

# Digital assets in Central Asia and the Caucasus

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Different countries in the region use varying definitions and terminology (digital assets, virtual assets, crypto assets). Therefore, slides dedicated to specific countries use that country's legal definition, while in general slides, the authors use the term "digital asset" (DA).

The data for this study was collected prior to the significant price surge of Bitcoin and other cryptocurrencies, specifically before October 15th, enabling a more objective assessment of market trends and conditions, uninfluenced by anomalous fluctuations.

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# Authors



**Ainur Zhanturina**  
RISE Research



**Maken Ibragimov**  
Freedom Horizons



**Bekzhan Mutanov**  
Freedom Horizons



**Arslan Kudiyar**  
Freedom Horizons

# Contributors and knowledge partners



Binur Zhalenov  
NPCK



Dias Savetkanov  
NPCK



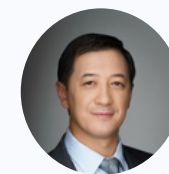
Yagub Zamanov  
AFSA



Yerkegali Yedenbayev  
AFSA



Kairat Kaliyev  
Freedom Horizons



Sanzhar Zhamalov  
Mastercard



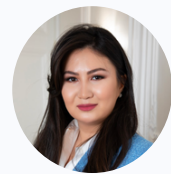
Rafal Trepka  
Mastercard



Assel Abdrakhmanova  
Mastercard



Baurzhan Jazykbayev  
Mastercard



Yerke Asseмова  
KPMG Uzbekistan



Konstantin Aushev  
KPMG Kazakhstan



Assel Khamitova  
KPMG Kazakhstan



Zhali Ualiyev  
AFSA



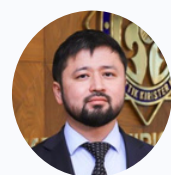
Talgat Dossanov  
Intebix



Jochen Biedermann  
WAIFC



Sandra Ro  
GBBC



Talgat Adilov  
State Revenue  
Committee



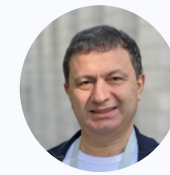
Aidana Kaskyrbek  
BAITC



Athena Miao  
BigOne



Aidar Beknazarov  
SkyBridge Invest



Arutyun Poghosyan  
ATAIX Eurasia



Denis Shipilov  
Lockton Hub



Sherzod Abdulkasimov  
PraeLegal Uzbekistan



Artem Klimenko  
Heemera



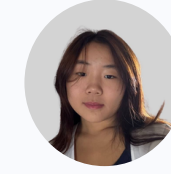
Arno Gzirov  
CityPay.io



Irakli Ablotia  
AllTrust.me



Bakhytzhan Kenzhebeyev  
CaspianEx



Viktoriya Nogay  
Heemera



Aram Kocharyan  
Layerswap



Elena Chigibaeva  
WeinCrypto DAO



Azimbek Sagynbaev  
MyDataCoin



Asylbek Aitmatov  
Royal Inc.



Hamlet Manukyan  
VozniSoft



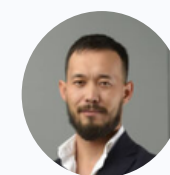
Vakhtang Abrahamyan  
Fastex



Jyldyz Isabekova  
Accelerate Prosperity



Yessengeldy Rakhimbekov  
SkyBridge Digital  
Finance



Batyrbek Umarov  
BlockchainKZ



Ruslan Konurbayev  
NPCK



Elnur Shildybekov  
AQ Group

5

**countries  
covered**

30+

**market leaders  
interviewed**

20+

**startups/  
projects surveyed**





Global & regional trends

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Kazakhstan

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Uzbekistan

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Kyrgyzstan

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Georgia

55



Armenia

60

# Global & regional trends

# The digital assets taxonomy

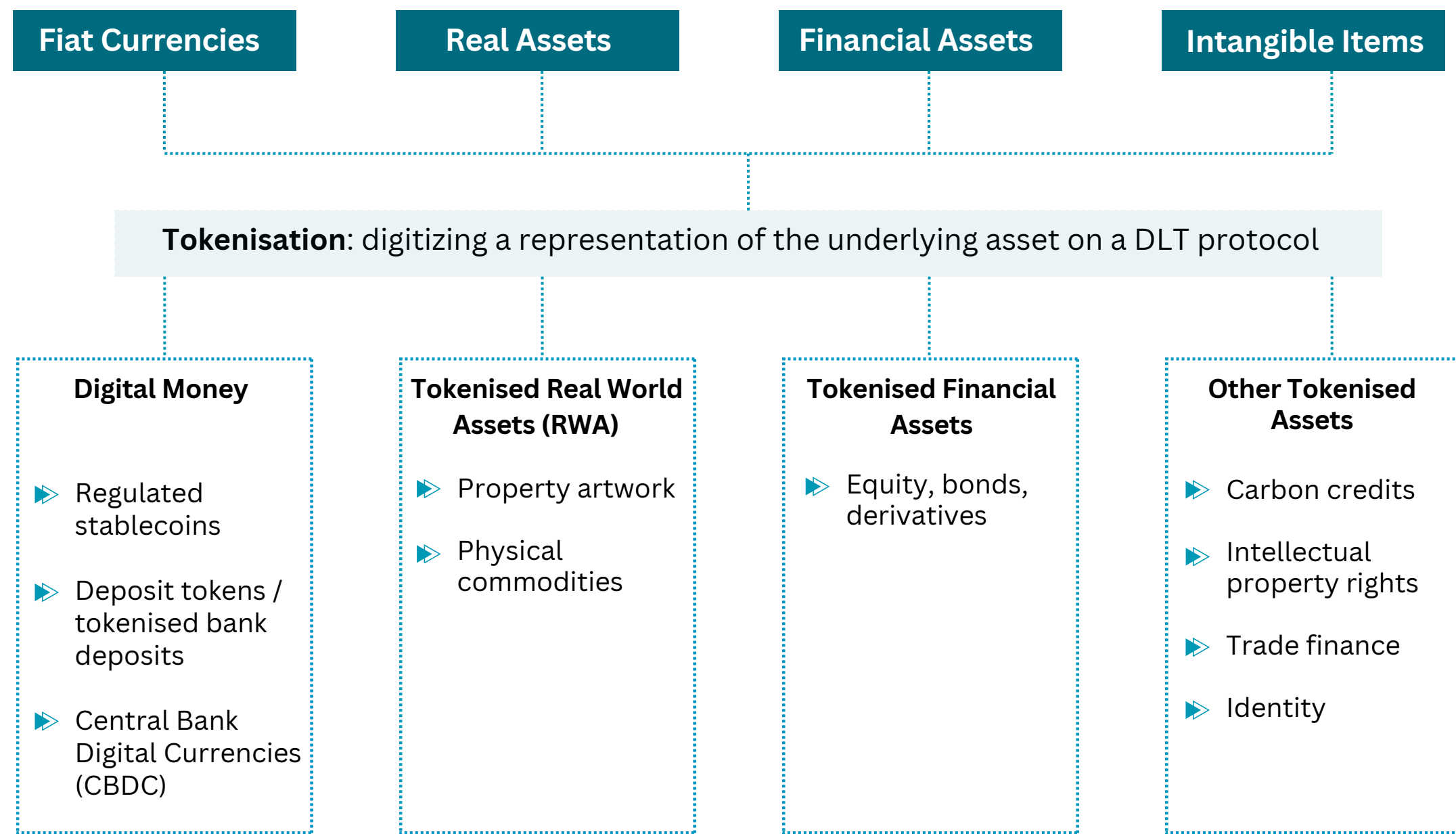
## Cryptocurrencies

- Native tokens of the underlying blockchain protocols, or issued by crypto platforms
- Market value driven by supply & demand, utility in some cases
- Subject to speculation
- Increasingly facing regulatory headwinds

Examples:

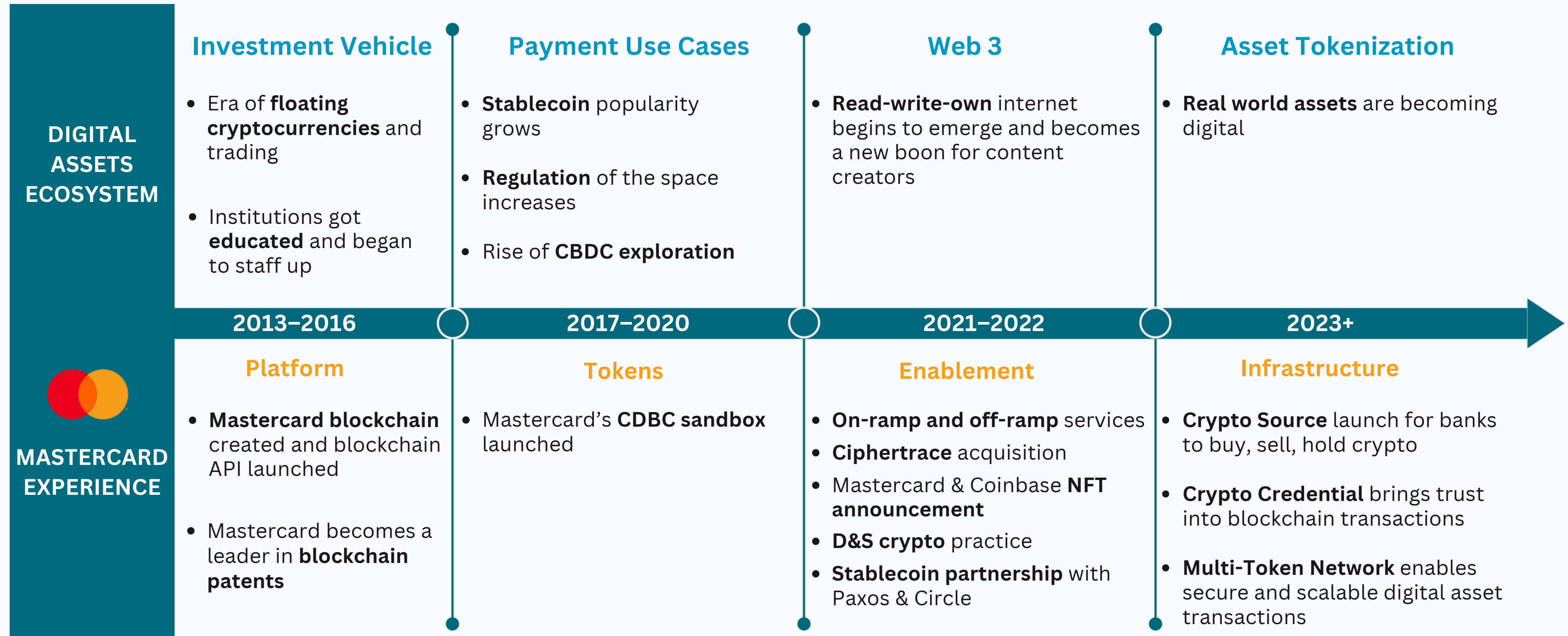


## Tokenised assets



# Timeline and the evolution of digital assets ecosystem

*Not exhaustive*



## Key global trends in digital assets

**\$2.7T+**

cryptocurrency market cap

**580M+**

users of cryptocurrency worldwide

**49%**

of global consumers have used or would use cryptocurrency as a means of payment

**1** Rise in retail trading

**60+**

banks globally have invested in blockchain projects

**93%**

Central Banks exploring CBDCs

**\$10T+ by 2030**

real world assets are expected to be tokenized

**2** Institutional & government adoption

**33 out of 60\***

countries have legalized cryptocurrency, while it is partially banned in 17 and generally banned in 10\*\*

**12 out of 20**

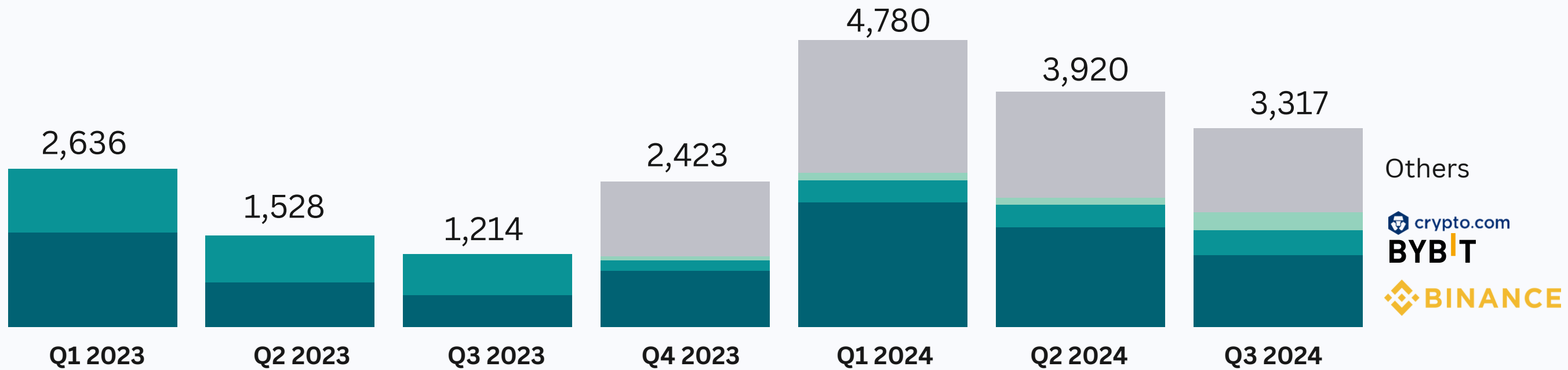
G20 countries, accounting for over 57% of the world's GDP, have legalized cryptocurrencies, with regulatory frameworks being considered across all G20 nations

**3** Increasing regulatory clarity

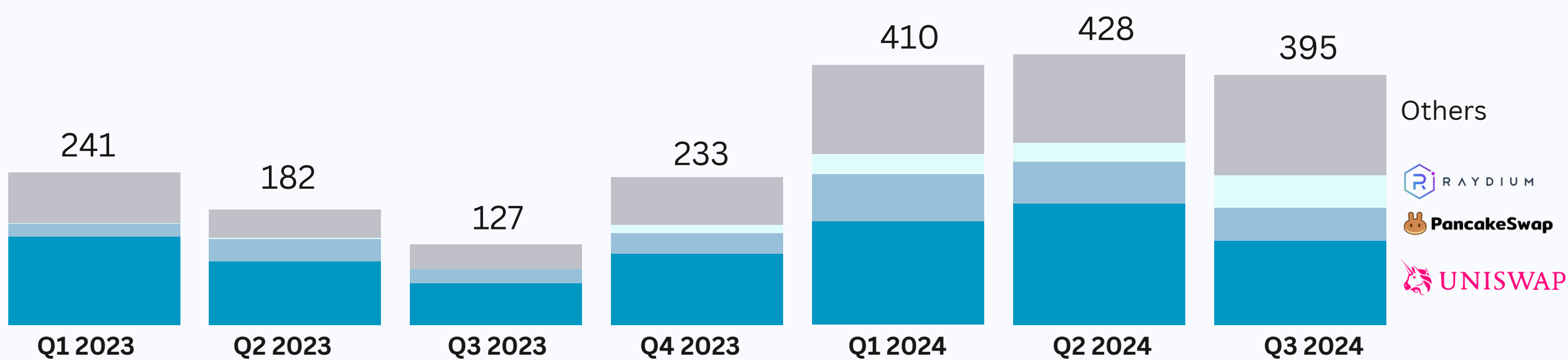


# As cryptocurrencies recovered after ‘crypto winter’, crypto exchanges increased trading volumes, with DEX losing some of it’s share to CEX

Top-3 centralized exchanges by volume (\$ bln)



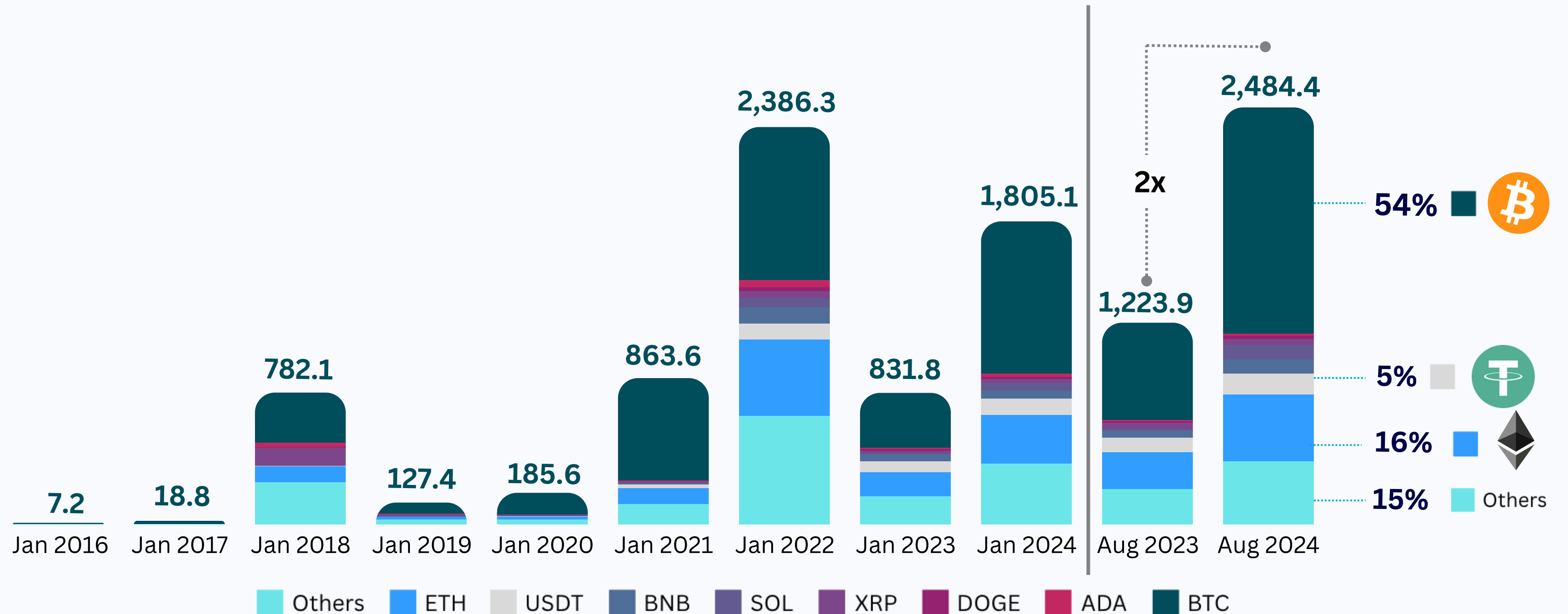
Top-3 decentralized exchanges by volume (\$ bln)



- Although trading volumes has **largely recovered** in 2024 from ‘crypto winter’ in 2022, they haven’t reached **levels of 2021 yet\***
- Binance **keeps dominating** but started **losing its market share** to such players as Bybit and Coinbase
- **Decentralised exchanges** as % of centralised volume are still below 20% levels

The total cryptocurrency market cap surged from \$829B in August 2023 to \$2.4T by August 2024, with Bitcoin (BTC) maintaining its dominance at \$1.3T (54%)

Total crypto market cap 2016-2024, \$ bln



# Decentralized Finance protocols are still in their infancy, but have shown resiliency through the crypto winter

## \$87.8 bln

Total Value Locked in  
Decentralized Finance <sup>1</sup>

## >17,000

DeFi protocols and  
applications.<sup>2</sup>  
Majority is on **Ethereum**

## >5.2 mln

# of **unique addresses**  
(purchased or sold a DeFi  
asset) as of Apr'24 <sup>3</sup>

## Resiliency of DeFi <sup>5</sup>

During the **Crypto Winter**, many **CeFi** companies went **bankrupt**, while **DeFi platforms endured the stress test**, with billions of dollars liquidated but remaining resilient

**Transparency & real time monitoring** of on-chain transactions enabled everyone to correctly evaluate risk unlike CeFi

**Top-3 DeFi protocols<sup>4</sup>** (by TVL, as of Oct'24)

| Protocol                        |  L I D O      |  a a v e   |  Eigen<br>Layer |
|---------------------------------|---|--|---|
| <b>TVL</b>                      | \$ 25.59 bln  | \$ 13.09 bln   | \$ 11.16 bln  |
| <b>% change<br/>(2022-2024)</b> | +300%   | +114%  | +85000%   |
| <b>Blockchain</b>               | <br>ethereum | <br>ethereum<br> AVALANCHE<br> ARBITRUM | <br>ethereum   |
| <b>Business model</b>           | Liquid staking  | Lending  | Restaking   |

## Regulatory risks

The regulatory environment for DeFi is still **uncertain in many jurisdictions**, particularly in the US






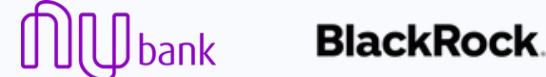




**Stablecoins** are being subject to additional **oversight**

## TradFi x DeFi

**Banks made pilot transactions on Defi.** Société Générale took a loan from MakerDao. JP Morgan and DBS executed Aave based smart contracts

# Global players have accelerated building internal capabilities and customer facing solutions (1/2)











*Not exhaustive*

| Areas of Play   | Banks   | Other players*  |
|---|---|---|
| <p><b>Digital asset custody and wallet</b><br/>Players are building digital asset storage capabilities, especially for institutional and private banking clients</p>                          |    |    |
| <p><b>Exchange (On/Off ramping)</b><br/>Players are developing on/off ramp capabilities (fiat to digital asset and vice versa) for centralized and decentralized finance (DeFi) platforms</p> |    |    |
| <p><b>Tokenization / Securitization</b><br/>Banks are launching their own asset tokenization platforms and undertaking near real-time collateralized transactions</p>                         |  |  |
| <p><b>Risk management framework</b><br/>Institutions are strengthening areas like AML, fraud, cyber, and transaction monitoring</p>   |  |  |
| <p><b>Emerging capabilities</b><br/>Banks and fintechs are building blockchain protocols/domains, application-level solutions, data and analytics, and smart contracts</p>                    |  |  |



# Global players have accelerated building internal capabilities and customer facing solutions (2/2)

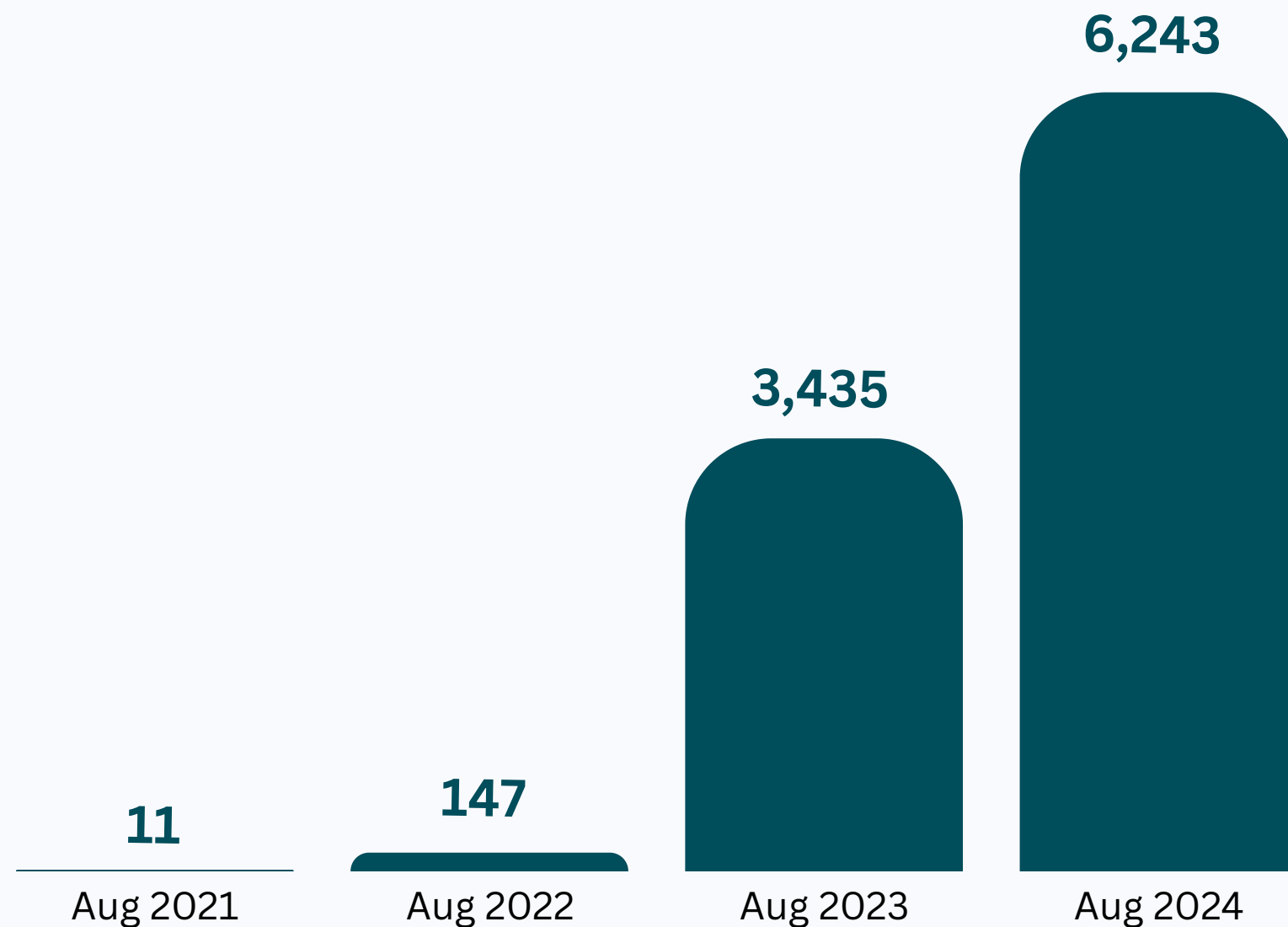
*Not exhaustive*

|   | Areas of Play   | Banks   | Other players*  |
|---|---|---|---|
| <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Customer facing solutions</b></p> | <p><b>Loans</b><br/>Digital asset collateralized loans, loans backed by tokenized commodities are some solutions banks are introducing. Crypto credit cards are offered by fintechs</p>   |    |    |
|   | <p><b>Deposits</b><br/>Given the volatile nature of digital assets, banks and fintechs have limited solutions, with crypto staking being the more common feature offered</p>  |    |    |
|   | <p><b>Payments</b><br/>Players are leveraging blockchain rails for real-time payments (for B2B clients) and cross-border payment networks</p>   |  |  |
|   | <p><b>Investments and Trading</b><br/>Banks have created digital asset investment products, with focus on wealthier clients with risk appetite. Trading is concentrated among fintechs</p>  |  |  |
|   | <p><b>New Business Models</b><br/>Banks have started entering NFT marketplaces, metaverse engagements. White-labelling of capabilities, carbon credit marketplaces remain unexplored. Fintechs' entry is also limited currently</p> |  |  |



# The tokenization of real-world assets (RWAs) has continued to gain traction with increasing user adoption and the entrance of large institutional players

RWA total value locked, Aug' 2021-Aug' 2024, \$ mln



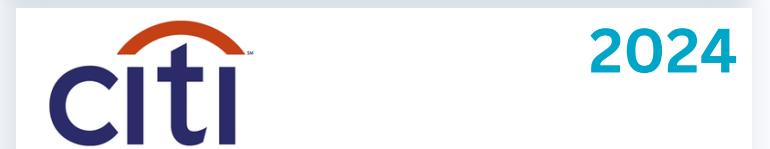
HSBC has introduced tokenized gold products for retail clients in Hong Kong, becoming the first bank to create a blockchain-based RWA aimed at the retail marketplace



Deutsche Bank joins the Monetary Authority of Singapore's Project Guardian to explore asset tokenization, alongside Citi, Fidelity, OCBC, and JPMorgan



UBS launched a tokenized warrant on the Ethereum blockchain in Hong Kong



Citibank tested the tokenization of private equity funds on the Avalanche network



The Canton pilot, involving 15 asset managers, 13 banks, 4 custodians, and 3 exchanges, enabled seamless transactions and settlements of tokenized assets

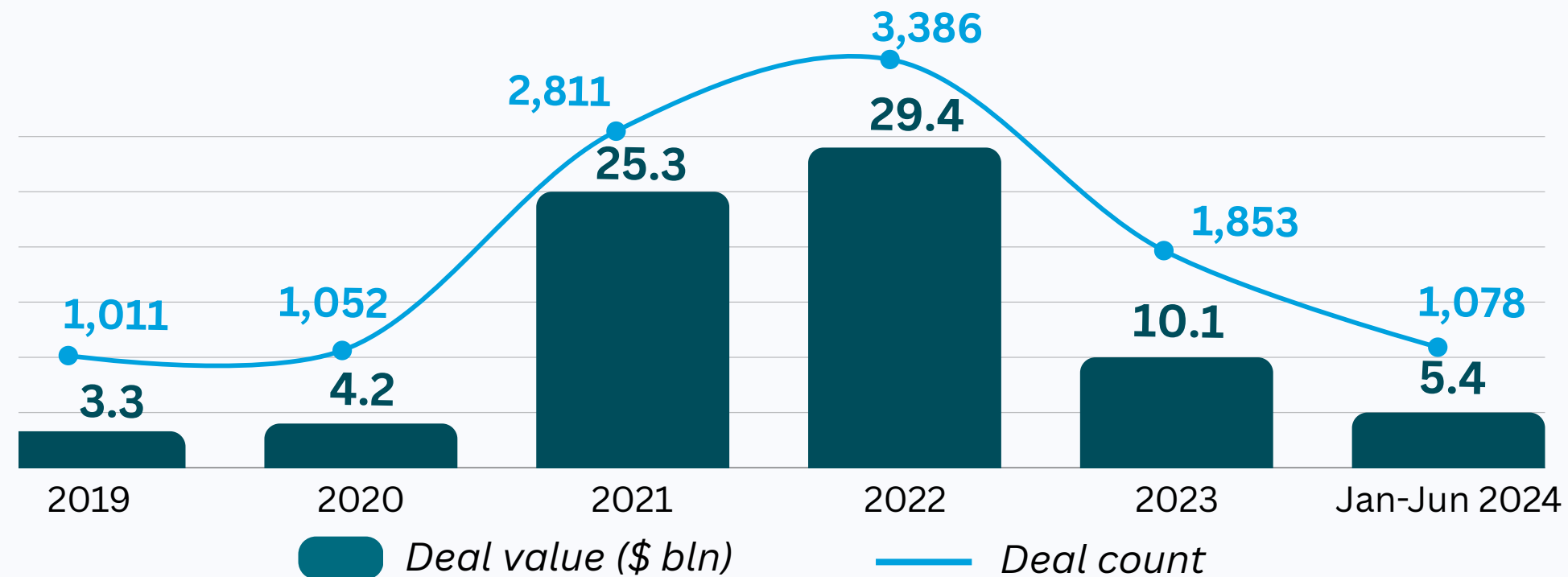


BlackRock launched its first tokenized fund on Ethereum, "BUIDL", in partnership with Securitize. The fund invests in cash, U.S. Treasury bills, and repurchase agreements

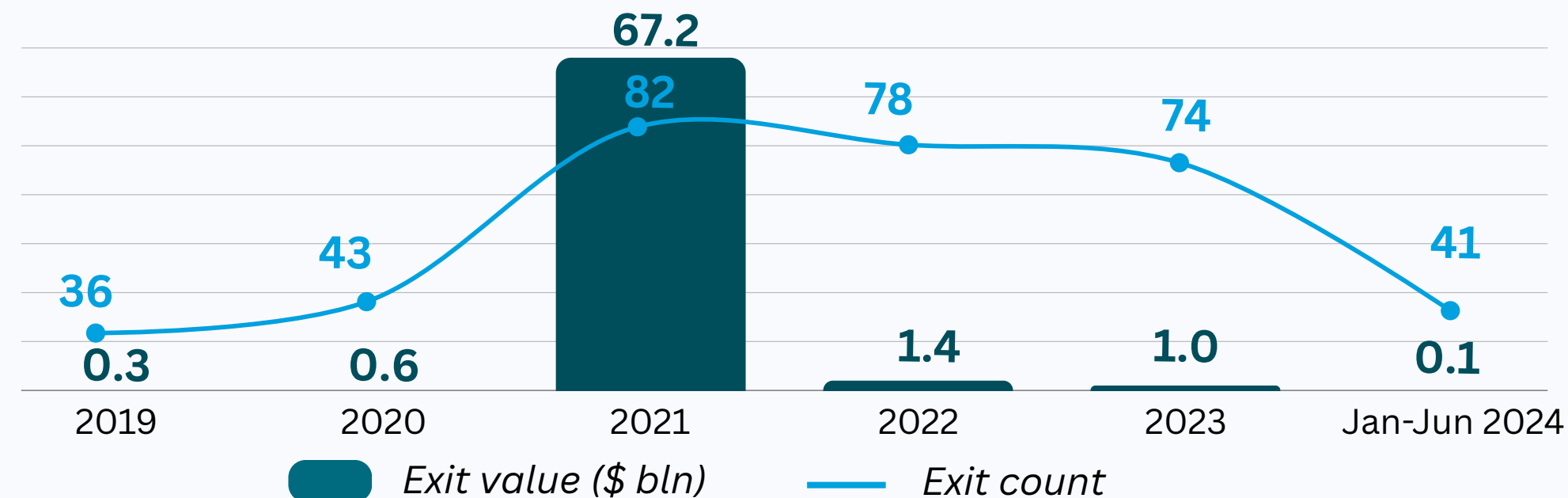
Source: Digitalassetresearch; DAR RWA Tokenization Report, April 2024; Binance Research, Real-World Assets: State of the Market; Rise Research analysis

## Global crypto VC deal activity

Global crypto VC deal activity, 2019-2024



Global crypto VC exit activity, 2019-2024



“Following the intense interest in digital assets seen during the 2018-2020 period, **market demand has significantly declined**. This shift is evident in the reduced number of client inquiries and service requests we are receiving for digital asset-related solutions, with those requests now being **more refined and result-oriented**”.

Konstantin Aushev  
KPMG Caucasus and Central Asia



*“The landscape for raising capital via digital assets is at a crossroads. **Strict regulations** in many countries have **diminished their advantages**, equating them with traditional methods. While **some benefits** remain for **cross-border transactions**, they **aren’t enough to drive ICO and STO** growth. On the positive side, tokenization holds potential for **regulated crowdfunding** to support small and medium-sized businesses. However, finding the right **balance between oversight and innovation** remains a challenge for regulators and stakeholders alike”.*

Kairat Kaliyev  
Freedom Horizons



*“Rapid, purposeful digitalization across Central Asia presents exciting opportunities for the **adoption of blockchain as a technology** underpinning and interlinking sectors **from finance to healthcare to energy and agriculture**. The challenges to scaling are those with which we are familiar globally: achieving **technical interoperability** and **regulatory clarity** through the creation of consistent definitions and standards. Realizing blockchain technology's transformative potential requires balanced, multi-stakeholder engagement to develop and implement **robust, compatible frameworks**”.*








Sandra Ro  
Global Blockchain Business Council



*“We are in a time of significant change in finance, driven by blockchain and cryptocurrency technologies. **The global digital asset market is steadily growing, including in Central Asia**. Mastercard’s solutions, such as **cryptocards** and **Multi-Token Network platform**, connect traditional finance with cryptocurrencies, ensuring secure and compliant transactions. These innovations create new opportunities for users and businesses”.*

Sanzhar Zhamalov  
Mastercard Kazakhstan and Central Asia

# The global crypto adoption index

|               |   |               | Rank 2024 | △ 2022-2024 |
|---------------|---|---------------|-----------|-------------|
| Top 5 leaders |    | India         | 1         | +4          |
|               |    | Nigeria       | 2         | +10         |
|               |    | Indonesia     | 3         | +17         |
|               |    | United States | 4         | +1          |
|               |   | Vietnam       | 5         | -5          |
| CCA region    |  | Uzbekistan    | 33        | +54         |
|               |  | Kazakhstan    | 57        | +5          |
|               |  | Georgia       | 54        | -17         |
|               |  | Kyrgyzstan    | 76        | +1          |
|               |  | Armenia       | 77        | -2          |
|               |  | Azerbaijan    | 92        | +17         |



*“Kazakhstan and Central Asia as a whole are in strong competition with other crypto hubs such as Dubai, Singapore, or Hong Kong in Asia; Switzerland/ Liechtenstein, Berlin, London, or Malta in Europe; or San Francisco in North America. In such a dynamic environment, it is difficult to predict who will win the race in the end”.*

Jochen Biedermann  
The World Alliance of International Financial Centers



# Taxonomy and legal definition of digital assets in the CCA region\*



Digital asset is property created in electronic-digital form with the assignment of a digital code, including the use of cryptography and computer calculations, registered and provided with the immutability of information based on the technology of a distributed data platform

**Law “Digital Assets in the Republic of Kazakhstan”**



Digital asset is a digital representation of value that: can be digitally traded and functions as (a) a medium of exchange; or (b) a unit of account; or (c) a store of value, can be exchanged back-and-forth for fiat currency, but is neither issued nor guaranteed by the government of any jurisdiction, and fulfills the above functions only by agreement within the community of users of the digital asset; and accordingly, is to be distinguished from fiat currency and e-money

**AIFC GLOSSARY**



Crypto-asset is defined as a property right, represented by a set of digital records in a distributed data ledger, which has value and an owner. "Token" is a type of crypto asset that serves as a unit of account in a distributed data ledger, used to certify an obligation or property right over a specific asset, managed through a smart contract. *Tokens are further categorized into secured (Investment Token, Asset-Backed Token, Commodity Token, Stable Token) and unsecured (i.e. Utility Tokens) types*

**Presidential Resolution No. RP-3832  
NAPP Order No. 3397**



A virtual asset is a digital representation of value that is interchangeable and non-unique, can be digitally traded or transferred, and can be used for investments and/or payment purposes. A virtual asset does not include digital representation of fiat currencies, securities, or other financial instruments. A convertible virtual asset is a virtual asset that has an equivalent market value in national or foreign currency, another virtual asset and/or financial instrument, into which it can be exchanged

**Organic Law “About the National Bank of Georgia”**



A virtual asset is a set of data in electronic-digital form that holds value, representing a digital expression of value and/or a means of certifying property and/or non-property rights. It is created, stored, and circulated using distributed ledger technology or similar technology, and is not a monetary unit (currency), a means of payment, or a security

**Law on “Virtual Assets”**



Crypto asset is a cryptography-based asset that holds value or certifies a right, which can be transferred and stored exclusively through electronic means via distributed ledger technology\*\*

**Draft Law “On Crypto Assets”**



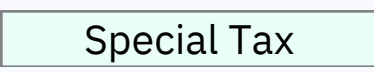
\*Some definitions have been translated independently by the authors (from state languages). For a more accurate definition, it is necessary to refer to the original sources





























\*\*As this is still a draft law, the final legal definition may be subject to change



# Regulation and Taxation at glance (as of 01.10.2024)

*Not exhaustive*

 In place    
  Active Engagement    
  Special Tax

|  | <br><b>Kazakhstan</b> | <br><b>Uzbekistan</b> | <br><b>Kyrgyzstan</b> | <br><b>Georgia</b> | <br><b>Armenia</b> |
|--|--|--|--|---|---|
| Regulatory framework for DAs             |                       |                       |                       |                    |                    |
| Licensing/registration regime for DASPs  |                       |                       |                       |                    |                    |
| Licensing/registration authority         |                        |                       |                       |                    |                    |
| DAs taxation peculiarities*              | VAT-exempt   | Tax-exempt<br>(until Jan 1, 2029)  | VAT-exempt   | VAT-exempt<br>Personal income tax - 0%  |                   |
| Special tax on DASPs                     | Digital assets exchanges -<br>general tax rule;<br>Other DASPs - CIT exempt<br>(until 2066)              | Monthly fixed fees<br>(vary by provider type)  | General tax rule   | General tax rule  |                  |
| Licensing/registration regime for mining |                     |                     |                     |   |   |
| Licensing/registration authority         |                      |                     |                     |   |   |
| Special tax on mining                    | General tax rule**<br>+ digital mining fee (per<br>kilowatt-hour)  | Monthly fixed fee  | 10% (based on electricity<br>consumption)  | General tax rule  | General tax rule  |

Source: RISE Research analysis

\*This section highlights certain tax features, such as exemptions from specific taxes. The information is not exhaustive and should not be considered tax advice

\*\*There is a specific corporate income tax (CIT) calculation for mining-pools and miners

# Digital assets ecosystem players in the Central Asia and Caucasus region (1/2)

*Not exhaustive*

## Regulators/ Authorities\*



## Crypto Exchanges



## DASPs & Blockchain Projects



## Blockchain Developers



## Supporters



Kazakhstan



Georgia



# Digital assets ecosystem players in the Central Asia and Caucasus region (2/2)

*Not exhaustive*

| Regulators/<br>Authorities  | Uzbekistan                                       | Kyrgyzstan   | Armenia                                      |
|---|--|--|--|
| Regulators/<br>Authorities  |  |  |  |
| Crypto<br>Exchanges   | <br>   | <br><br>   | <br><br><br><br><br>                         |
| DASPs &<br>Blockchain<br>Projects   | <br><br><br><br><br><br><br><br><br><br><br><br> | <br><br><br><br><br><br><br><br><br><br><br><br><br><br><br><br> | <br><br><br><br><br><br><br><br><br><br><br> |
| Blockchain<br>Developers  | <br><br><br><br><br>                             | <br><br><br><br><br>   | <br><br><br><br><br><br><br><br><br><br><br> |
| Supporters  | <br><br>   | <br><br><br>   | <br>   |
| <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;"> <p><b>Uzbekistan</b></p> </div> <div style="text-align: center;"> <p><b>Kyrgyzstan</b></p> </div> <div style="text-align: center;"> <p><b>Armenia</b></p> </div> </div> |  |  |  |

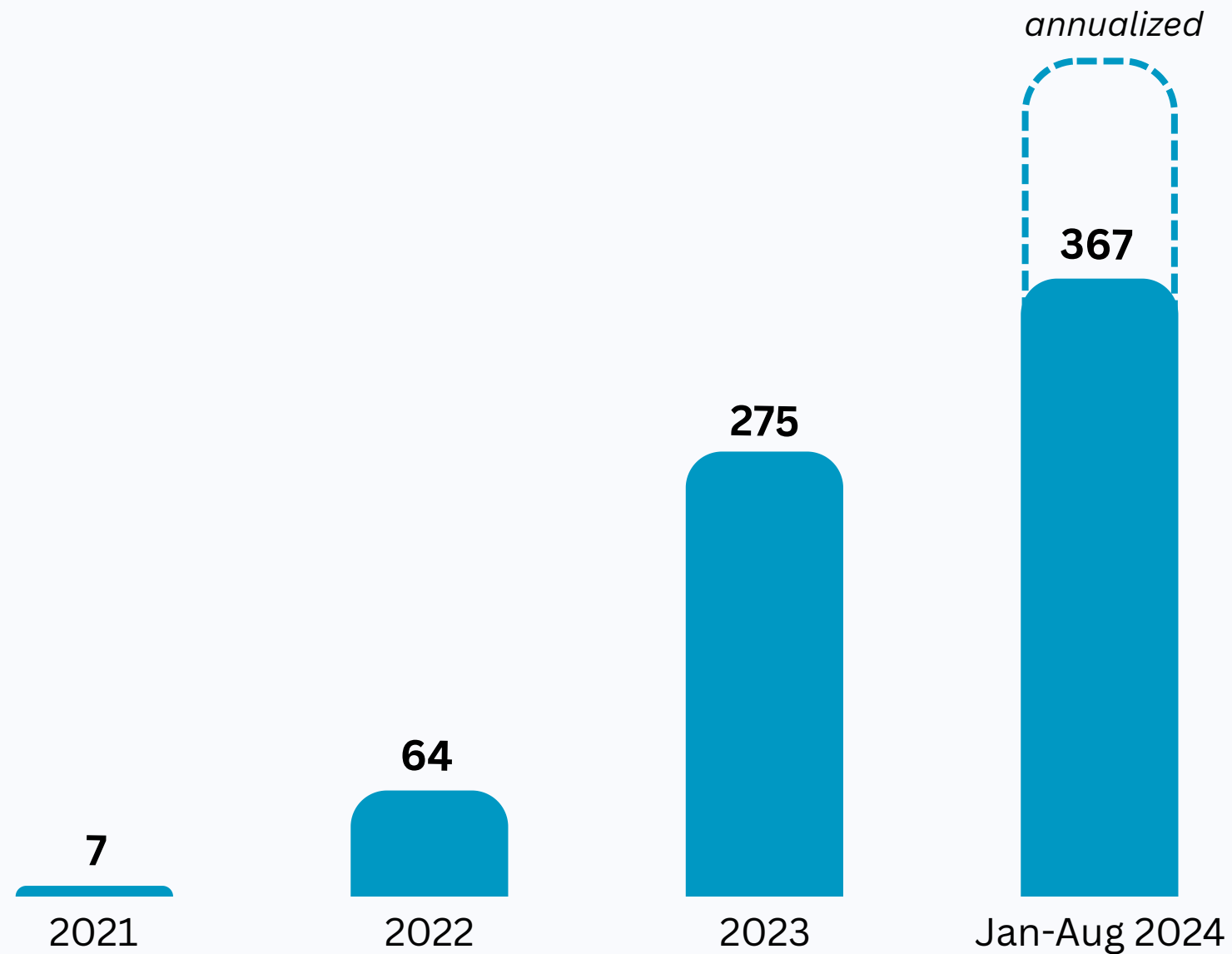
# Kazakhstan





Revenue to the state budget from DASPs\* licensed in the AIFC shows steady annual growth and may reach \$500,000 by year-end. Meanwhile, annual budget revenue from mining, though significantly higher, fluctuates due to changes in tax policies and electricity shortages

Annual tax revenue from digital assets activity in AIFC, \$ thousands, 2021-2024



Annual tax revenue from mining and mining pool activities in Kazakhstan, \$ mln, 2022-2024

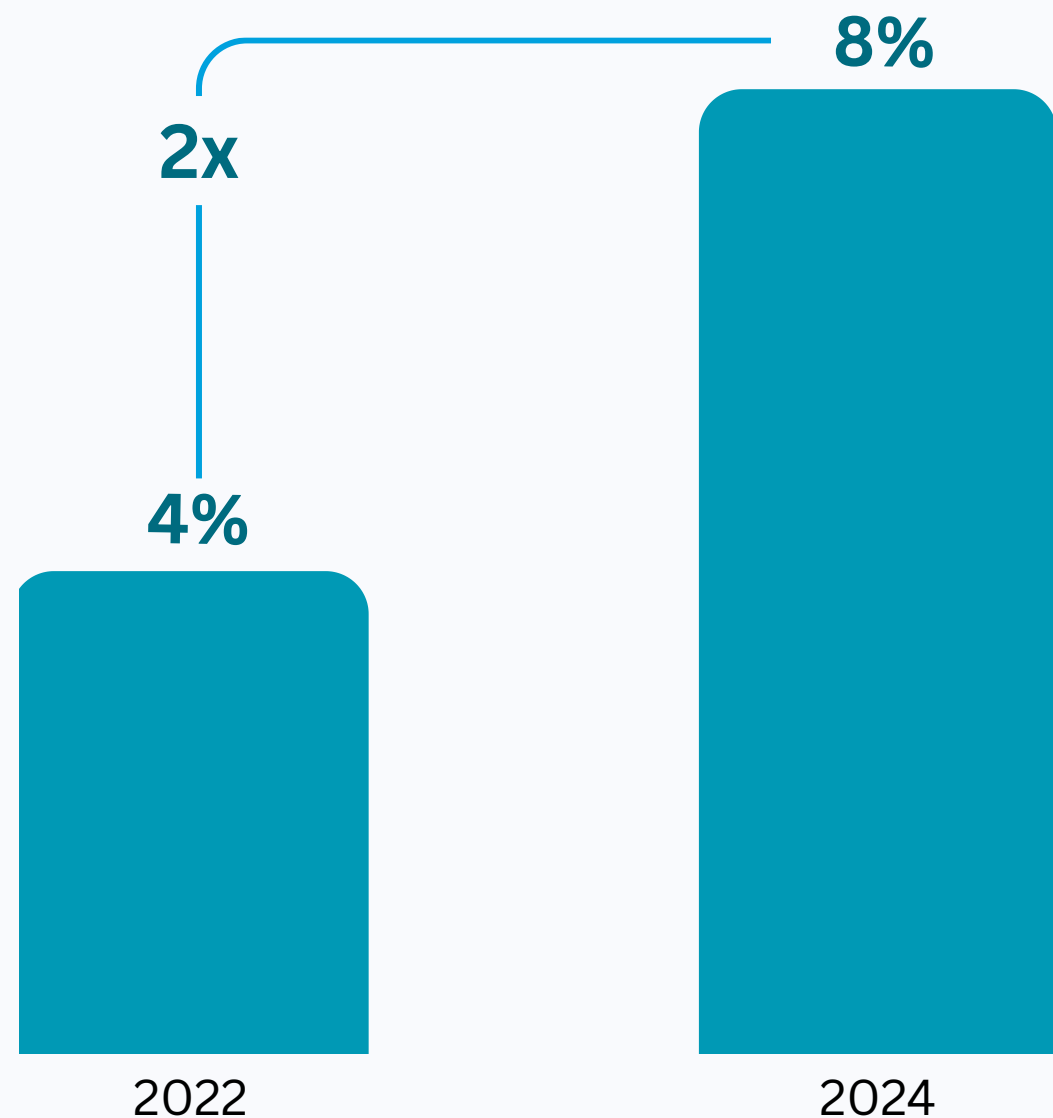






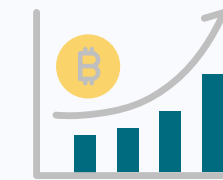
# Kazakhstan lacks official data on cryptocurrency penetration, and estimates vary. Experts suggest that around 4% of the population may have owned cryptocurrencies in 2022, with this figure reaching up to 8% by 2024

Crypto penetration rate in Kazakhstan, 2017-2024



There is currently no official unified source of data on cryptocurrency penetration in Kazakhstan, and estimates vary. According to an IMF report, the penetration rate is around **5%**, while expert interviews suggest a range between **5% and 8%**. In November 2024, the National Bank of Kazakhstan indicated that over **1.5 mln** citizens may be involved in the global circulation of crypto assets outside the AIFC's jurisdiction. Including users within the AIFC, the estimated penetration rate could approach **8%**.

## Reasons why residents in Kazakhstan hold crypto assets:



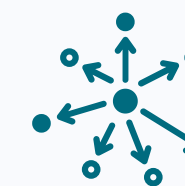
the growth of crypto markets



growing interest in holding crypto assets for speculative or investment purposes



a belief that the underlying technology could create efficiencies, transparency, and financial inclusion

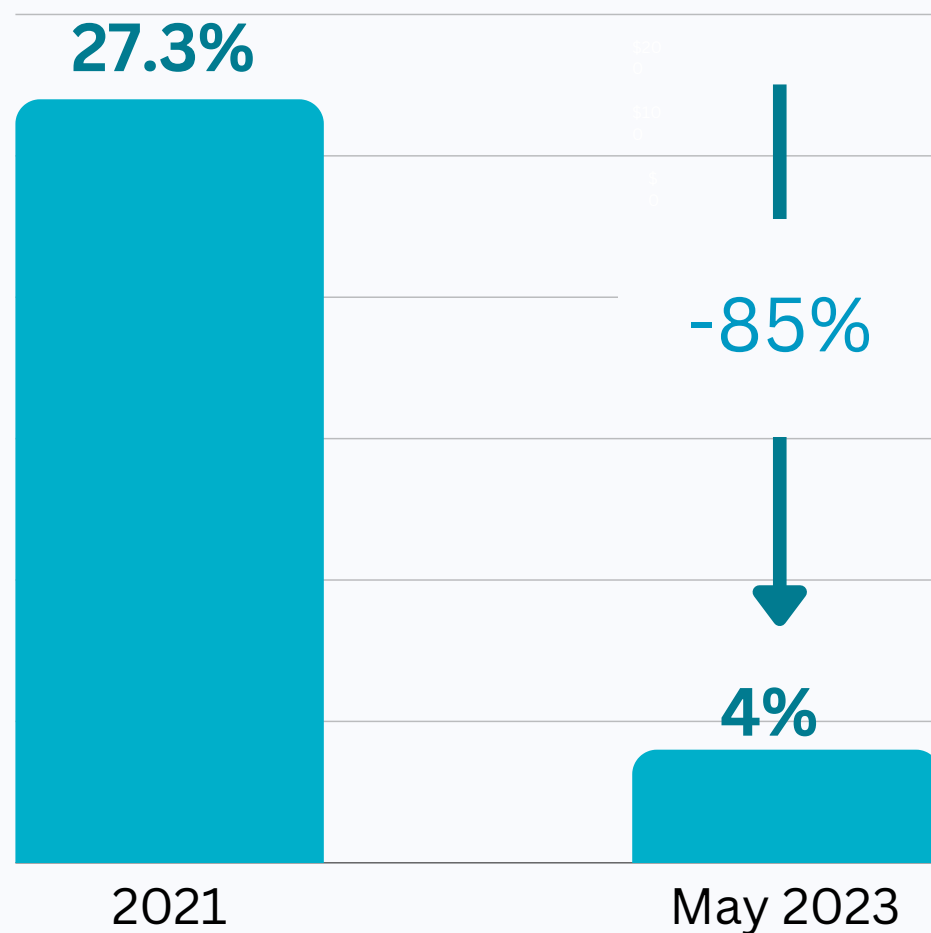


the possibility of high yields, particularly through decentralized finance

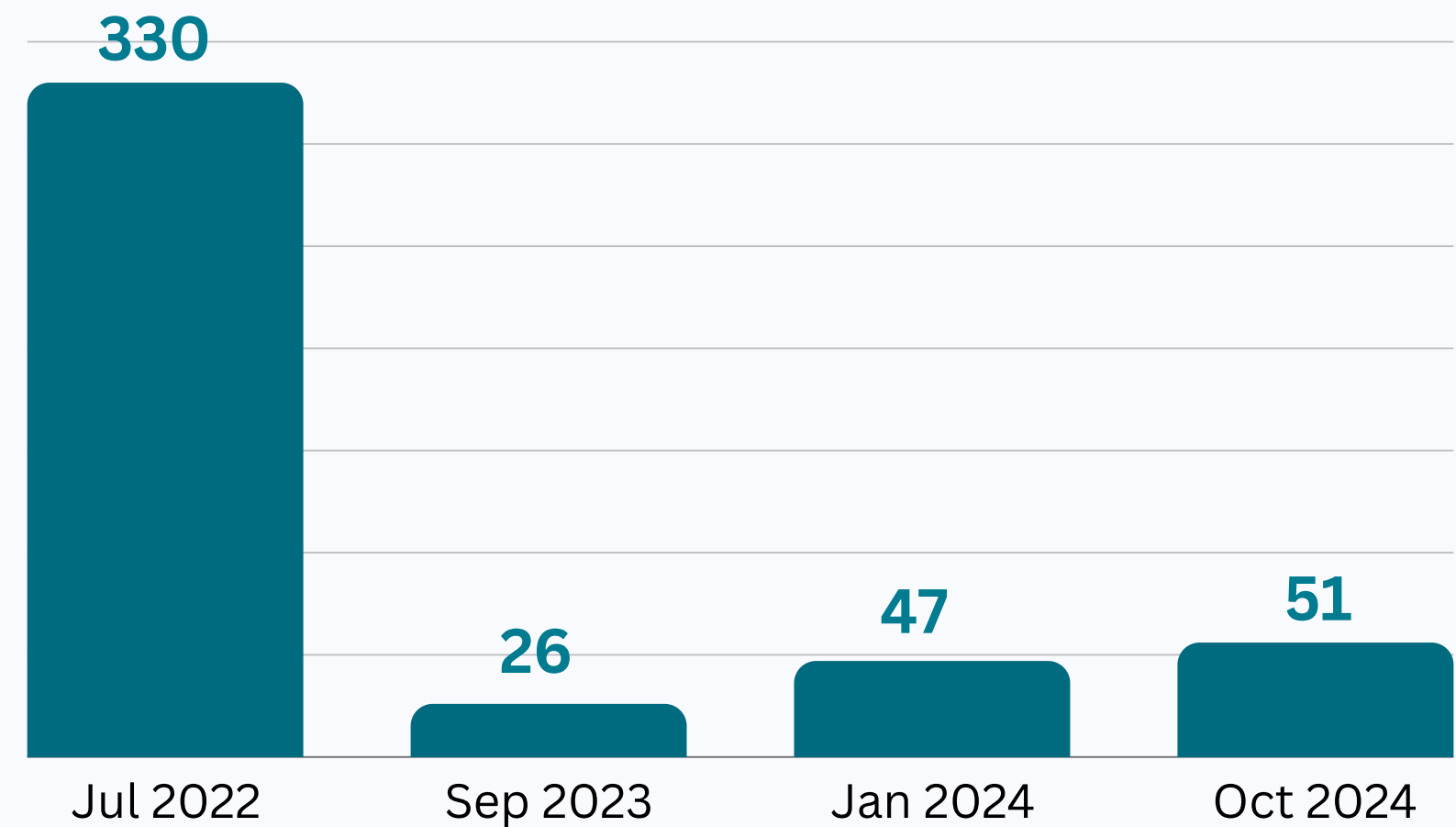


At its peak in October 2021, Kazakhstan accounted for 27.3% of the global Bitcoin hashrate, becoming the 2nd largest producer. However, the market later contracted due to mining restrictions and increased regulatory oversight over energy consumption and crypto risks

Kazakhstan’s average hashrate share, 2021 vs 2023



Number of mining organizations, 2022-2024

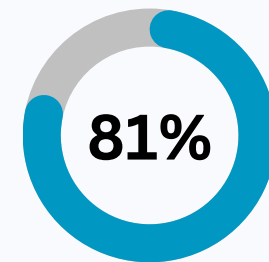




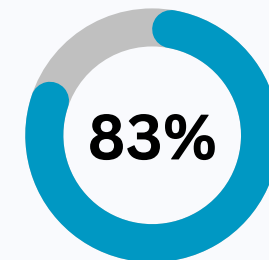
# Another reason for the limited crypto market size is Kazakhstan's advanced fintech sector, which offers sophisticated banking services, digital payments and currency exchanges



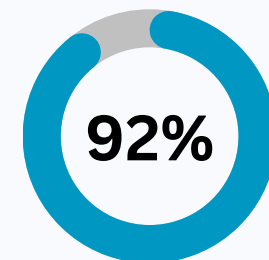
**Banking penetration**  
(2021)



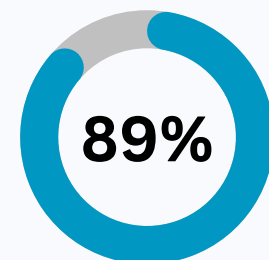
**Smartphone adoption**  
(2023)



**Internet penetration**  
(2024)



**Share of cashless payments**  
(May 2024)



**Opening of bank account**

**<3 min**

Average time to open a bank account online



**Digital lending**

**~2 min**

Average time to get online lending approved



**GovTech**

**<1 hour**

Average time for providing composite services online (for example, purchasing and re-registering a car)



**International transfer**

**<1 hour**

Average time for the settlement of an international transfer



# Timeline of key events and regulations

*Not exhaustive*

## 2018-2021

### Crypto mining boom

Crypto activities in Kazakhstan, primarily focused on mining, saw steady growth from 2017, driven by rising global crypto prices. The sector surged in May 2021 after China imposed restrictions and eventually banned crypto activities

## 2021-2022

### Crypto mining crackdown

In 2021, crypto mining consumed up to 7% of the country's energy, contributing to power shortages. The government shut down illegal "grey" miners and restricted electricity access for legal "white" miners. Following the collapse of TerraUSD and falling crypto prices, 70% mining companies left Kazakhstan

## 2022-2024

### Regulatory shift & emerging use cases

The AIFC broadened regulations on stablecoins and tokenization, leading to new use cases, while banks and the Digital Tenge pilot advanced financial initiatives

▶ **Jan'18:** The official launch of all AIFC bodies, affiliated organizations, and the regulatory sandbox

▶ **July'19:** The Law "On Amendments and Additions to Certain Legislative Acts of the RK on the Regulation of Digital Technologies." It defines digital assets, including tokens and cryptocurrencies, and legalizes mining and blockchain technologies

▶ **Dec'20:** KEGOC's restriction or reduction of power supply to mining companies in case of electricity shortages

▶ **Jan'21:** Kazakhstan's Tax Code introduced a digital mining fee starting January 1, 2022, charging 1 tenge per kWh of electricity used in mining operations\*

▶ **June'22:** AFSA, together with MDAI, NBK, and ARDFM, launched a pilot project to develop the crypto asset market, allowing crypto circulation within the AIFC through local exchanges and commercial banks

▶ **Apr'23:** The Law of the RK "On Digital Assets" banned the use of unsecured digital assets, stablecoins, and security tokens (except for the AIFC), while allowing regulated crypto mining. Miners must register and will gradually be required to deposit 75% of their rewards on AIFC-registered exchanges

▶ **Feb'23:** Amendments to the Law "On Digital Assets"

▶ **Oct'23:** The first tokenization project by Intebix, Mastercard, and Airba Pay

▶ **Jan'24:** AFSA introduced its first Stablecoin framework

▶ **Plans:** Issuance of a stablecoin in collaboration with a commercial bank

▶ **Plans:** Issuance of a crypto card in collaboration with a commercial bank in a sandbox environment



## Kazakhstan has a dual regulatory framework for digital assets: the National law that generally prohibits unsecured digital assets, while allowing them in the AIFC, which functions under its own jurisdiction to promote flexibility and innovation



According to Kazakhstan's Law on Digital Assets, digital assets are categorized as:

- Secured (backed) digital assets;
- Unsecured (unbacked) digital assets

**The issuance and circulation of unsecured digital assets are prohibited in Kazakhstan**, except within the jurisdiction of the Astana International Financial Centre.

The Ministry of Digital Development, Innovations, and Aerospace Industry supervises:

- licensing of digital assets mining activities;
- the issuance and circulation of secured (backed) digital assets;
- intersectoral coordination in the field of digital assets



The Astana International Financial Centre, located in Astana, Kazakhstan's capital, operates under its own jurisdiction with a special legal framework based on English common law principles



The AIFC's financial regulator, the Astana Financial Services Authority, oversees both traditional financial services and activities related to digital assets, including the regulation of Digital Asset Service Providers.

To promote innovation, AFSA offers a regulatory sandbox - FinTech Lab, where companies can test cutting-edge initiatives, including digital asset ventures





## Industry players: regulators and authorities

### MDAI

Ministry of Digital Development, Innovations and Aerospace Industry

coordinates Kazakhstan's digital assets industry and oversees crypto mining and secured digital assets

### NBK

National Bank of Kazakhstan

is tasked with regulating payment systems, including any potential future digital assets payments infrastructure, as well as considering the macro financial implications of digital assets

### ARDFM

Agency for Regulation and Development of the Financial Market

regulates banks serving digital assets exchanges and ensures financial integrity

### NPCK

National Payment Corporation of Kazakhstan

works on the development of a Digital Tenge project. This initiative aims to enhance the country's financial ecosystem and streamline digital transactions while promoting innovation in the payment sector

### AFM

Agency for Financial Monitoring

combats violations in the digital assets sphere and investigates cases of the illicit use of cryptocurrency

### AFSA

Astana Financial Services Authority

regulates and supervises digital asset service providers, working closely with its domestic partners (regulators and authorities)

### AFSA FinTech Lab

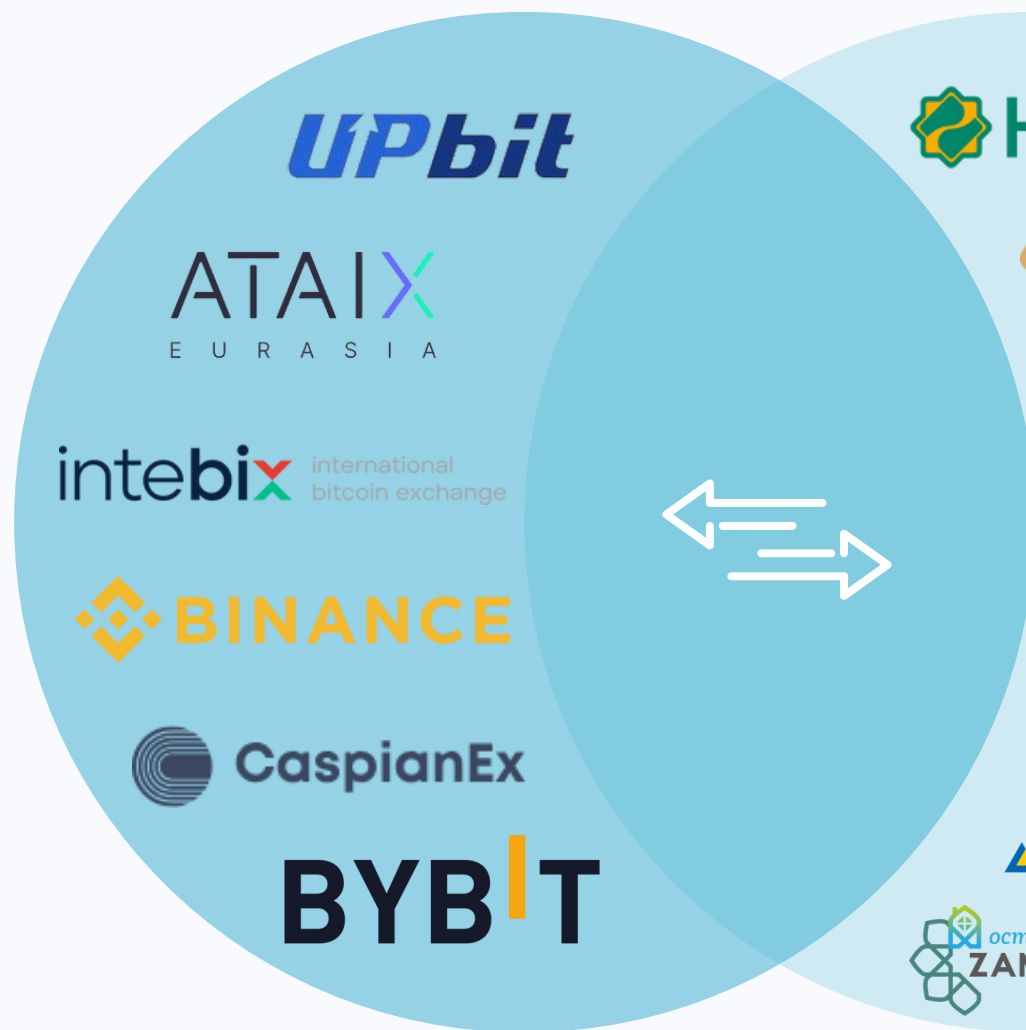
FinTech Lab at Astana International Financial Centre

regulatory sandbox that provides an environment for entities to test and develop fintech driven innovations in a live market while benefitting from some regulatory reliefs and exemptions



# From June 2022 to January 1, 2024, a pilot project on interaction of AIFC crypto exchanges with commercial banks engaged 6 crypto exchanges and 8 second-tier banks, shaping regulations for digital asset activities

## Licensed crypto exchanges



## Second-tier banks

## Project results:



**63k+**  
transactions



**\$239M**  
turnover



**53k**  
clients

In June 2022, AFSA, in conjunction with domestic authorities such as the MDAI, the NBK, and ARDFM, have launched a pilot project to foster the development of a digital asset market. This project allowed the circulation of crypto assets within the AIFC through licensed local exchanges, serviced by commercial banks.

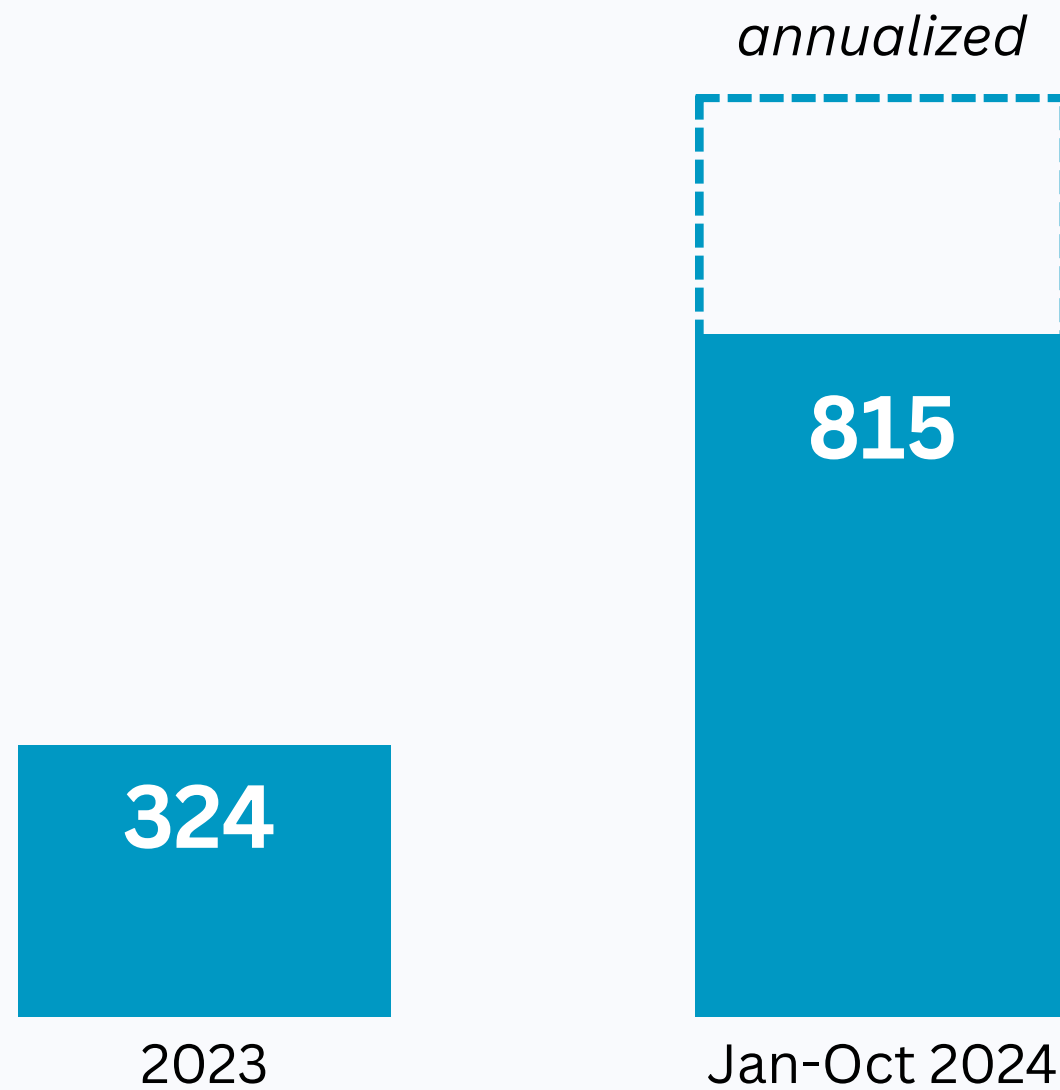
Feedback from this 1.5-year project helped shape regulations within the AIFC. Now, licensed digital asset service providers can test products like margin trading, peer-to-peer trading, derivatives, staking, NFT trading, and digital asset lending



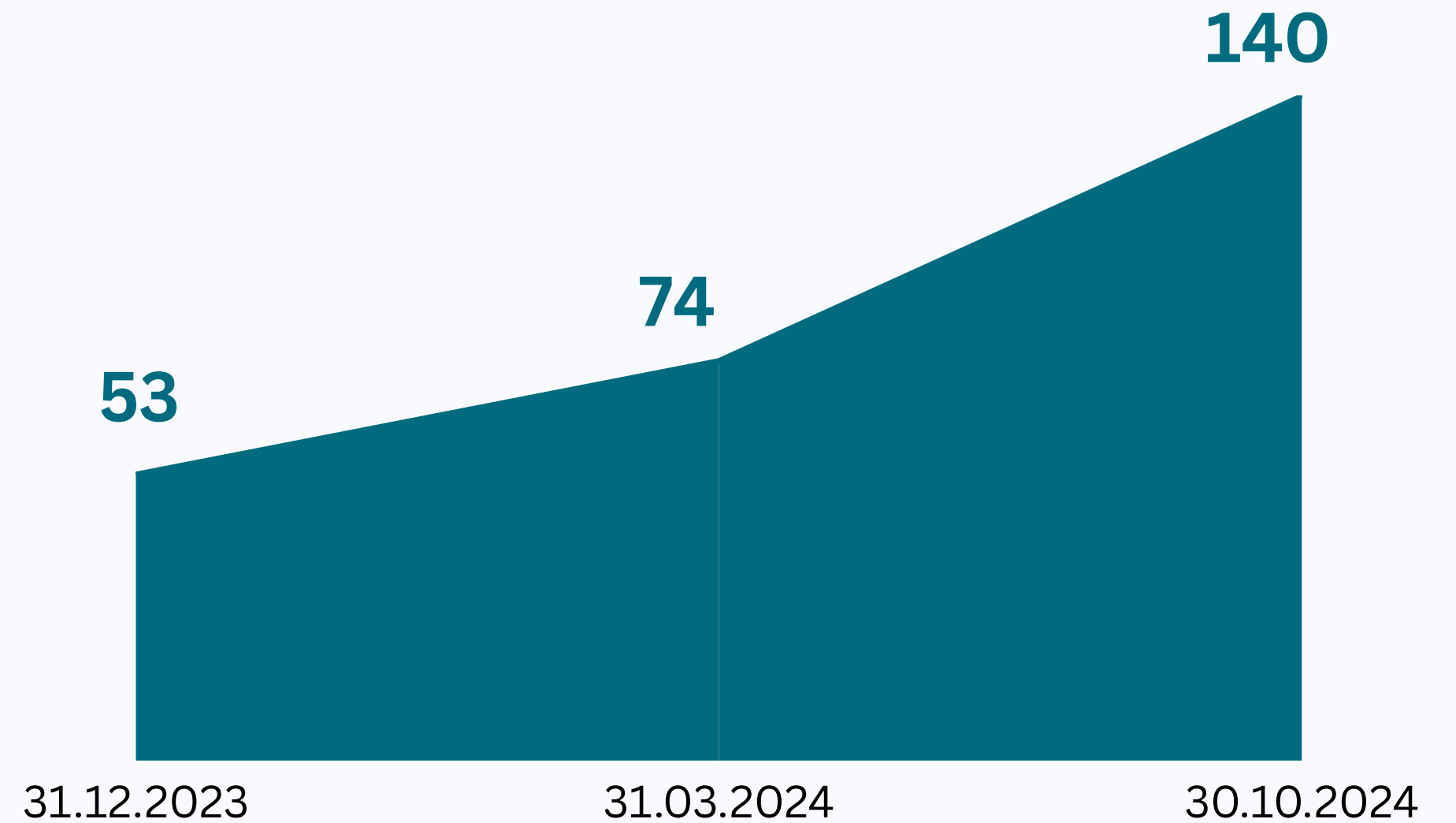
**USE CASE 1:**  
TRADING/ INVESTMENT

# Despite its relatively small size, Kazakhstan’s digital assets market demonstrates significant annual growth

The trading volume of digital asset service providers in AIFC, 2023-10M2024, \$ mln



Number of registered users on AIFC licensed exchanges, thousands





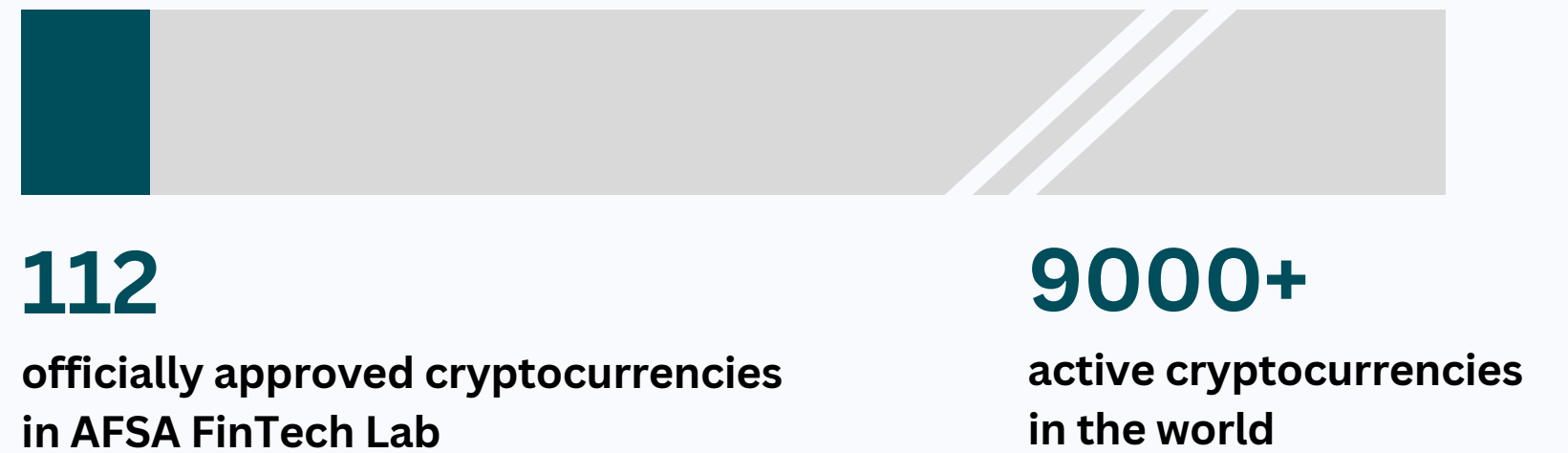
# Industry players: AIFC-registered crypto exchanges

## AIFC licensed exchanges (as of October 2024)



\*The name of Delta DA was Upbit until 2024

## Officially approved cryptocurrencies for use in AFSA FinTech Lab through licensed exchanges (as of September 2024)



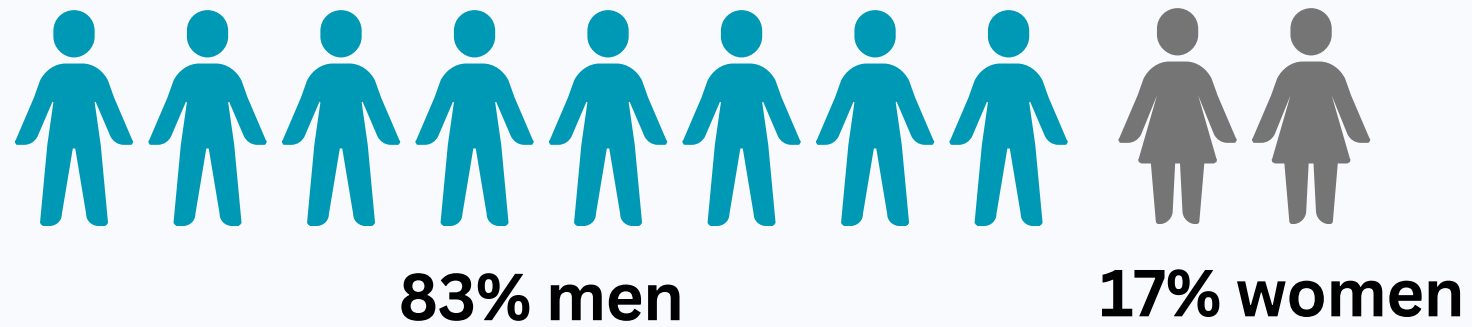
“Global trends in digital assets highlight the ongoing transformation of the financial system. The adoption of blockchain, **tokenization of real assets**, and the rise of **stablecoins** demonstrate the potential of this sector. Central Asia is advancing with regulatory development and integration with traditional finance”.

Talgat Amanbayev  
Astana International Financial Centre

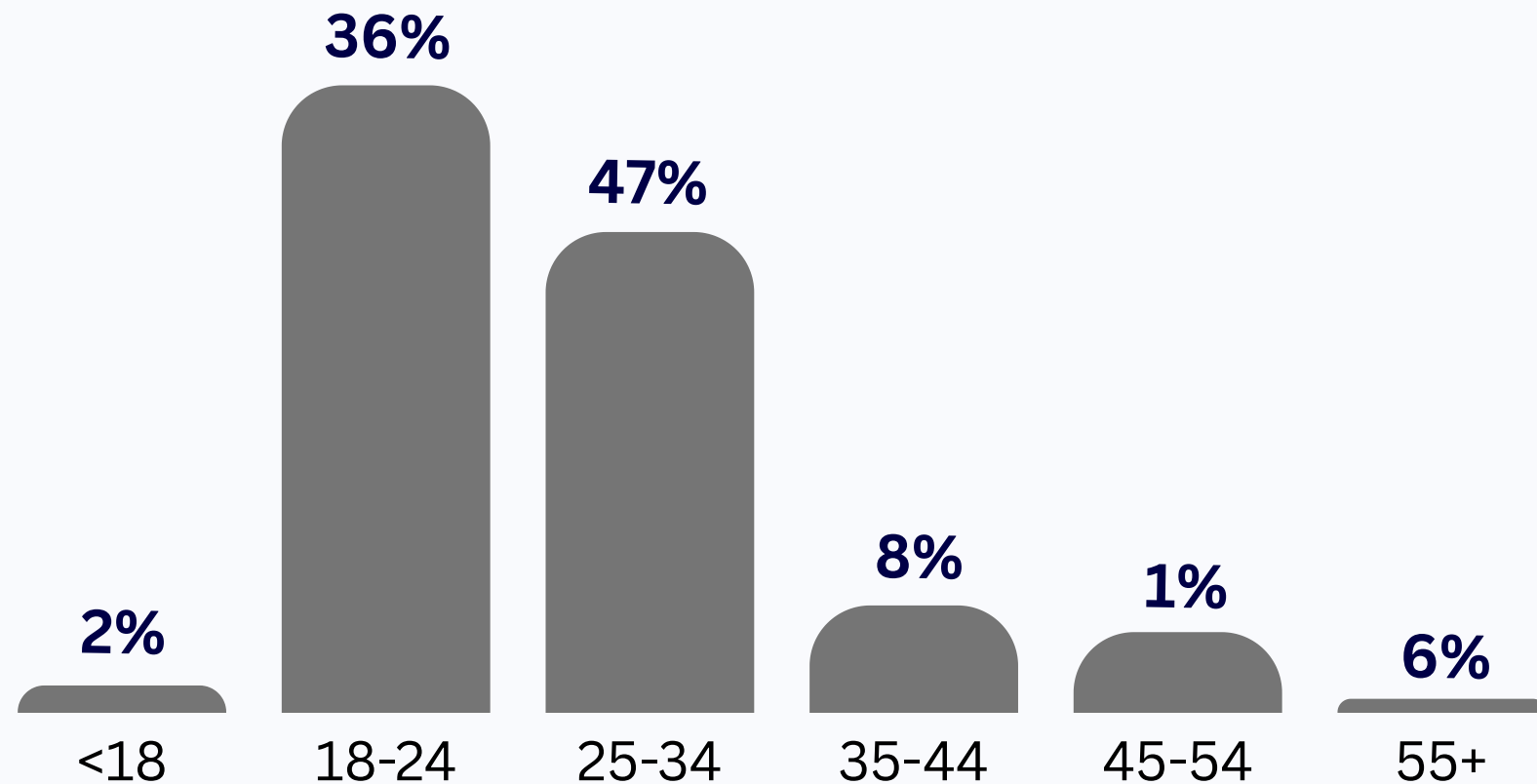


# Profile of the average cryptocurrency investor in Kazakhstan

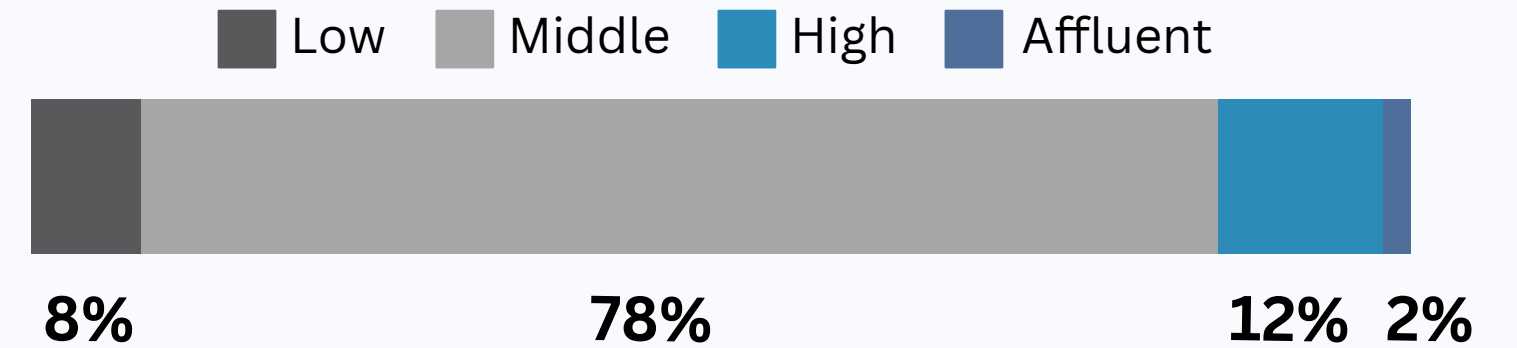
## Gender



## Age



## Income



*“The development of innovations in the financial sector is a vital part of AFSA's mandate and intrinsic to its DNA”.*

*Yerkegali Yedenbayev  
Astana Financial Services Authority*





**“Regulators could introduce 'crypto cards' for non-residents, attracting the global crypto community to Kazakhstan. The risks are minimal, as banks and exchanges conduct thorough KYC and KYT checks. It’s worth noting that Kazakhstani residents can already easily obtain 'crypto cards' from payment operators based in offshore jurisdictions”.**

Talgat Dossanov  
Intebix Kazakhstan



**“One of the main barriers we face is access to banks. Currently, *not all banks are willing to work with crypto firms* or open accounts for us because they perceive us as higher risk. Even when it comes to transferring money to our cryptocurrency exchange, some banks don’t offer support, and the money gets stuck, requiring transfers to other banks”.**

Athena Miao  
BigONE Exchange



**“The buyers' market is dominated by those purchasing crypto with fiat. *This forces market makers to seek liquidity abroad, mainly on global exchanges.* Transferring fiat through the banking system is not easy, not only in Kazakhstan but all over the world. You overcome the compliance of the local banks, but then immediately encounter issues with the correspondent banks, especially with USD wires”.**

Arutyun Poghosyan  
ATAIX Eurasia



## USE CASE 2

## TOKENIZATION

## Tokenization cases



**Mastercard**, in cooperation between **Intebix Crypto Exchange**, the **Technodom Ecosystem**, and **AIRBA**, has presented the first digital asset tokenization project in Kazakhstan. This project allows users to convert cryptocurrency into technobonuses, which can be spent within the ecosystem

**Blockstream Mining Note Series 1 (BMN1) - emission volume EUR 6.75 mln**

Bitcoin mining exposure, available for qualified investors on the Liquid Network

**Exordium Limited (EXO) - emission volume \$5.3 mln**

Security token associated with Exordium Limited, a video game company, seeking funding to develop a game called Infinite Fleet

**ALT2611 Tokenized Bond - emission volume \$10 mln**

Tokenized bond issued by Mikro Kapital giving exposure to debt and equity of micro-financing companies, small financial institutions, leasing companies, banks or credit cooperatives



**The Kazakhstan Stock Exchange (KASE)** has introduced a pilot project called "**KASE Digital**" to issue tokenized securities using distributed ledger technology



**Lazard is planning to create tokenized funds with Bitfinex Securities and SkyBridge Invest.**

The tokenized funds will be set up and issued under Kazakhstan's financial services law, under regulatory oversight of **Astana Financial Services Authority**, where SkyBridge and Bitfinex are licensed to operate. Bitfinex Securities is responsible for the tokenization process, while SkyBridge will act as broker and manager of the tokenized fund. The products will be **available to retail users**, but with certain geographic limitations, and available to be purchased with **Tether's stablecoin**. The vehicle will offer exposure in a "**fund of funds**" structure to various existing Lazard-managed funds focused on global equities and emerging market equities, which have been available only to professional investors and institutions before



**USE CASE 3**  
CBDC

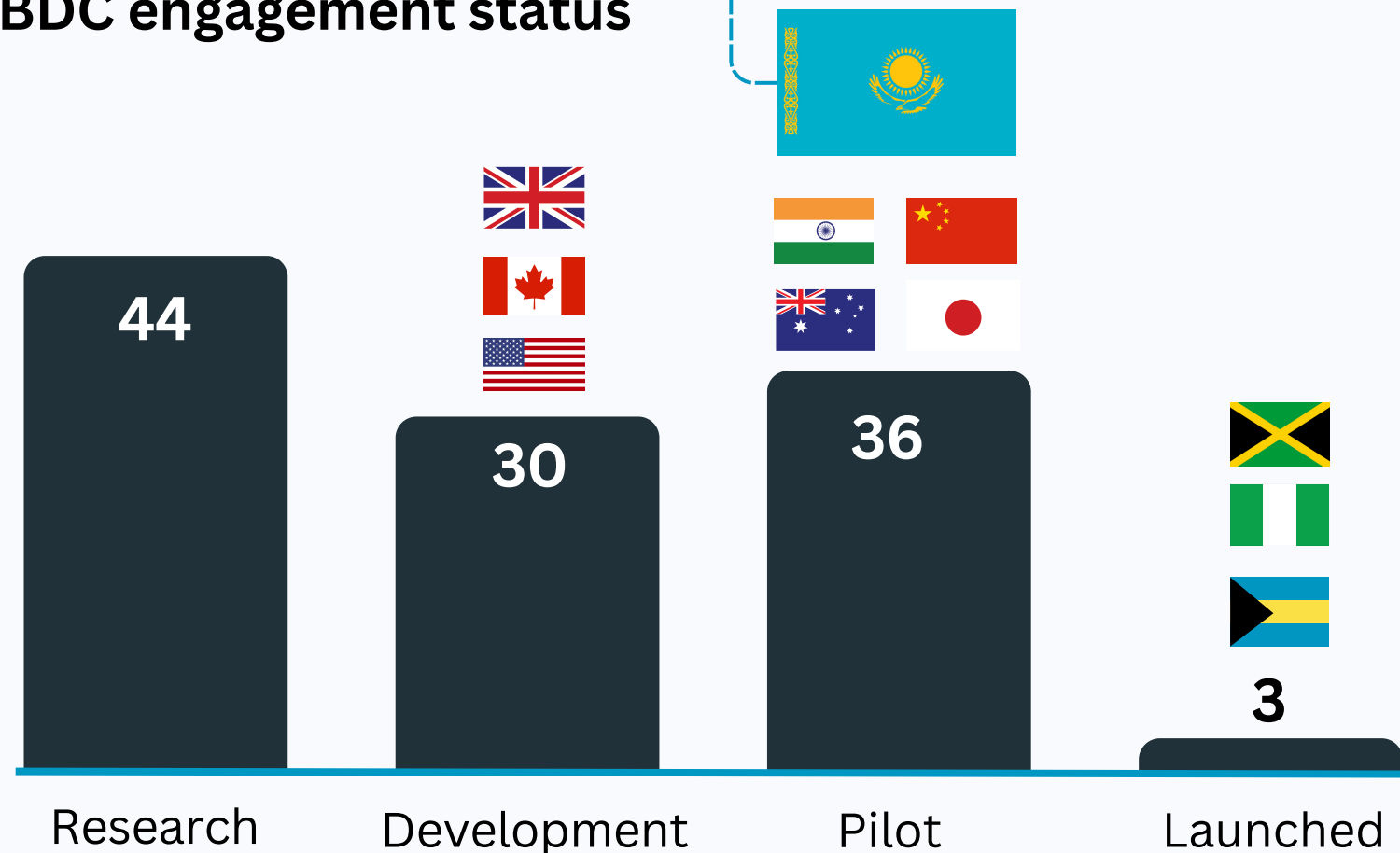
**Over 130 countries are exploring CBDCs. Kazakhstan, one of the 36 countries piloting them, offers a tangible instrument for Digital Tenge payments, unlike others that mostly use web and mobile interfaces**

Digital Tenge will be launched in 3 phases by the end of 2025

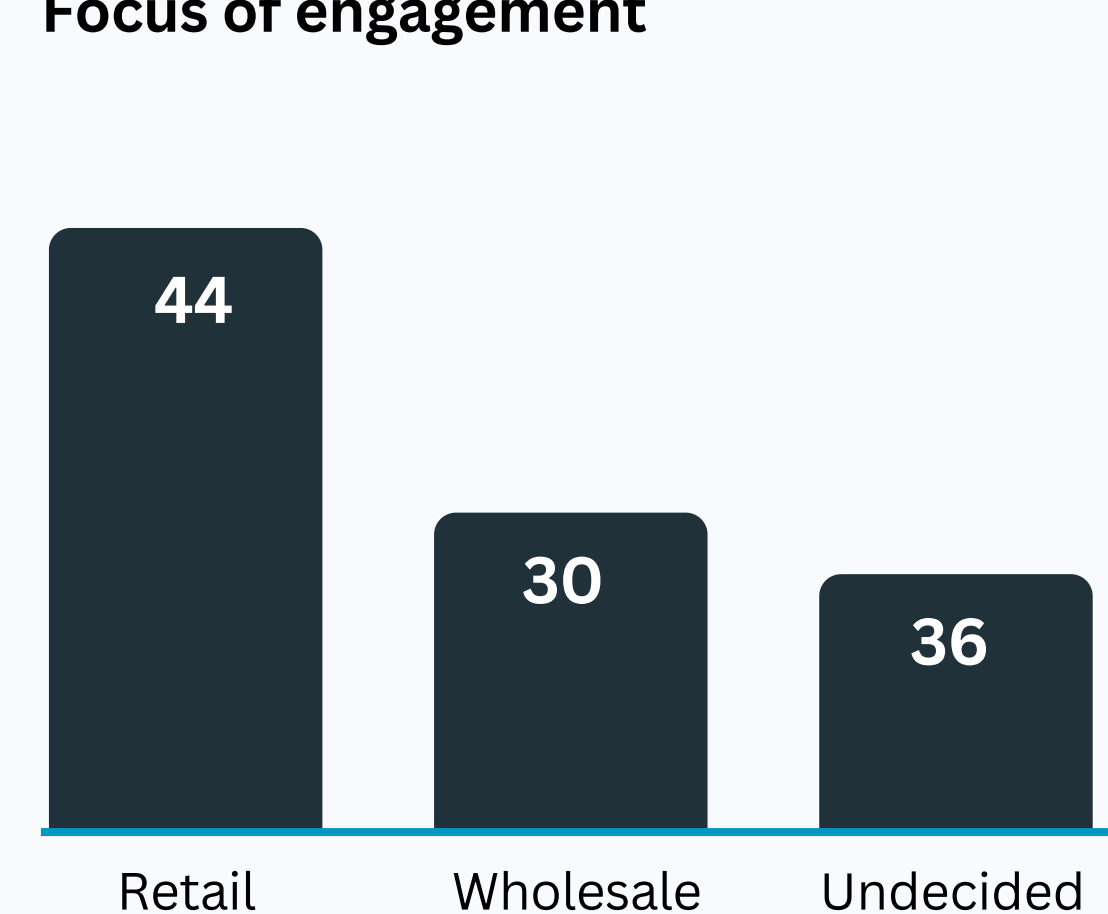
Currently bank customers in Kazakhstan can apply for virtual and plastic CBDC cards and use them for both in-store and e-commerce purchases\*

NPCK has won the Currency Research 2024 award in the Leadership in Digital Currency Adoption nomination

**Global CBDC engagement status**

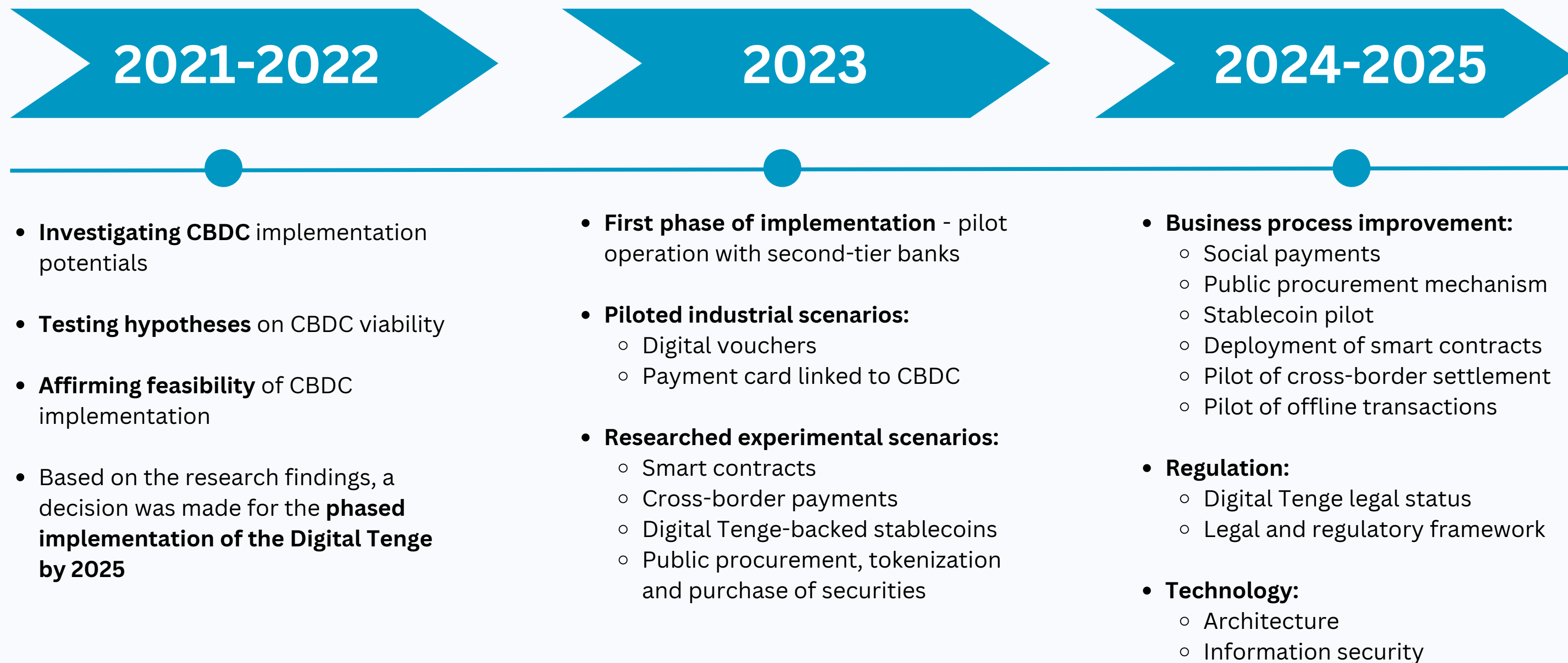


**Focus of engagement**



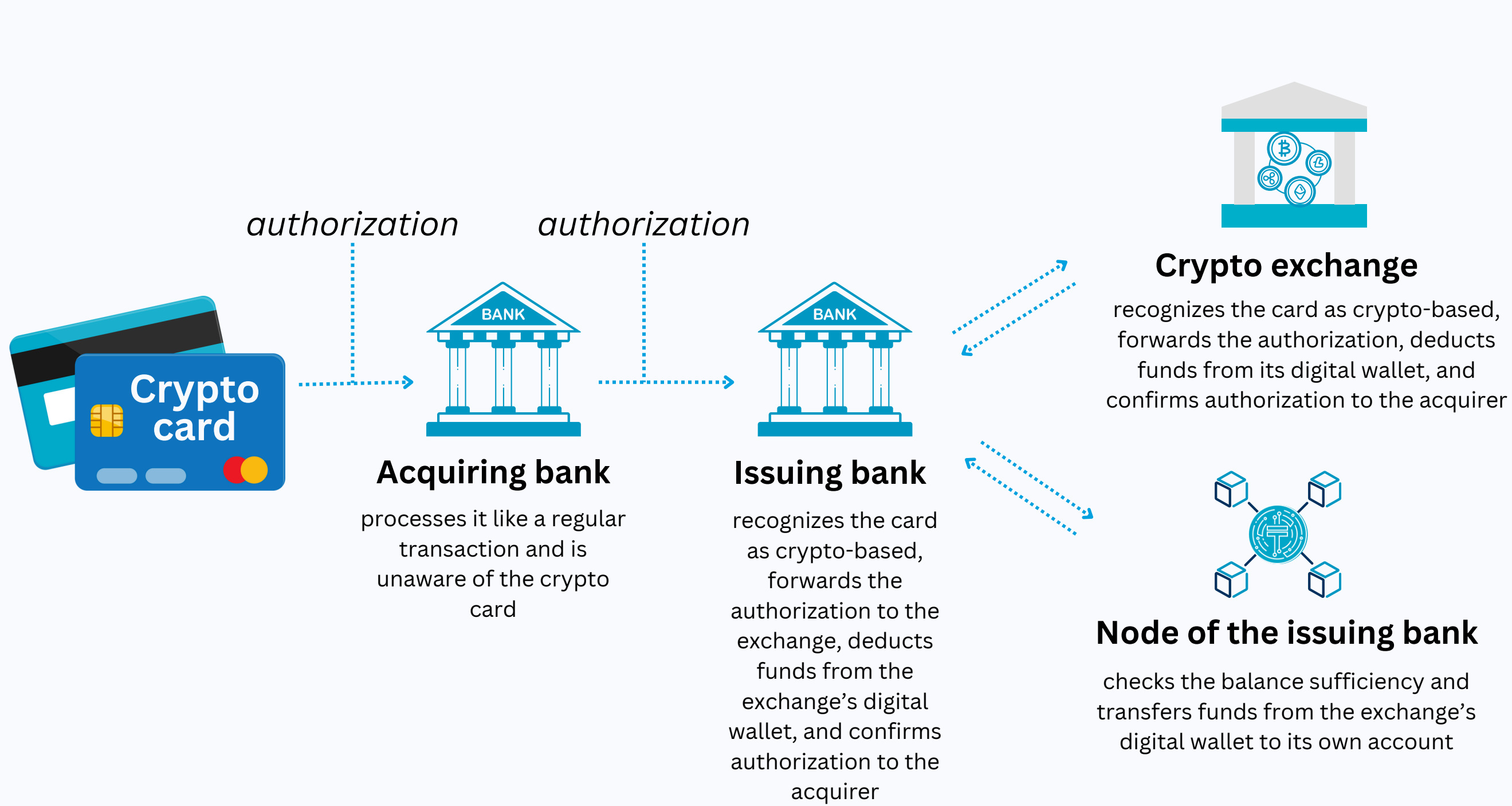


## The National Bank of Kazakhstan is among the leaders in Central Bank Digital Currency innovations worldwide, achieving rapid implementation of the Digital Tenge concept to industrial operation within three years





# The National Bank is currently working on the "Crypto Card" scenario, building on progress and pilot results from 2023. The project is expected to be ready next year



*The National Payment Corporation of Kazakhstan sees potential in developing a "crypto card" as part of the Digital Tenge project. Digital currencies could act as a **bridge between traditional finance and decentralized technologies**, providing a secure and convenient way to use digital assets in daily life and fostering collaboration between the two financial systems. We expect the system to be ready for piloting next year, enabling the first users to test "crypto cards".*

Binur Zhalenov  
NPCK





## Barriers and challenges



“One of the main **barriers** to market development in Kazakhstan is the **integration with the banking industry**. Although the AFSA has developed rules and mechanisms to facilitate cooperation between unbacked Digital Asset Exchanges and second-tier banks in Kazakhstan, adoption has been slow. The limited integration with the banking sector makes it challenging for crypto exchanges and services to offer seamless fiat-to-crypto transactions, creating an additional obstacle for broader adoption”.



“... barrier is the **general understanding of what crypto is among the public**. Most investors still feel more comfortable with traditional finance, like stocks and bonds”.

Athena Miao  
BigONE Exchange



“Some barriers to development can be **the market size, especially for market makers**. Our markets are mostly dominated by buyers, and we have very few active sellers of crypto. The issue is always finding market makers and having sustainable liquidity”.

Arutyun Poghosyan  
ATAIX Eurasia

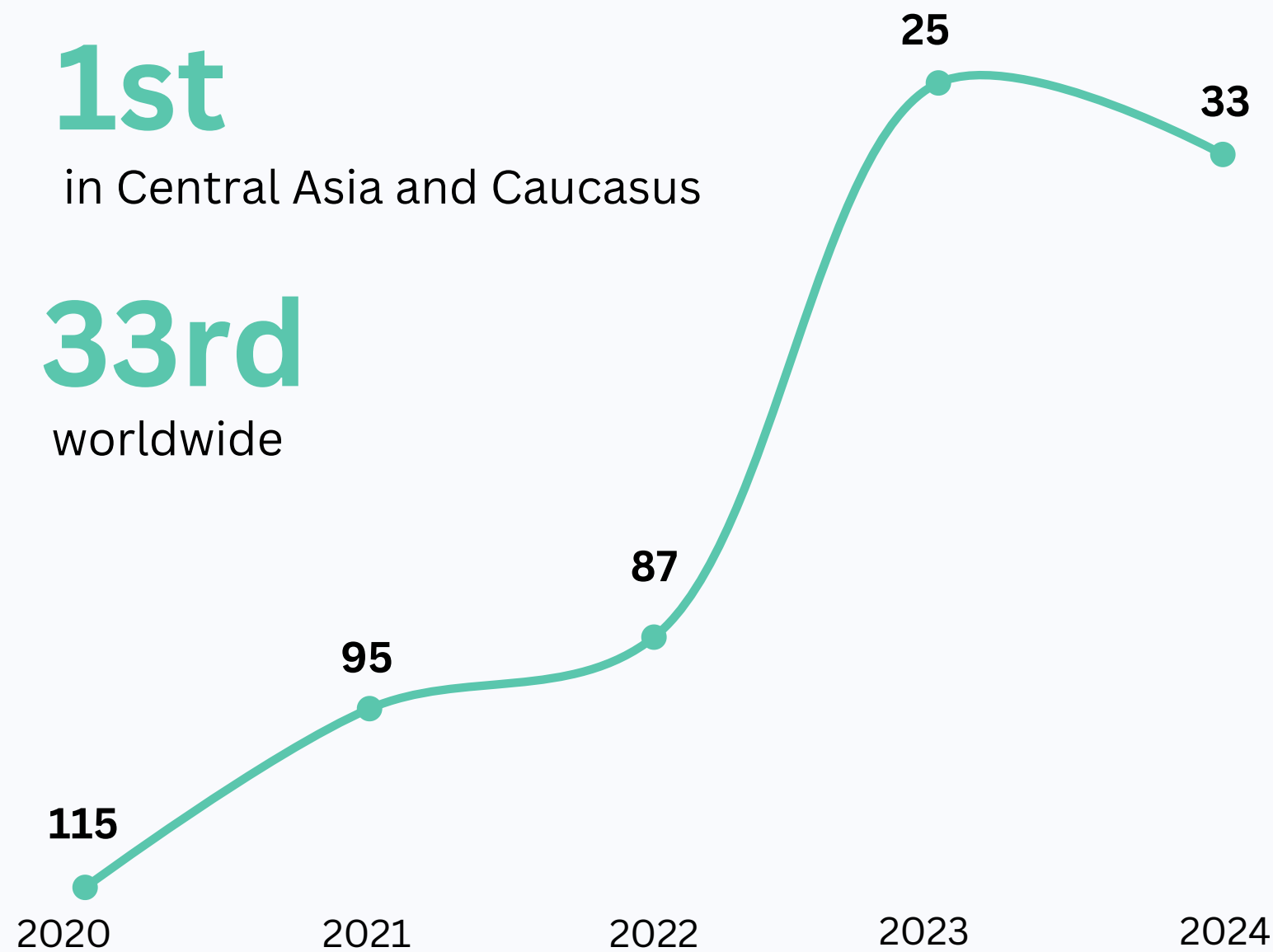
# Uzbekistan

PREPARED BY  **heemera**



# Uzbekistan ranks 1st in Central Asia and Caucasus and 33rd globally in crypto adoption, with licensed businesses generating over \$1 bln in turnover and 512,000 citizens owning crypto assets

Global crypto adoption index, 2024



# 1st

in Central Asia and Caucasus

# 33rd

worldwide

# 512,322

citizens of Uzbekistan own crypto-assets, which represents 1.46% of the population as of 2023 (Triple-A)

# >\$1B

turnover of the licensed crypto businesses in Uzbekistan (NAPP)

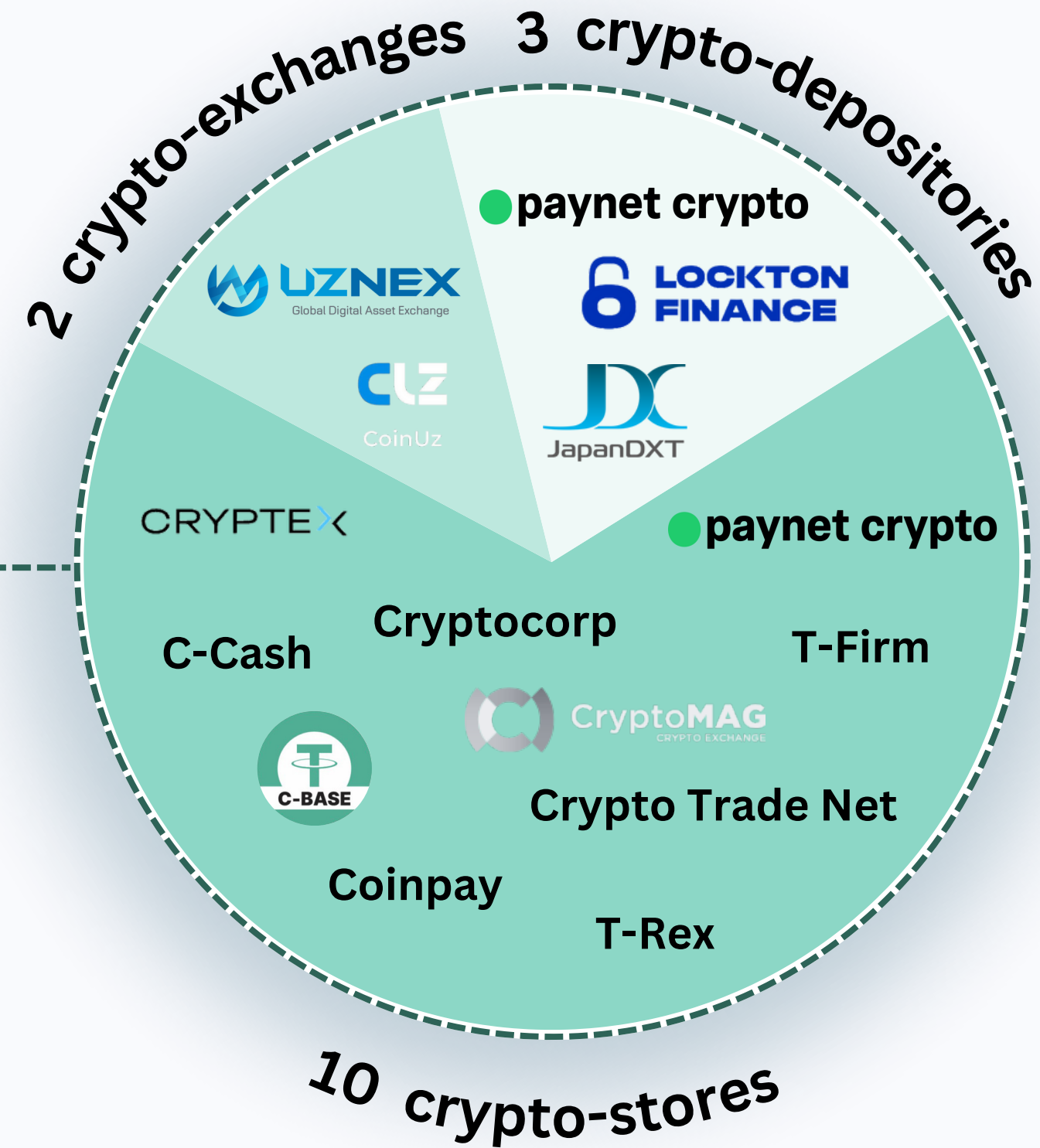
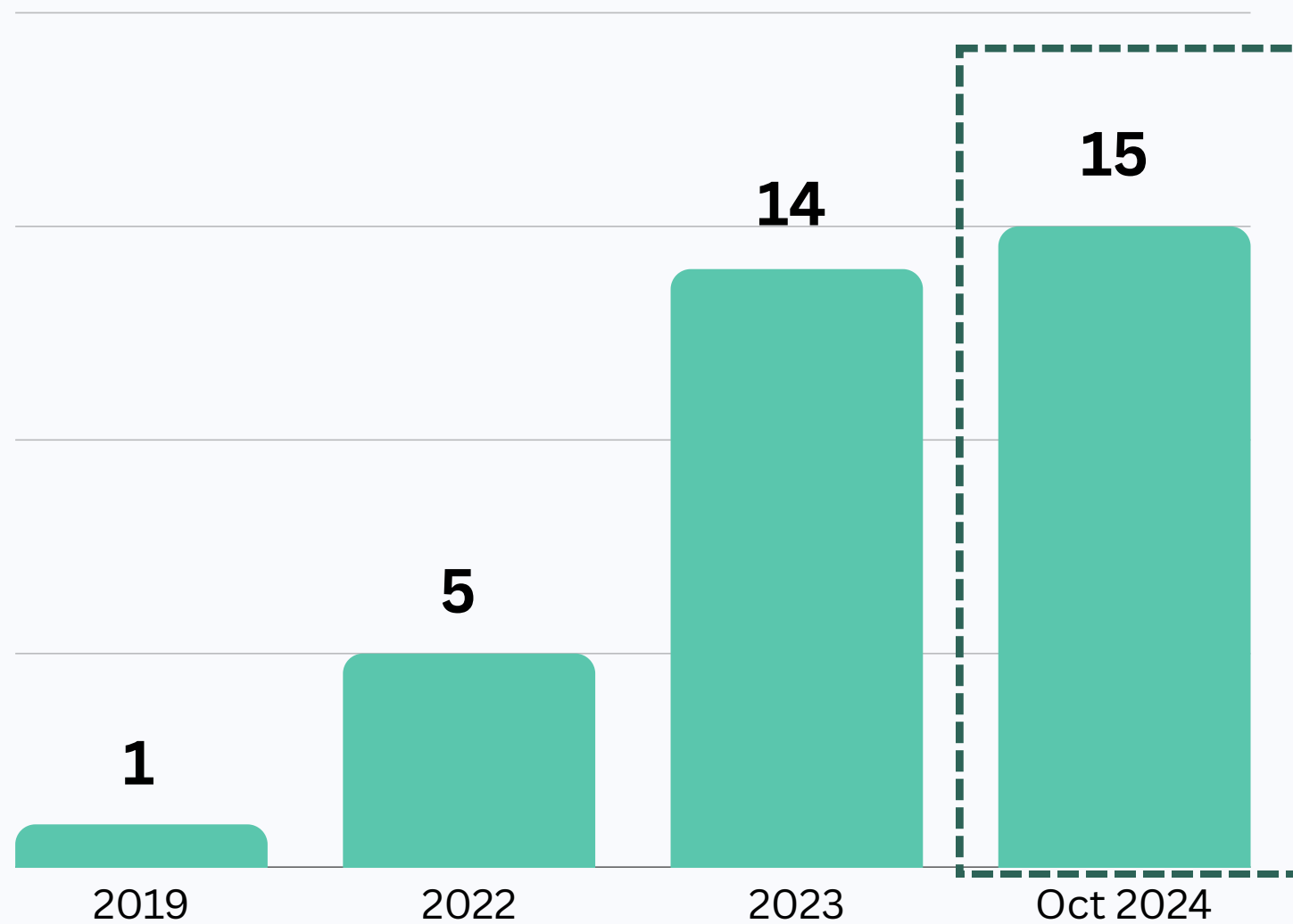
# \$3,6M

amount of funds recieved by the State Budget from 2022 to October 2024 (NAPP)



# Number of crypto-assets service providers (CASPs) is growing and accounts to 15 as of October 2024

Number of crypto-assets service providers' licenses as of October 1, 2024





# Uzbekistan created comprehensive regulatory framework that covers licensing and operations of CASPs, AML, tokenization, mining, marketing, and circulation of crypto-assets





# Citizens of Uzbekistan can access crypto through domestic CASPs only, operations with crypto-assets are exempt from taxation, CASPs are not subject to currency control laws



## National agency of perspective projects (NAPP)

- NAPP is the only regulatory body overseeing the crypto industry in Uzbekistan
- It is independent from any other government body and reports directly to the President



## Key regulations

- Since 2023, local residents can access crypto solely through domestic Crypto-Asset Service Providers
- All crypto transactions are exempt from tax
- CASPs are not subject to currency control laws



## Tokenization

- Uzbekistan created a regulatory framework and infrastructure for issuing crypto-assets in the country
- Any business and individual can issue crypto-assets, subject to registration by a licensed crypto-depository
- Entities can tokenize commodities, goods, services, as well as attract debt and equity financing utilizing blockchain technology and crypto-assets

## Uzbekistan's legal framework distinguishes between two primary types of crypto activities: mining and CASPs

**Mining** operations are allowed for legal entities utilizing electricity generated by solar photovoltaic stations, with registration required by NAPP

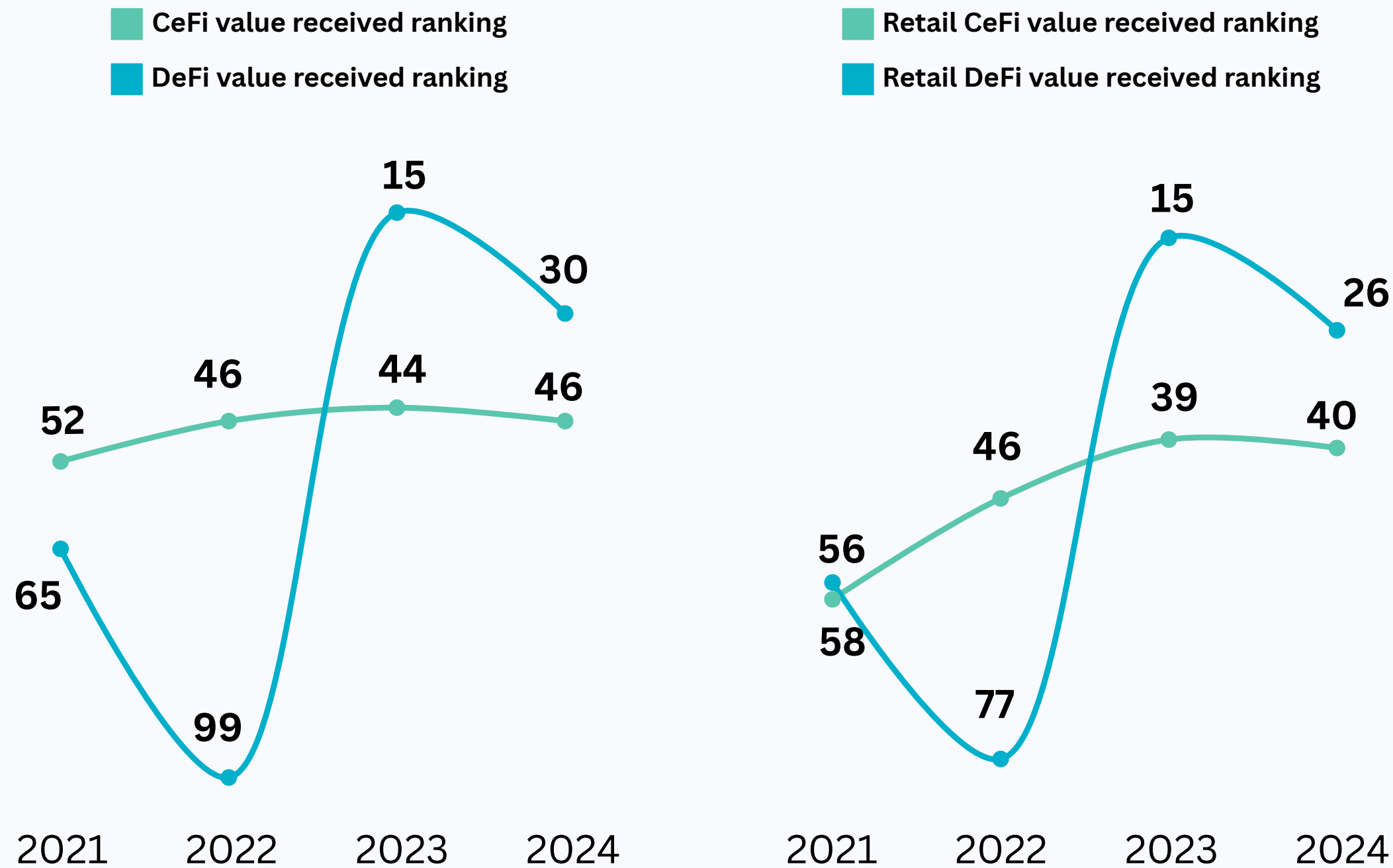
**CASPs** encompass four categories, each require licensing:

- crypto-exchanges
- crypto-stores
- crypto-depositories
- mining-pools

**Crypto-assets are not considered legal tender in Uzbekistan**



# Uzbekistan's position in the global DeFi adoption ranking surges, powered by growing share of young, tech-savvy population



Uzbekistan's position in the global DeFi adoption rankings has surged, influenced by:



an expansion in the number of crypto users






predominantly among the young population with interest in new digital technologies and tools

CeFi ranking maintains stability and demonstrates sustainable growth



# NAPP established a regulatory sandbox for testing new blockchain technologies, offering participants tax exemptions and other benefits

Three organizations currently operate within the Special Regulatory Sandbox Regime, implementing four projects:

| Organization   | Project  | Project overview   |
|--|--|--|
|  <p>Single integrator for creation and support of state information systems in Uzbekistan</p>                             | <p>1: Issuing certificates for domain names in the national domain zone '.UZ' as NFTs</p> <p>2: Developing a distributed data registry, 'Token.uz'</p>   | <p>1: In 2023, over 420 NFT certificates were generated and issued</p> <p>2: Token.uz is a blockchain-based platform for secure and transparent data storage. Confirmed blocks: 271,656. Transactions: 242,182 (2023 data)</p>         |
|  <p>A digital banking platform offering innovative financial services, tailored for tech-savvy users and businesses</p> | <p>Developing and implementing a bank card 'Crypto Card-UzNex' in collaboration with Mastercard</p>  | <p>In 2023, over 90 bank cards were issued, with a cash turnover of over \$6,000</p>   |
|  <p>Global provider of crypto investigative, assets recovery, training, risk and compliance services</p>                | <p>Blockchain analytics and recovery of crypto-assets lost as a result of theft, fraud, extortion, and other illegal actions</p> <p>Heemera organizes Crypto Week Uzbekistan (cryptoweek.uz), and partners with universities to integrate crypto programs into their curricula. They also created Crypto Guide Uzbekistan (cryptoguide.uz), a resource on the country's crypto regulations</p> | <p>The company leverages new technologies, including AI and ML, and network of partners across 142 countries to develop advanced solutions for tracing and recovering crypto assets, and ensuring compliance for crypto businesses</p> |



“We see **increasing interest from global institutional crypto players** in the Uzbek market, driven by the implementation of a **comprehensive regulatory framework** that enhances business **predictability**. Local traditional banking and financial sectors have embraced crypto with acceptance. Domestically licensed **CASPs enjoy smooth access to banking services** and straightforward fiat transactions related to their crypto activities”.

Sherzod Abdulkasimov  
PraelLegal Uzbekistan



“Uzbekistan holds the **highest crypto adoption ranking** among all countries in the region. On-chain metrics indicate **sustained growth in transaction volumes**. While this growth attracts common crypto-related threats including scams and hacks targeting retail users, the country's law enforcement agencies have created specialized cyber units with demonstrated **expertise in blockchain forensics, successfully investigating and resolving numerous crypto-related incidents**”.

Artem Klimenko  
Heemera



“While market players have a long way to go both in **enhancing their own services and in developing educational programs** for users, Uzbekistan has become **one of the most favorable jurisdictions for crypto business**, offering transparent and consistent regulatory as well as seamless interactions with related industries. All these factors form the **supportive environment for innovative, applied services that extend far beyond the core crypto community**”.

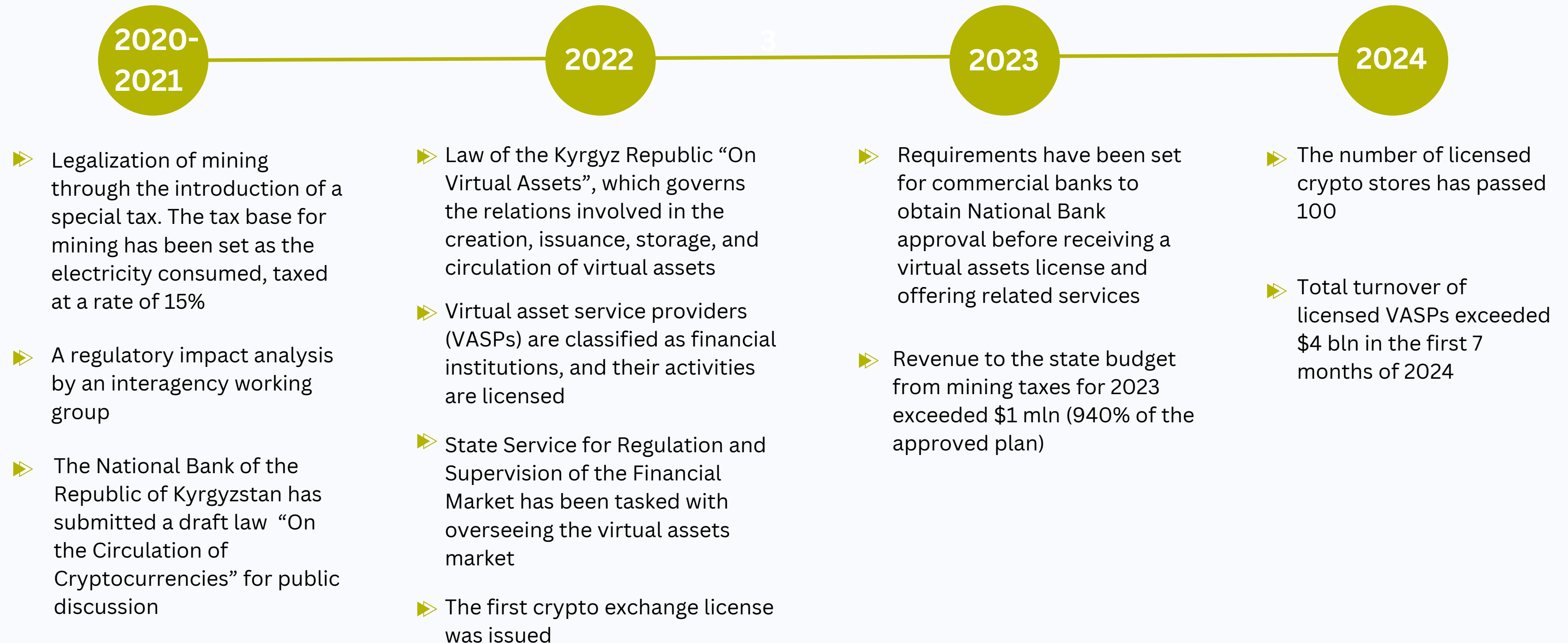
Denis Shipilov  
Lockton Finance

# Kyrgyzstan





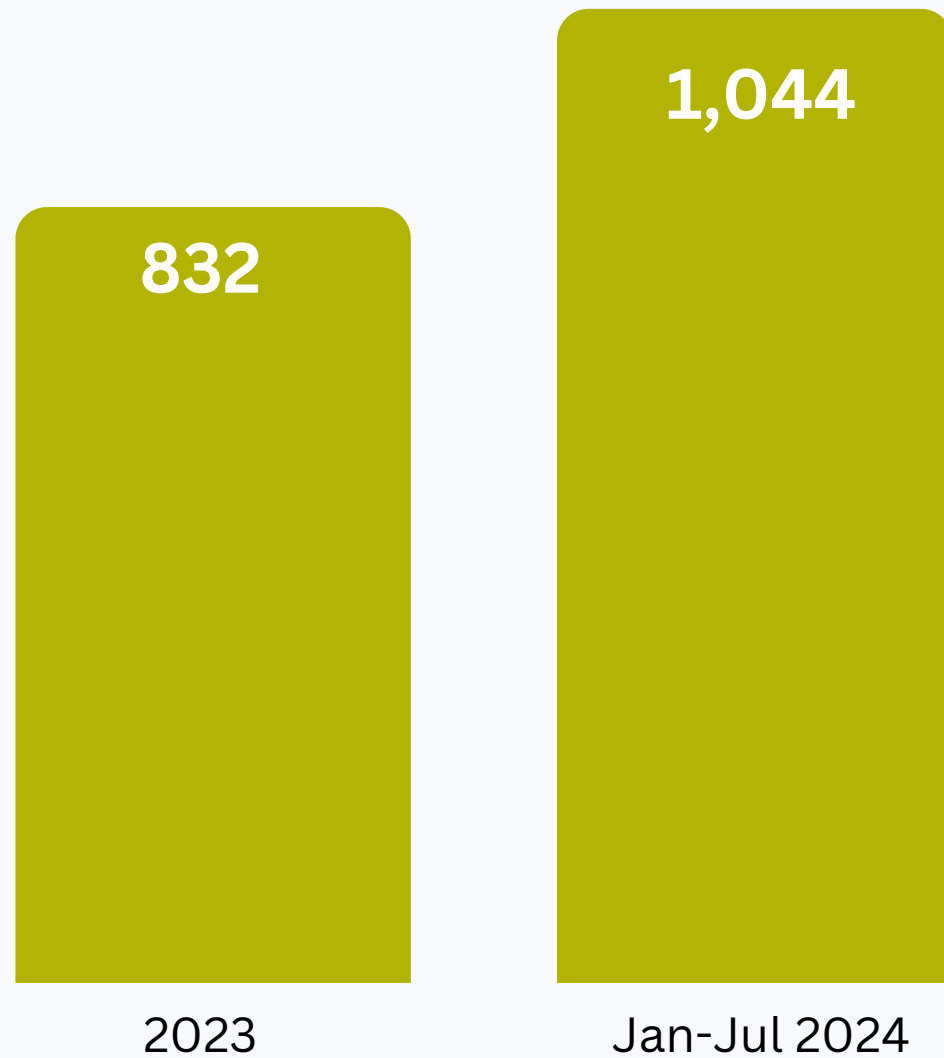
## Kyrgyzstan took just over two years to develop comprehensive virtual asset legislation, from forming an interagency working group to licensing VASPs. The process for obtaining a VASP license is one of the most straightforward in the region





# Country boasts the highest number of licensed virtual asset service providers in the region, with a total of 126 companies operating as of October 1, 2024

Taxes paid by VASPs in Kyrgyzstan, 2023-7M 2024, \$ thousands



## Selected VASPs



8

licensed crypto exchanges\*

118

licensed crypto shops\*\*

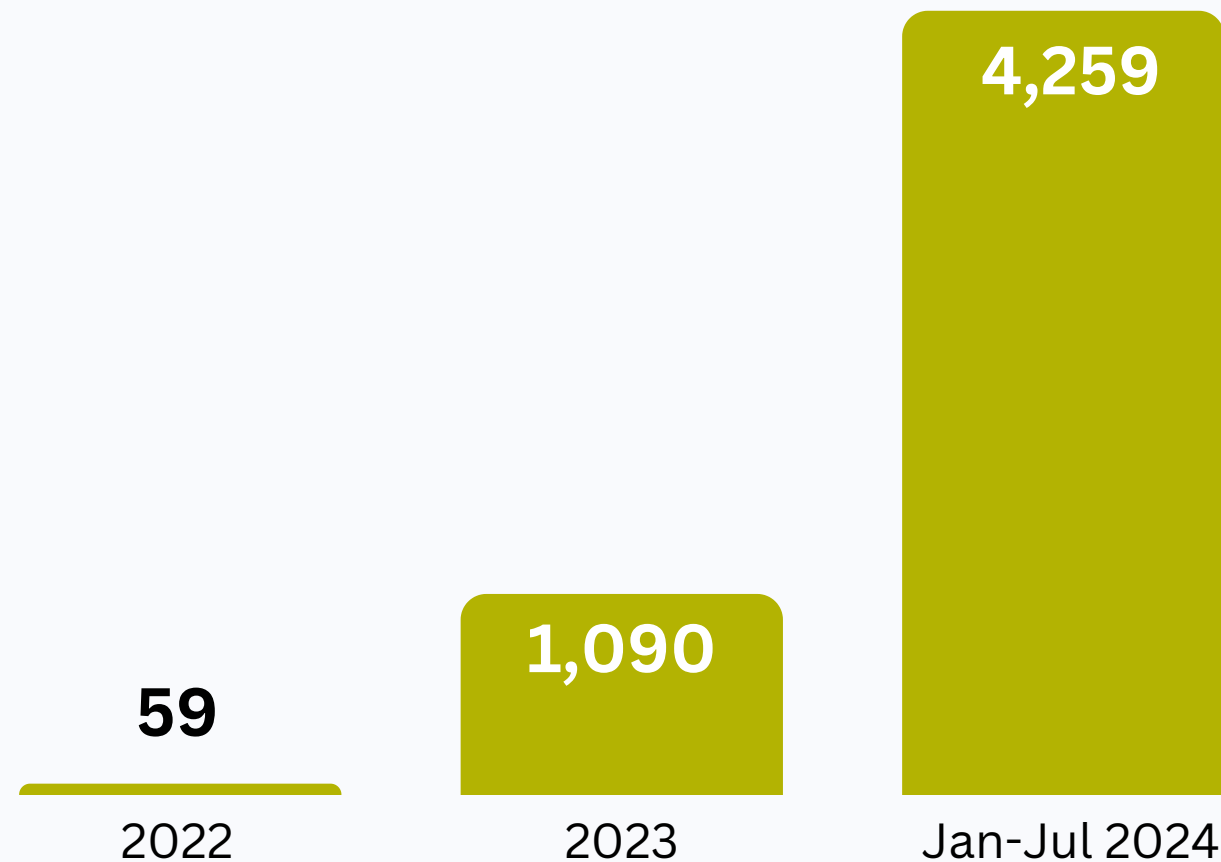


There is no special taxes on VASPs, general tax rules apply. The sale of a virtual asset is not subject to VAT

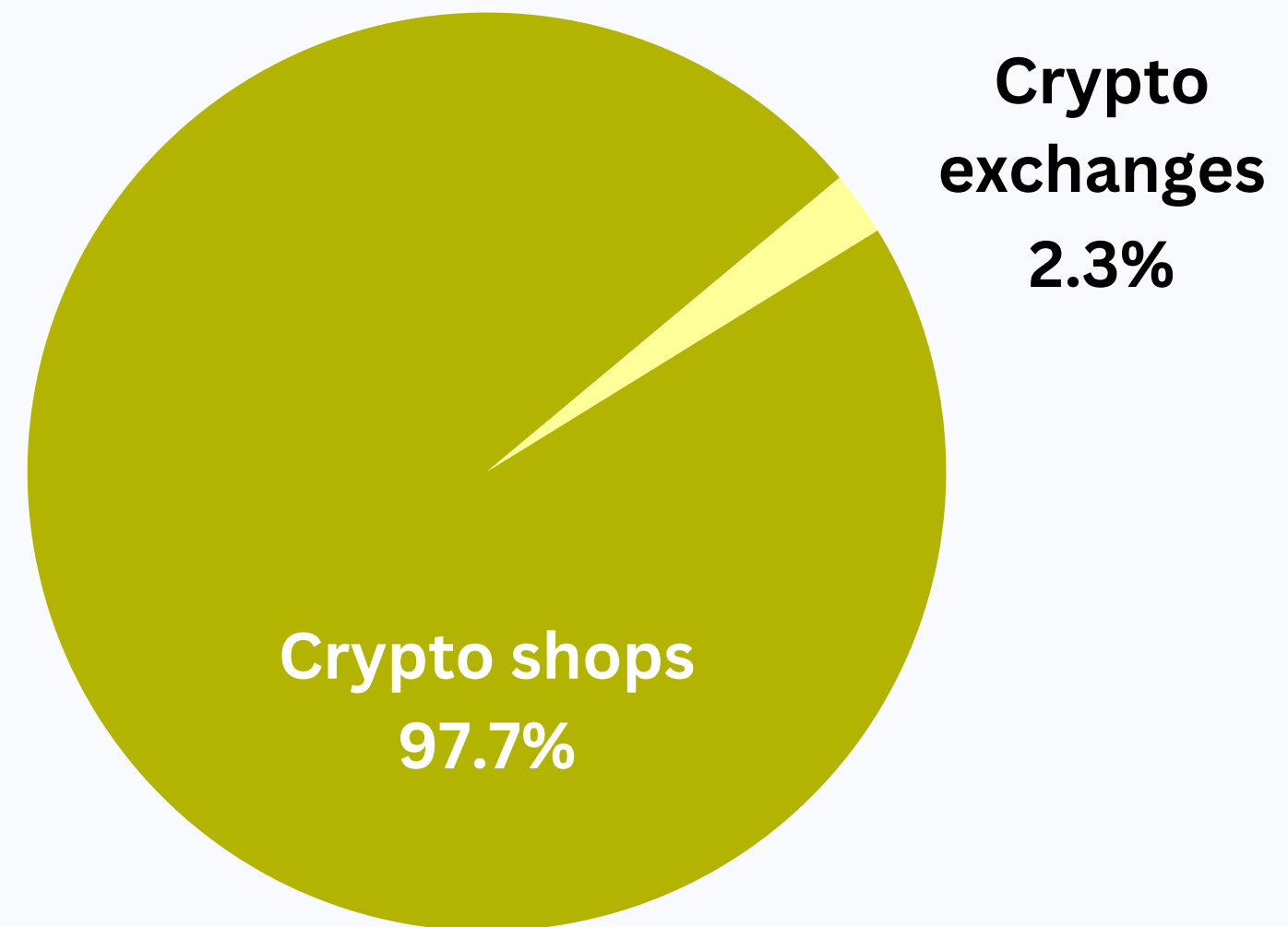


**With new service providers entering the market, the first half of 2024 witnessed a sharp increase in VASP turnover in Kyrgyzstan, surpassing \$4.2 bln in the first seven months, with crypto shops presumably accounting for nearly 98% of this total**

**Total turnover of VASPs in Kyrgyzstan, 2022-7M 2024, \$ mln**



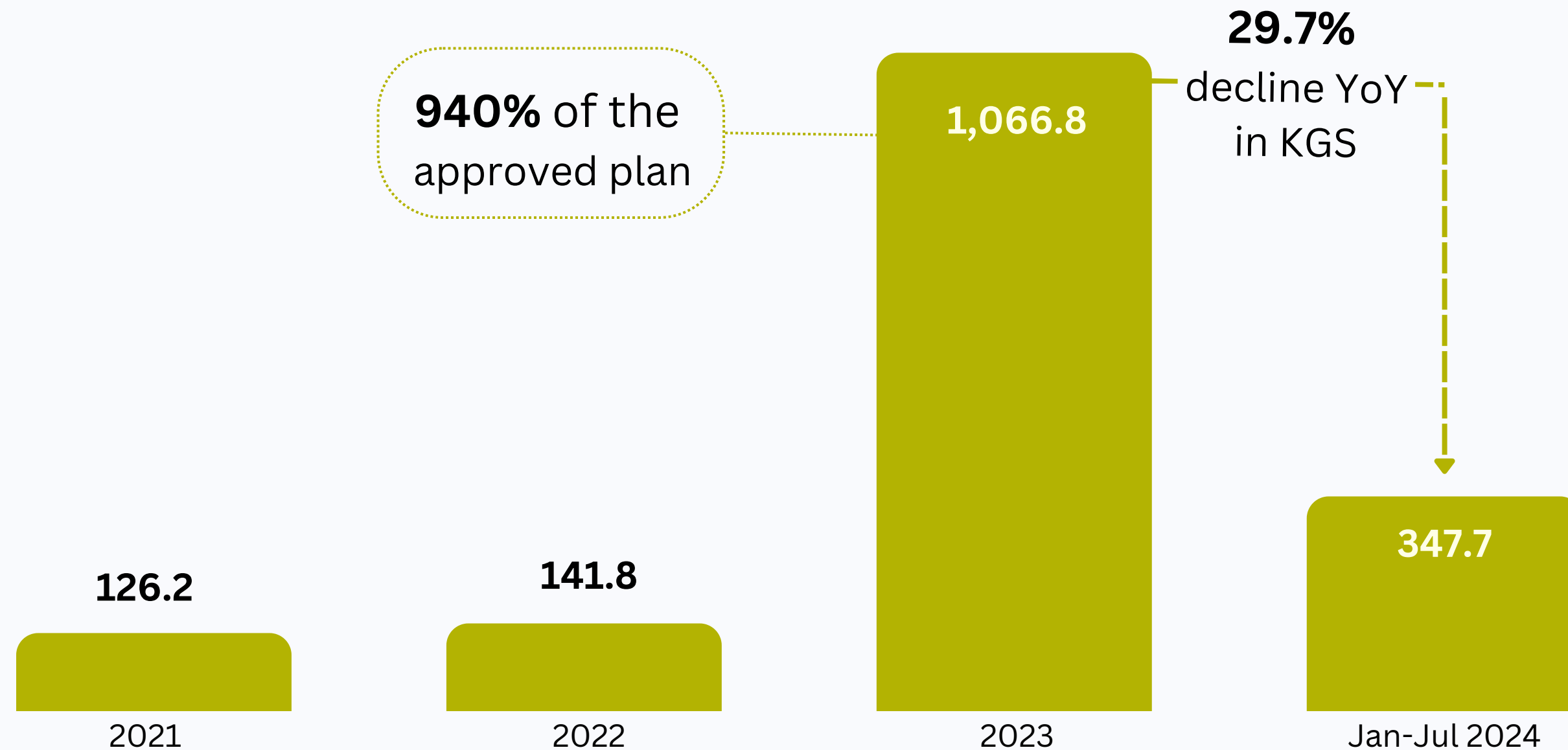
**Breakdown of VASPs' total turnover, H1 2024**





Since 2020, mining has been subject to a special tax. The tax base is calculated based on electricity consumption, with mining entities facing higher electricity tariffs

Revenue to the state budget from mining taxes, 2021-7M 2024, \$ thousands



8

registered crypto miners

15%

Special tax on mining, 2020



10%

Special tax on mining, 2024

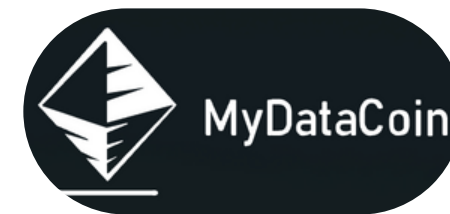
5.7

cents USD per 1 kWh\*



“In Kyrgyzstan, blockchain is mostly seen **as cryptocurrency rather than a technology** for broader solutions. Universities offer limited blockchain courses, leading to a **shortage of skilled developers** and few products. Future market growth depends on the next **crypto bull run**, which could attract retail investors. I also expect more product companies as blockchain’s significance increases”

Elena Chigibaeva  
WeinCrypto DAO



“The Kyrgyzstan government has created **favorable conditions for VASPs** to increase market transparency. This has enabled crypto exchanges to enter the market smoothly and helped regulators better understand the sector. **Future regulations are expected to tighten**, further improving transparency in crypto operations. This move would **streamline the market**, allowing stronger players to succeed while **boosting state revenues**”

Azimbek Sagynbaev  
MyDataCoin



“Given the modest size of the Kyrgyz market, it is crucial for the country to **seek additional sources of growth**. The virtual assets market, with over \$2 trillion in capitalization and daily turnover in the hundreds of billions, offers **a potential growth opportunity**. However, this requires maintaining **open and supportive regulations**, as well as providing **predictable and clear conditions** for domestic and foreign players”

Asylbek Aitmatov  
Royal Inc.



# Georgia



# The Georgian government has actively promoted the use of blockchain technology in state processes for several years, but regulation of virtual assets only came into effect in 2023 after a comprehensive review



**In September 2022, the Georgian Parliament introduced a new regulatory framework for virtual assets and related services, effective from 1 January 2023. The package of amendments (mainly to the NBG Law and AML/CFT Law) created a stable legal foundation for the development of the VAs market\***



Regulator: **National Bank of Georgia (NBG)**



**NFTs, CBDC and mining** are **outside** of regulation



Virtual assets **cannot be used for payments**, except for the **exceptional cases** defined by the **NBG**



**Financial instruments** (securities, deposits, etc.) in the form of virtual assets are **regulated by other relevant legal acts**



**Commercial banks, micro-banks, MFOs and brokerage companies** are entitled to provide **certain types of services** (exchange, transfer, safekeeping and/or administration, and auxiliary activities)



**Virtual Asset Service Provider (VASP)** is obliged to **register** with the NBG and to ensure the compliance with the **requirements** set by the NBG (“Fit&Proper” criteria, AML/CFT regulation, etc.)



The following activities are considered to be virtual asset services:

- Exchange
- Transfer
- Safekeeping and/or administration
- Portfolio management
- Administration of the trading platform
- Lending
- ICO



## National Bank of Georgia adopted a lenient approach for VASP, opting not to introduce prudential regulation and supervision at the initial stage\*



**Legal form:** VASPs must be a **Limited Liability Company** or **Joint-Stock Company** registered under Georgian law



**Staffing requirements:** at least **2 directors** if the entity has only **1 shareholder** (being the director at the same time). VASPs must have an **administrator** who is a member of the supervisory board or directorate as well as a person who is authorized to assume obligations on behalf of the VASP



**Office requirements:** head office must be **located in Georgia**, where the administrator manages operations



**Compliance:** VASPs must develop **internal policies for compliance**, including **ML/TF** risk assessment and implement an **automated system to detect unusual transactions** based on distributed ledger technology



**Documents required** (not limited to): **business plan** (3-year forecast), **property ownership/lease proof** for office, **schematic of virtual asset service implementation**, the **internal instruction** for the **compliance control system**

Source: Rules for registration, cancellation of registration and regulation of virtual asset service providers at the National Bank of Georgia

\*As of the time of writing this study, that is, as of 01.11.2024. The information on regulation is provided for high-level awareness and is not exhaustive; it should not be regarded as legal advice

# 19

registered  
VASPs

# \$1.83k

VASPs registration  
fee (5,000 GEL)



There is no special taxes on VASPs, general tax rules apply. Exchange of virtual asset to fiat currencies is exempt from VAT



*“There are some promising blockchain projects emerging in the market that I believe have great potential. However, over the past three years, **we haven't seen any breakthroughs that truly push the technology forward.** To give the market the boost it needs, we have to **reach the masses**—everyday users—and **make access to blockchain as simple as buying bread.** The easiest way to achieve this seems to be integrating blockchain into everyday banking operations”.*

Arno Gzirov  
CityPay.io



*“I believe our country is receptive to new technologies, with **blockchain** emerging as a **key driver for development.** Industry participants are actively working to ensure that virtual assets reach every household and provide benefits to all citizens. As a company, we are committed to market education and fostering understanding of these innovations. Moreover, **Georgia's regulatory framework is among the most advanced in the region,** designed to support innovation while ensuring consumer protection and market integrity”.*

Irakli Ablotia  
AllTrust.me

*“The **National Bank of Georgia** has actively supported fintech growth through its **Regulatory Laboratory,** a sandbox enabling startups to test various business models and innovative products. With a **regulatory framework for virtual assets** already in place, the **main barrier** to further development lies in the **banking sector's cautious approach** toward virtual asset services. This reluctance among traditional banks has created friction, **slowing the virtual asset sector's growth** despite favorable regulatory conditions”.*

Market expert



# Armenia



# After years of deliberation, Armenia’s Central Bank released a draft law to regulate virtual assets, with implementation possible next year



- ▶ The Central Bank of Armenia's statement on "crypto-assets" emphasized the potential risks associated with these assets
- ▶ By a decree of the Armenian government, the city of Hrazdan will become the country's fourth free economic zone (ECOS FEZ) with a data center for mining
- ▶ The largest mining farm in the country was launched in the capital of Armenia

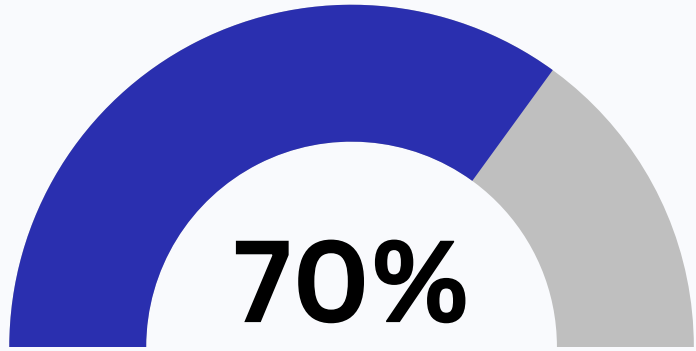
- ▶ The ECOS Free Economic Zone was officially launched
- ▶ The State Revenue Committee of Armenia has urged the regulation of the cryptocurrency sector (2022)

- ▶ Central Bank of Armenia, announced plans to introduce a comprehensive cryptocurrency legislation
- ▶ Armenia has committed to adopting the OECD's Crypto-Asset Reporting Framework by 2027

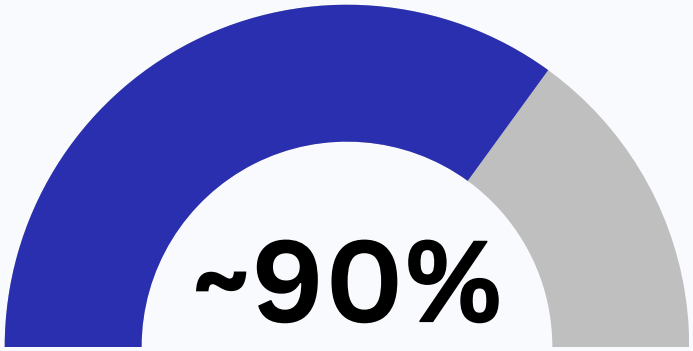
- ▶ The State Revenue Committee of Armenia will purchase a software system to control cryptocurrency transactions
- ▶ The National Polytechnic University of Armenia has announced the world’s first bachelor’s degree in ‘Blockchain and Web3 Technologies’
- ▶ The Central Bank of Armenia has introduced a new draft Law "On Crypto Assets" for public discussion
- ▶ The amendments to the Law "On Non-Cash Transactions" require that crypto assets be traded only via non-cash methods
- ▶ Central Bank of Armenia has authorized banks to conduct crypto-related transactions



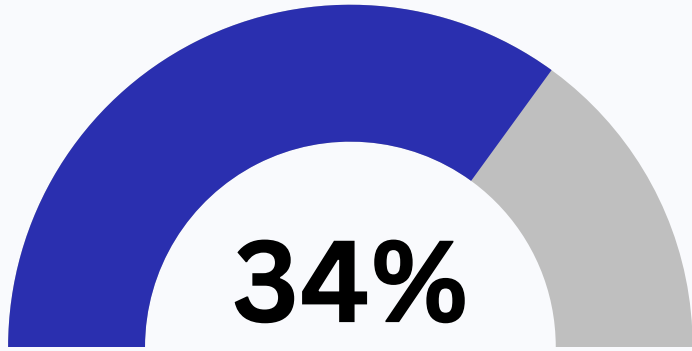
# According to a recent survey, the Armenian cryptocurrency community is predominantly comprised of young men, and almost half of this community have never engaged in conventional investment activities



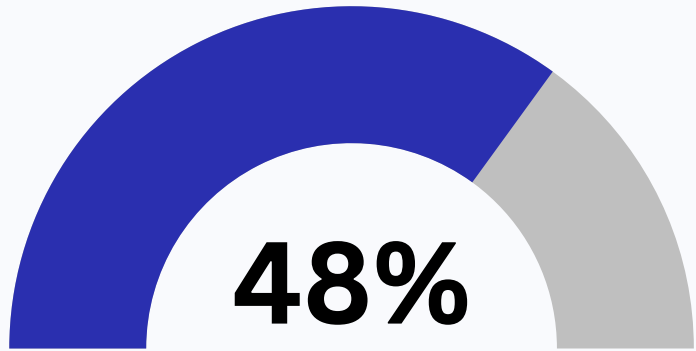
users plan continue investing in crypto



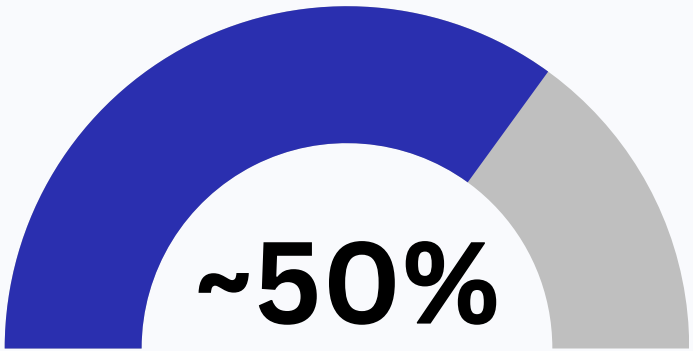
of users are male



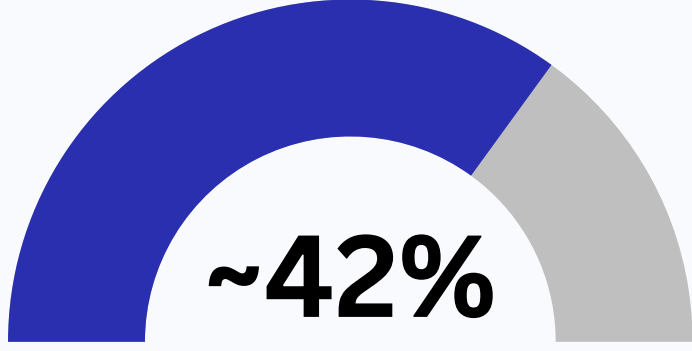
users aged 26 to 35 (the largest audience)



of users see crypto as an extra income



follow a HODL strategy



have no history of traditional investments



**Country's draft crypto regulations align with the EU's MiCA, continuing a trend of harmonized legislation, as its securities market laws are largely based on EU directives. However, the draft law raises concerns within the crypto community, as it is seen as too strict for an emerging market**



Regulator: **Central Bank of Armenia (CBA)**



**NFTs, CBDC and mining** are **outside** of regulation



Crypto assets **cannot be used for payments**, except for crypto-assets **considered electronic money**



**Financial instruments** (securities, deposits, etc.) in the form of crypto-assets are **regulated by relevant existing laws** (regardless of underlying technologies)



**Only certain services are permissible** in the crypto assets market, including the **custody, exchange, sale, and brokerage services**



Providers must meet standards on **client fund protection, audits, conflict of interest prevention, reporting, and AML/CFT**



Service providers are **licensed by the CBA**, existing **FIs** can provide services **with permission from the CBA**



Transactions involving crypto-assets and payments for crypto-asset-related services shall be conducted **only through non-cash means**

Source: Draft RA Law "On Crypto Assets", CBA

\*As this is still a draft law, the final provisions may be subject to change. The information on regulation is provided for high-level awareness and is not exhaustive; it should not be regarded as legal advice



# Although official data on cryptocurrency turnover in Armenia is lacking, the market is reportedly nascent but expanding



Anecdotal evidence suggests that Armenia's **crypto market remains nascent**, possibly due to the **CBA's risk warning on crypto assets** from May 7, 2018. Regulating the sector could boost growth by **attracting more retail investors** and establishing **crypto on-ramps** between banks and crypto exchanges\*



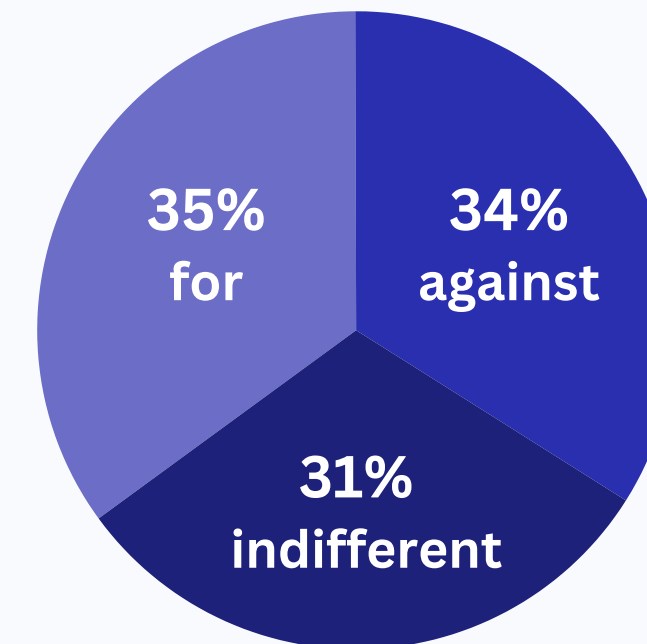
**Major global exchanges** like Binance, Bybit, and OKX are currently popular in the country\*\*, with **Fastex**, licensed in Lithuania, especially notable as both a crypto exchange and a major blockchain developer with its own product ecosystem



**Crypto ATMs** have become quite popular among crypto enthusiasts, especially in **Yerevan and Gyumri**. However, the lack of regulation poses **potential financial risks** for users



Incorporated **crypto asset miners** are **taxed on their economic operations and/or gains**. Armenia offers favorable conditions for crypto mining within its **free economic zones**



*Recent survey conducted among Binance users shows that opinions on regulation are nearly evenly split*

Note: the data was collected (May 2024) prior to the release of the Central Bank's draft law and does not pertain to it

Source: Republic of Armenia: Technical Assistance Report-Tax Compliance and Crypto Assets, IMF; RISE's analysis

\*The Central Bank of Armenia has reportedly authorized banks to conduct crypto transactions (October 2024)

\*\*Data on the most popular financial apps in Armenia from Similarweb. However, the introduction of licensing and branch registration for crypto service providers may lead to changes in this landscape





*“Armenia and several emerging markets in our region are attempting to **replicate virtual asset regulations** from developed economies, such as the EU’s MiCA framework. This approach is fundamentally flawed. It **overlooks our distinct economic context** and imposes overly strict rules that **stifle innovation in blockchain and virtual assets**—industries that could become growth drivers for our economies. Governments must show the political will to foster, not stifle, this potential”.*

Aram Kocharyan  
Layerswap



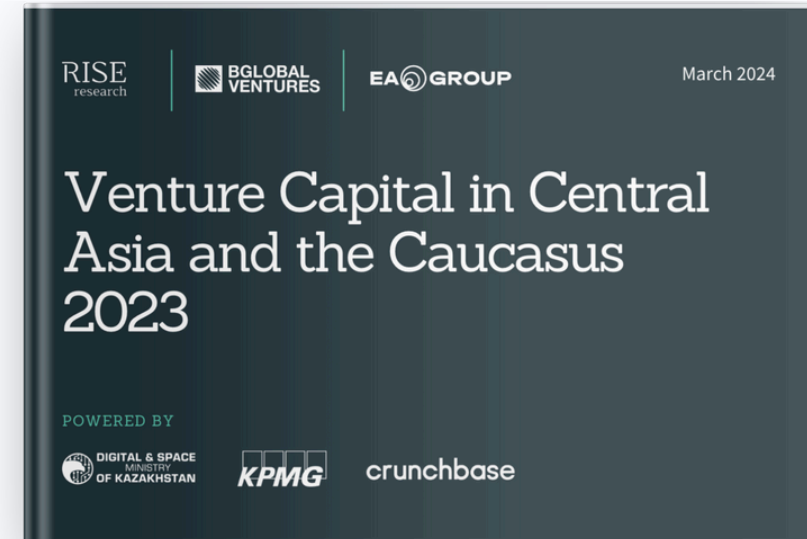
*“Those who see **opportunities in times of change**, rather than focusing only on risks, come out ahead. In a world becoming more controlled, decentralized technologies like blockchain provide a real counterbalance. **Web3 ensures transparency and privacy** without needing trust. Those individuals, organizations, or countries that embrace these opportunities will shape the future. Armenia has this potential, but how it will be realized—by community and state—time will tell”.*

Hamlet Manukyan  
VozniSoft



*“Blockchain’s technological development, while disruptive, presents a **unique opportunity for a win-win scenario** through synergy and mutually beneficial cooperation with traditional finance. The only viable path forward in competitive environment is not exclusion but rather **collaborative projects and joint development**. Our knowledge and expertise can be aligned to serve the best interests of end users, fostering innovation and progress together. This approach ensures that both sectors grow stronger through shared value creation and strategic partnership”.*

Vakhtang Abrahamyan  
Fastex



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### Contacts

Ainur Zhanturina

Email: [a.zhanturina@rise.com.kz](mailto:a.zhanturina@rise.com.kz)

Tel: +7 702 217 7351