is taxable as listed under section 4.2.
4. Warrants- Warrants are the future sale of a current asset, as such they are tax exempt.
5. Swaps- Swaps are the trading of income from one asset for the income from another asset. Cryptocurrency versions of swaps will be taxed the same as any other swaps.
6. Profit Sharing Agreements (not future profit sales)- Profit sharing agreements shall be taxed as business income or personal income, whichever the case may be at the current rate.

Section 5.3 Synthetics

As synthetics are pegged 1:1 (not open ownership) to another underlying asset. Synthetics are taxed at the rate of a mutual fund or hedge fund operating within [INSERT COUNTRY NAME HERE].



Section 6: Exchanges

Section 6.1 General Considerations

[INSERT COUNTRY NAME HERE] welcomes exchanges to operate within its borders. A flat tax rate on the profits of the exchange of 10% is levied against any and all exchanges with a location in [INSERT COUNTRY NAME HERE]. Exchanges do not have to have a registered agent in [INSERT COUNTRY NAME HERE] however, they do have to register that they are an exchange which our people can use to trade cryptocurrency if they believe that they have people using the exchange within the country. As a registered exchange, the exchange must cooperate with law enforcement, via KYC activities and providing information on transactions related to our citizens, on the government providing a lawful warrant.

Section 6.2 Centralized Exchanges

Centralized exchanges must have KYC (see below) for all wallet holders. Transactions over the equivalent of \$100,000 USD must be reported to [INSERT AGENCY HERE] if they involve a citizen or business of [INSERT COUNTRY HERE]. Failure to report will result in:

- 1.) First offence- being placed on 6 months probationary status.
- 2.) Second offense- a fine of [INSERT fine HERE] and 6 months probationary status.
- 3.) Second offence while on probation- a fine of [INSERT NAME HERE] and required reporting of all transactions to [INSERT AGENCY NAME HERE].
- 4.) Third offense- a fine of [INSERT FINE HERE] probation for one year.
- 5.) Third offense while on probationary status- a fine of [INSERT FINE HERE] and prohibition of operations within [INSERT COUNTRY NAME HERE] for two years.
- 6.) Additional offenses- a fine of [INSERT FINE HERE] and probation of one year.
- 7.) Additional offense while on probation- Same as third offence.

Section 6.3 Decentralized Exchanges

Decentralized exchanges must have a KYC for all custodial wallets and an agreement with linkable wallets that they have conducted KYC on their holders. Transactions equivalent to \$100,000 USD within a period of 30 days must be reported to [INSERT AGENCY HERE] if they involve a citizen or business of [INSERT COUNTRY HERE]. Failure to report will result in:

- 1.) First offence- being placed on 6 months probationary status.
- 2.) Second offense- a fine of [INSERT fine HERE] and 6 months probationary status.
- 3.) Second offence while on probation- a fine of [INSERT NAME HERE] and required reporting of all transactions to [INSERT AGENCY NAME HERE].
- 4.) Third offense- a fine of [INSERT FINE HERE] probation for one year.
- 5.) Third offense while on probationary status- a fine of [INSERT FINE HERE] and prohibition of operations within [INSERT COUNTRY NAME HERE] for two years.
- 6.) Additional offenses- a fine of [INSERT FINE HERE] and probation of one year.



7.) Additional offense while on probation- Same as third offence.

Section 6.4 Wallets

All wallets must have a KYC policy in place to service citizens of [INSERT COUNTRY NAME HERE]. Wallet operators in [INSERT COUNTRY NAME HERE], must also file financial reports in accordance with financial services laws, if any, and will be taxed as a financial services company.

Section 7: International Cross-Border Payments

When cryptocurrency is used as a form of cross border payments, the transaction is subject to all tariffs as a fiat currency transaction would be.

Section 8: Taxes

Unless otherwise specified in this document, cryptocurrencies are to be treated as privately issued currencies and are not taxable under the laws of [INSERT COUNTRY NAME HERE].

Section 9: Official Payments

Any stablecoin recognized under this act may be used to make official payments in [INSERT COUNTRY NAME HERE] with a 3% fee for any taxes, fees, fines, bills or other expenses at the present market rate at the time of the transfer.

Section 10: Protections

Cryptocurrency companies operating within [INSERT COUNTRY NAME HERE] will be given necessary protections from international law suits, and, unless otherwise specified in the operational contracts and documents of the organization, shall be construed that all operations within [INSERT COUNTRY NAME HERE] will be operating under the laws of [INSERT COUNTRY NAME HERE]. Requests by other nations for the release or mandamus of the company to release data protected under this law shall be heard within 24 business hours by the [INSERT COURT NAME HERE] to determine if just cause is present for the issuance of a warrant to gain access to the data.

All cryptocurrency issuers with a registered place of business in [NAME OF COUNTRY], for private-direct sales, are expected to keep the name, office location (if any) and wallet address of a representative entity which is buying the currency. This data must be retained and provided at the request of the government, upon presentation of a warrant. Cryptocurrency issuers are not responsible for transactions on exchanges that they do not own. The cryptocurrency issuer must register with [INSERT AGENCY HERE] for a fee of no more than [ENTER FEE AMOUNT, NOT ABOVE \$500 USD].

Exchanges registered in [INSERT COUNTRY NAME] or offering services to citizens of [INSERT COUNTRY NAME] are required to conduct KYC, including a government issued ID picture,



wallet address, name, and nationality of any person registered. Anonymous exchanges are not permitted to operate within or provide services to citizens within [COUNTRY NAME HERE]. Transactional information must be presented for any citizens of [COUNTRY NAME HERE] who is receiving, transmitting or trading above \$100,000 USD value of cryptocurrency in a single transaction. The exchange must register with [INSERT AGENCY HERE] for a fee of no more than [ENTER FEE AMOUNT, NOT ABOVE \$500 USD].

Wallets registered in [INSERT COUNTRY NAME] or offering services to citizens of [INSERT COUNTRY NAME] are required to conduct KYC, including a government issued ID, the address of the wallet, name and nationality, of their wallet holders. The wallet must register with [INSERT AGENCY HERE] for a fee of no more than [ENTER FEE AMOUNT, NOT ABOVE \$500 USD].

All blockchain solutions operating within [INSERT COUNTRY NAME HERE] must have a security audit completed by a reputable auditing agency, which in this case means an agency which has passed a review by a recognized third-party assessment protocol.

Further, within one year of registration, any blockchain solution related to the distribution, creation, exchange, use, or tabulation of cryptocurrency must be assessed and demonstrate a level of maturity as defined by Government Blockchain Association, an international NGO, Blockchain Maturity Model Assessment published on the GBAs registry of trusted blockchain solutions and the relevant supplements, at determined by the association, for their solution. Within one year of registration, the blockchain solution must pass AT LEAST the first level of assessment.

All registrations are on a 1-year basis. Renewal is granted for half of the Initial fee and is automatic with the payment, with the exception of companies with whom a formal complaint has against. In this case, the ad hoc panel for the complaint under section 4.1 shall make a recommendation to [INSERT AGENCY NAME] and the agency will accept or deny the renewal. Blockchain Solution providers may appeal this to the [INSERT COURT NAME HERE] at their own expense.

The government of [INSERT COUNTRY NAME HERE] makes no warranty to tokens issued to which the country does not own a reserve. Purchase of a cryptocurrency or the use of an exchange is a private financial activity. All laws concerning contracts, fraud, and other business operations are in FULL EFFECT unless otherwise stated in this law.

Section 11: General KYC Provisions

All digital asset related operations which occur in [INSERT COUNTRY NAME HERE] are expected to conduct robust Know Your Customer (KYC). This is to prevent illegal activities from use digital assets as a tool to make their operations more difficult to track. Under this law, no anonymous tokens are permitted to be sold, traded, issued, or marketed in [INSERT COUNTRY NAME HERE] nor shall any citizens, resident or contractor in the country for more than three



moneys hold any anonymous tokens. Tokens with anonymous transaction values are permitted.

Section 11.1: Anti-Money Laundering

To combat money laundering and terrorist financing, all cryptocurrency exchanges and wallet providers operating within this jurisdiction must comply with Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations. This includes mandatory customer identification and verification procedures, ongoing monitoring of transactions for suspicious activity, and reporting of such activity to the [INSERT AGENCY HERE]. Additionally, exchanges and wallet providers must implement risk-based mitigation strategies, maintain detailed records of customer transactions, and cooperate with law enforcement investigations upon provision of acceptable warrants. Failure to comply with these AML/KYC requirements will result in significant penalties, including potential license revocation and criminal prosecution.

Section 11.2: Anti-Terrorism

In line with combating terrorist financing, cryptocurrency exchanges and wallet providers must implement measures to identify and mitigate risks associated with terrorist activity. This includes screening customers making large transactions against terrorism watch lists, monitoring transactions for patterns linked to terrorist organizations, screening wallets making transactions to known terrorist wallets, and reporting any suspicious activity to the [INSERT AGENCY NAME HERE]. Additionally, these businesses are required to have strong cybersecurity protocols in place to prevent unauthorized access to user accounts and funds, which could be exploited for terrorist financing purposes. Failure to comply with these anti-terrorism requirements will result in significant penalties, including potential license revocation and criminal prosecution.

Section 11.3: Anti-Human Trafficking

Cryptocurrency issuers, exchanges, and wallets must implement procedures to monitor for transactions involving high volumes of low-value transfers, unusual geographic patterns, or payments to known red flag locations where applicable. Additionally, exchanges and wallet providers should consider collaborating with law enforcement and anti-trafficking organizations to stay updated on trafficking indicators and typologies.

Section 11.4: Anti-Criminal Activity

In recognition that criminal activities involving digital assets may evolve and adapt, cryptocurrency issuers, exchanges, and wallet providers must be prepared to identify and address new and emerging threats. This includes maintaining a proactive approach by staying informed about evolving criminal typologies and implementing appropriate risk-mitigation strategies. Businesses are encouraged to collaborate with industry associations, law



enforcement, and regulatory authorities to share information and best practices for combating criminal activity in the digital asset space. This collaboration should occur within a legal framework that upholds user privacy and ensures the exchange of only the minimum amount of necessary information. As such, new provisions in this area may be added as an addendum to this law.

Section 12: Enactment Clause

This bill, once passed into law, shall take effect on [INSERT DATE HERE]

Section 13: Severability Clause

If any part of this bill is found to be constitutionally in error, then that portion of the bill shall be struck by the courts and the remainder of the bill shall remain in effect.

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DRAFT



Appendix A: Glossary

Term

Definition

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Appendix B: Authors & Contributors

Primary Author(s)

- [Dr. Chris Smithmyer](#)

Contributors

Organizations

- [Blockchain Legal Institute](#)

Individuals

- [Allison Maffitt](#)
- [Gerard Dache](#)
- [Jacquiline Cooper](#)
- [Markus Veith](#)

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