



House of the Federation

SENATE OF PAKISTAN

REPORT OF THE STANDING COMMITTEE ON CABINET SECRETARIAT

ON

“The Virtual Assets Bill, 2025”

Presented by:

**SENATOR RANA MEHMOOD-UL HASSAN
CHAIRMAN
STANDING COMMITTEE ON CABINET SECRETARIAT**

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SENATE SECRETARIAT

Subject: REPORT OF THE SENATE STANDING COMMITTEE ON CABINET SECRETARIAT.

I, Chairman of the Senate Standing Committee on Cabinet Secretariat, have the honour to present this report on "The Virtual Assets Bill, 2025", introduced by Dr. Tariq Fazal Chaudhary, Minister for Parliamentary Affairs on behalf of Senator Muhammad Aurangzeb, Minister for Finance and Revenue, in the Senate sitting held on 15th August, 2025. The Bill was referred to the Standing Committee on Cabinet Secretariat for consideration and report.

2. The composition of the Standing Committee is as follows:-

1.	Senator Rana Mehmood-ul Hassan	Chairman
2.	Senator Farooq Hamid Naek	Member
3.	Senator Saleem Mandviwalla	Member
4.	Senator Rana Sana Ullah Khan	Member
5.	Senator Anusha Rahman Ahmad Khan	Member
6.	Senator Saadia Abbasi	Member
7.	Senator Amir Waliuddin Chishti	Member
8.	Senator Mohammad Abdul Qadir	Member
9.	Senator Fawzia Arshad	Member
10.	Senator Saifullah Sarwar Khan Nyazee	Member
11.	Senator Atta-Ur-Rehman	Member
12.	Senator Dilawar Khan	Member
13.	Senator Aimal Wali Khan	Member
14.	Senator Azam Khan Swati	Member
15.	Minister In-charge Cabinet Secretariat	Ex-officio Member

3. The Standing Committee on Cabinet Secretariat considered the Bill in its meetings held on 09th, 10th and 25th February 2026 under the Chairmanship of Senator Rana Mehmood-ul Hassan. The following Honorable Senators were present at the time of consideration of the Bill:-

1.	Senator Rana Mehmood-ul Hassan	Chairman
2.	Senator Farooq Hamid Naek	Member
3.	Senator Saleem Mandviwalla	Member
4.	Senator Saadia Abbasi	Member
5.	Senator Amir Waliuddin Chishti (via zoom)	Member
6.	Senator Mohammad Abdul Qadir	Member
7.	Senator Sherry Rehman	Special Invitee
8.	Senator Dr. Afnan Ullah Khan	Special Invitee

4. The Minister for Finance and Revenue informed the Committee that the intent behind this bill is to bring Pakistani users working outside the formal economy towards a regulatory environment. He further apprised the Committee that there are 40 million crypto users in Pakistan.

He briefed the Committee that the bill ensures to address issues such as capital flight, suitability, market correction etc. with a vision of Pakistan first.

5. The Chairperson, Pakistan Virtual Assets Regulatory Authority (PVARA) informed the Committee that the aim of this legislation is to shift trading in virtual assets from a grey to a governed market. He also apprised the Committee of similar regulatory bodies in other countries including Europe, USA, UAE, Singapore and Hong Kong to name a few. He also briefed the Committee that already 40 million youth of Pakistan is already using it without any formal system and Pakistan's prominent role in freelancer market is a primary contributor towards this. He apprised the Committee that this authority will not only incubate but also accelerate digital assets and tokenization. This authority will also look into possibility of using this as an alternative financing.

6. Senator Saadia Abbasi raised the issue that the bill should have been shared with members earlier. She also opined that the Chairman Committee should give a ruling to consider bill clause by clause however when a ruling was not given, she walked out of the meeting and was not part of the voting.

7. Senator Sherry Rehman, Special Invitee reiterated the importance of regulating virtual assets and her efforts were appreciated by the Minister for Finance and Revenue. Senator Dr. Afnan Ullah Khan, Special Invitee suggested that as the content of his bill titled The Regulation of Virtual Assets Bill, 2026 introduced in the Senate on 19th January, 2026 are also the same so it may be merged with this Government bill. The Minister Finance and Revenue and the Secretary Law endorsed that they do not have any issue with merging the contents and also appreciated Senator Dr. Afnan Ullah Khan for his work.

8. Senator Saleem Mandviwala, moved the amendments in the bill which were endorsed by the Committee. (Copy of amendments moved by Senator Saleem Mandviwala are at annexed at Annexure II.)

9. After detailed deliberations, the Committee proposed the following amendments in the bill:
In the Virtual Assets Bill, 2025, hereinafter referred to the said Bill,-

- i. in the long title, the words and comma “, and to provide for related matters”, shall be omitted.
- ii. For the preamble, the following shall be substituted:-

“WHEREAS, it is expedient to establish a dedicated Virtual Assets Regulatory Authority to license, regulate and supervise Virtual Assets and Virtual Asset Service Providers, in order to ensure investor protection, transparency and market integrity in Pakistan;

AND WHEREAS, it is necessary to provide a comprehensive legal framework to empower the Authority to combat money laundering, terrorist financing, proliferation financing and other illicit activities involving Virtual Assets, in accordance with international standards, and to provide for matters connected therewith or ancillary thereto;"

iii. For clauses 2 to 62, the following shall be substituted:

For clauses 2 to 62, the following shall be substituted, namely:-

Chapter 1

2. **Scope of application.**— (1) This Act shall apply to—

- (a) any Virtual Asset Service Provider that carries on, or holds itself out as carrying on, a Virtual Asset Service in or from Pakistan; and
- (b) any Issuer that offers, originates or distributes, on its own behalf, a Virtual Asset in or from Pakistan.

(2) For the avoidance of doubt, this Act shall not apply to the following digital representations of value or rights, insofar as they meet the conditions stated below—

- (a) closed-ecosystem or closed-loop digital tokens, including any digital representation of value or rights that, by design, technical architecture, or enforceable system controls, satisfies all of the following conditions—
 - (i) is usable or redeemable solely within a restricted digital platform, ecosystem, application, or network administered by the issuer or operator;
 - (ii) is not transferable outside such platform, ecosystem, application, or network, whether directly or indirectly;
 - (iii) is not exchangeable for fiat currency or legal tender outside such ecosystem;
 - (iv) is not redeemable for real-world goods or services outside such ecosystem;
 - (v) is not convertible into, exchangeable for, or interoperable with any other Virtual Asset;
 - (vi) is not saleable, tradable, or transferable on any external market, exchange, or secondary trading venue; or
 - (vii) is not designed, marketed, or used for payment, investment, or value-transfer purposes beyond such ecosystem.
- (b) securities, derivatives, collective investment schemes, depository receipts, or other traditional financial instruments that fall within the regulatory jurisdiction of the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan;

- (c) digital representations of fiat currency issued by the State Bank of Pakistan or any central bank or monetary authority of another sovereign jurisdiction;
- (d) a non-fungible token that is not used for payment or investment and does not represent, reference, or derive value from any security, commodity, financial asset, or other regulated instrument;
- (e) any non-fungible token or digital collectible that does not constitute a Virtual Asset, having regard to its substance, function, or economic effect; or
- (f) any other digital representation of value or rights expressly excluded by the Authority.

3. **Definitions.**— (1) In this Act, unless there is anything repugnant in the subject or context:

- (i) "Asset-Referenced Token" means a Virtual Asset that represents, directly or indirectly, ownership rights, claims, or economic interests, including entitlements to receive or share income, returns, or other economic benefits, in respect of one or more underlying assets, or is designed to maintain a stable value by reference to such underlying assets.
- (ii) "Authority" or "PVARA" means the Pakistan Virtual Asset Regulatory Authority established under this Act;
- (iii) "Blockchain" or "Distributed Ledger Technology" or "DLT" means a technology that enables a distributed ledger, an information repository that records transactions or data across multiple nodes in a synchronized manner using cryptography to ensure integrity, tamper-resistance, immutability, and consensus among participants, as may be further defined by Regulations;
- (iv) "Chairperson" means the Chairperson of the Authority appointed under this Act;
- (v) "Controller" means a Person who, alone or together with associates, holds or is entitled to exercise twenty percent (20 %) or more of the voting power, ownership interest, or share capital of a Licensee, or otherwise exercises significant influence or control over its management or policies, whether directly or indirectly;
- (vi) "Customer" means any natural or legal person who obtains or uses a Virtual Asset Service from a Licensee, or who enters into a business or contractual relationship with a Licensee for the provision of such service, whether on a one-off or ongoing basis;
- (vii) "Customer Assets" means Virtual Assets and fiat currency belonging to a customer that a Virtual Asset Service Provider holds,

safeguards, or otherwise has custody or control over on that customer's behalf, and excludes assets owned by the Virtual Asset Service Provider;

- (viii) "Division concerned" means the Cabinet Division as defined in the Rules of Business, 1973;
- (ix) "Fiat-Referenced Token" means a Virtual Asset that purports to maintain a stable value relative to a single Official Currency of any country and is redeemable at par value by its Issuer;
- (x) "High-Quality Liquid Assets" or "HQLA" means such high-quality liquid assets as may be prescribed by Regulations;
- (xi) "Inside information" means non-public information likely to affect virtual asset prices if disclosed, including client orders, trading intentions, or decisions related to issuance or facilitation, as may be further defined by regulations;
- (xii) "Insiders" include Controller, officers, directors, employees, or affiliates of issuers or Virtual Asset Service Providers with access to inside information; family members; or other persons obtaining such information unlawfully or through employment, and as may be further prescribed by Regulations.
- (xiii) "Issuer" means the legal Person that originates or creates a Virtual Asset and retains primary control over its initial supply, reserve assets (if any) or on-chain governance, and may distribute such Virtual Asset as part of its initial offering, and that bears the ongoing obligations as prescribed by the Authority.

Explanation: A Person is not an Issuer solely because it markets, advertises, promotes, facilitates secondary-Market trading (including third-party brokerage, distribution or exchange), or provides technical development or maintenance services without control over issuance, supply or reserve assets.

- (xiv) "Initial Virtual Asset Offering" means a method of raising funds by an Issuer through the public offering of Virtual Assets in exchange for funds or other Virtual Assets or anything of commercial value, subject to the limitations and disclosure requirements Prescribed under this Act;
- (xv) "Key Individual" means any natural Person who occupies or performs - whether on a full-time, part-time, acting or outsourced basis - one or more of the positions listed below in relation to a Licensee:
 - (a) director (executive or non-executive) registered under the Companies Act, 2017 (XIX of 2017)

- (b) Managing Director;
 - (c) chief financial officer;
 - (d) chief operating officer;
 - (e) head of internal audit;
 - (f) head of compliance;
 - (g) money-laundering reporting officer (MLRO) or equivalent AML, CFT or CPF compliance officer designed under the AML, CFT and CPF Regulations issued pursuant to the Anti-Money Laundering Act 2010 (VII of 2010);
 - (h) head of risk management;
 - (i) head of information-security and cyber-security; or
 - (j) any other position that the Authority, by written notice to the Licensee, declares to be a Key Individual.
- (xvi) "Licensee" means a person who holds a license under this Act;
- (xvii) Market Manipulation or Market Abuse means any act, practice or course of conduct that:
- (a) gives false or misleading signals as to the supply, demand or price of one or more Virtual Assets;
 - (b) secures the price of Virtual Assets at an abnormal or artificial level; or
 - (c) employs any device, deception or artificial means to interfere with the normal operation of supply and demand in Virtual Asset markets, as may be further defined by Regulations.
- (xviii) "Managing Director" means the Managing Director of the Authority, appointed under this Act;
- (xix) "Virtual Asset Mining" means the process of validating or verifying transactions and recording them on a distributed ledger or blockchain network, using computational or other consensus mechanisms, and, in return, earning virtual assets, transaction fees, or other rewards.
- (xx) "Non-Fungible Token" or "NFT" means a unique, non-interchangeable digital representation of value or rights recorded on a distributed ledger or similar technology, where each token is distinguishable from every other token;

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- (xxi) "Official or Fiat Currency" means a currency issued by the central bank or monetary authority of a country that is recognized as legal tender under the laws of that country;
- (xxii) "Person" means a natural or legal Person;
- (xxiii) "Prescribed" means prescribed by Rules or Regulations made under this Act;
- (xxiv) "Regulations" means Regulations made under this Act;
- (xxv) "Rules" means Rules made under this Act;
- (xxvi) "Segregated Reserve" means a pool of reserve assets that is kept separate from the Issuer's own assets, held in the name of the Issuer, or in a trust or special vehicle for the benefit of token holders, and under custody, with independent custodian or regulated financial institution, approved by the authority, so that the Issuer or its creditors cannot claim the assets. The Authority may, by Regulations, prescribe additional requirements regarding the types of assets, custody arrangements, audits, attestations, disclosures, and other safeguards;
- (xxvii) "Shariah Advisory Committee" means the committee constituted by the Authority for advice on Shariah matters;
- (xxviii) "Special Court" means a court notified by the Federal Government to take cognizance of offence as mentioned under this Act;
- (xxix) "Sponsor" means a person or group of persons who has contributed initial capital to establish the company or hold a controlling shareholding therein, whether directly or indirectly;
- (xxx) "Tribunal" means a Tribunal constituted under this Act;
- (xxxi) "Virtual Asset" means a digital representation of value that can be digitally traded or transferred and used for payment or investment purposes, but does not include digital representations of fiat currency, securities or other financial assets regulated under any other law except where represented, issued, or transferred using distributed ledger technology. For the avoidance of doubt, Virtual Assets are not legal tender;
- (xxxii) "Virtual Asset Services" means the categories of services set out in section 18 of this Act; and
- (xxxiii) "Virtual Asset Service Provider" means any Person who, as a business, provides one or more Virtual Asset Services to third parties on a professional basis.

(2) All other words and expressions not defined in this Act but defined in the State Bank of Pakistan Act, 1956 (XXXIII of 1956), the Securities Act, 2015, (III of 2015) the Anti-Money Laundering Act, 2010 (VII of 2010), or the Companies Act, 2017 (XIX of 2017) shall, unless the context otherwise requires, have the meanings assigned to them in those Acts.

4. Extraterritorial application.— (1) For the purposes of investigation and enforcement under this Act, the Authority may exercise its powers extraterritorially to the fullest extent permitted by law.

(2) In order to facilitate enforcement under this section and the effective regulation of Virtual Asset Services with cross-border implications, the Authority may enter into agreements or arrangements with regulatory authorities and law enforcement agencies in other jurisdictions for mutual assistance, information sharing, and the recognition and enforcement of regulatory decisions, and shall, by Regulations, prescribe the conditions under which a Virtual Asset Service conducted outside Pakistan shall or shall not be deemed to be offered or marketed to Persons in Pakistan.

(3) The Authority shall, where applicable, align its extraterritorial enforcement practices with mutual legal assistance treaties and international cooperation frameworks, including those of the Financial Action Task Force and International Organization of Securities Commissions (IOSCO).

5. Relationship with other laws.— (1) The provisions of this Act are in addition to, and not in derogation of, any other law for the time being enforce. In the event of any inconsistency with any other law, other than the Foreign Exchange Regulation Act, 1947 (VII of 1947), this Act shall prevail except as provided in sub-section (2) below.

(2) Where any law prescribes measures relating to data protection, data governance, or cybersecurity, financial secrecy or cross-border transfer of personal data, such provisions shall prevail and be complied with by the Authority and Licensees.

(3) The regulation and supervision of Virtual Assets, Virtual Asset Service Providers, tokenization of real-world assets, and blockchain technology shall vest primarily in the Authority under this Act, in coordination with other relevant regulators where applicable.

Chapter 2

PAKISTAN VIRTUAL ASSETS REGULATORY AUTHORITY

6. Establishment of the Authority. — (1) After the commencement of this Act, an authority shall be established to be known as the Pakistan Virtual Assets Regulatory Authority, which shall carry out the purposes of this Act.

(2) The Authority shall be a body corporate with perpetual succession and a common seal and may sue and be sued in its name.

(3) The Authority shall be autonomous in the performance of its functions and exercise of its powers, subject to this Act.

(4) The headquarters of the Authority shall be at Islamabad, and it may set up as many offices across Pakistan as required.

7. **Composition of Authority.** — (1) The Authority shall consist of the following, namely:—

- (a) Chairperson – to be appointed by the Federal Government
- (b) the Secretary, Ministry of Finance;
- (c) the Secretary, Ministry of Law and Justice;
- (d) the Governor, State Bank of Pakistan;
- (e) the Chairperson, Securities and Exchange Commission of Pakistan;
- (f) the Chairman, National AML-CFT Authority;
- (g) the Chairperson, Pakistan Digital Authority; and
- (h) two independent directors with proven expertise and a strong track record possessing expertise relevant to Virtual Asset markets, digital technology, digital finance, appointed by the Federal Government in the manner Prescribed.

(2) The members of the Authority, other than ex-officio members, shall hold office for a term of three years and shall be eligible for one further term of three years.

(3) The Authority shall determine its own policy and strategic direction and approve its budget and Regulations.

8. **Procedures of the Authority.** — (1) The Authority may meet any time on requisition of the Chairperson or at requisition of at least fifty percent of the members. Provided however, the Authority shall meet at least twice a year.

(2) The quorum of the Authority's meeting shall be at fifty percent of the total membership with the mandatory presence of the (a) (b) and (d) as mentioned in section 7.

(3) A meeting of the Authority shall be presided over by the Chairperson. In the absence of the Chairperson, a member nominated by the Chairperson shall preside over the meeting.

(4) All decisions in the meeting shall be made with majority of the present members.

9. **Objectives, functions and powers of the Authority.** — (1) The Authority shall: -

- (a) license, regulate and supervise Virtual Asset Service Providers and issuers in accordance with the provisions of this Act and any Rules or Regulations made thereunder;
- (b) protect customers and investors and the integrity of Pakistan's Virtual Asset markets by establishing and enforcing appropriate safeguards and conduct of business requirements, prudential, operational-resilience, risk-management standards, and measures to prevent money laundering, terrorist financing and other illicit use of Virtual Assets;

- (c) attract investment and encourage companies operating in the fields of Virtual Assets to base their business in Pakistan;
- (d) promote responsible innovation, digital financial inclusion and the development of compliant Virtual Asset markets within a framework that manages risks and supports financial stability and market integrity;
- (e) promote, develop, govern, and regulate the adoption, deployment, and scalable use of blockchain technology and distributed ledger technology across Pakistan;
- (f) assess, determine, and classify any Virtual Asset, service, activity, offering, Issuer, or service provider based on its substantive features, underlying function, method of use, or economic effect, irrespective of the nomenclature, structure, or designation assigned to it. Such classification may include, but is not limited to the determination of whether an asset is a Virtual Asset, whether a Person qualifies as a Virtual Asset Service Provider, or whether an offering constitutes a financial activity within the scope of this Act subject to consultation with the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan where the asset exhibits characteristics falling within their respective mandates;
- (g) coordinate with the Financial Monitoring Unit, National AML and CFT Authority, other relevant authorities and law enforcement agencies to combat money laundering, terrorist financing, and other illicit activities associated with Virtual Assets, in accordance with the Anti-Money Laundering Act, 2010 (VII of 2010), other applicable laws, and international standards;
- (h) advise the Federal Government, on its own motion or upon request, on regulatory, supervisory, technical or emerging-risk matters relating to Virtual Assets, digital-asset markets, tokenisation, stablecoin structures, blockchain, DLT, cyber-risks or any matter connected with its mandate under this Act; and
- (i) do all such acts as may be necessary or incidental to the discharge of its functions and to achieve its objectives under this Act and other applicable laws.

(2) For the purposes of sub-section (1), and without prejudice to the generality of the foregoing, the Authority may—

- (a) make Regulations, standards, directives, guidelines, handbooks and circulars, or any other instrument, consistent with the objectives of this Act and other applicable laws;
- (b) set prudential, conduct operational resilience, risk-management, cybersecurity, data protection & technical standards;

- (c) issue, vary, suspend or revoke licenses, approvals or directives under this Act and prescribe conditions for such actions;
- (d) prescribe licensing conditions, eligibility criteria, renewal requirements and any additional obligations for Licensees;
- (e) conduct on-site inspections and off-site monitoring of Licensees and other entities to ensure compliance with this Act and relevant Rules and Regulations;
- (f) require Licensees to furnish information, documents and data in the manner and timeframe reasonably Prescribed by Regulations;
- (g) ensure compliance of data-protection, data-governance and cyber security obligations by Virtual Asset Service Providers subject to supervisory follow-up;
- (h) impose administrative sanctions in accordance with the provisions of this Act and any Rules or Regulations made thereunder;
- (i) apply to court for civil or criminal remedies as provided under any applicable law;
- (j) levy such fees, charges and penalties as may be Prescribed by Rules;
- (k) operate regulatory sandboxes in a transparent and accountable manner;
- (l) enter into cooperation or mutual assistance arrangements with domestic and foreign regulators and law enforcement agencies to facilitate information sharing and coordinated action, including mutual recognition of Regulations and licenses;
- (m) conduct public education and awareness initiatives to promote informed participation in the Virtual Asset ecosystem; and
- (n) constitute as many committees as deemed necessary to conduct its functions under this Act.

10. Delegation of powers. — The Authority may delegate any of its powers and functions to the Managing Director, subject to such terms, conditions, and limitations as it may deem appropriate.

11. Appointment and Functions of Chairperson. - (1) The Chairperson of the Authority shall be appointed by the Federal Government on such terms and conditions as it may deem fit. The Chairperson shall have demonstrable expertise in digital finance or technology and a minimum of three years' relevant professional experience, and shall be eligible for re-appointment for maximum two terms on such term or terms as the Federal Government may determine.

(2) The Chairperson shall provide overall guidance, direction, and oversight of the Authority.

(3) The Chairperson shall only be removed prior to the expiry of the term for gross misconduct or incapacity following a show cause notice and opportunity to be heard.

(4) The Chairperson may resign by writing to the Prime Minister.

12. Appointment and Functions of Managing Director.- (1) The Authority shall appoint a Managing Director for a term of three years, extendable for a further maximum of two term of three years only.

(2) The Managing Director shall be a person of proven integrity and competence, and shall meet such qualifications, criteria, and requirements as may be prescribed by Regulations.

(3) The Managing Director shall act as Secretary of the Authority for its proceedings but shall not have voting rights unless specifically authorized.

13. Appointment of Officers, Staff, Consultants, Advisors and other personnel. - (1) The Authority may, from time to time, create and sanction such posts, prescribe required qualifications and experience, and determine terms of service through Regulations as required.

(2) The Authority may, through a transparent and competitive process prescribed by Regulations, appoint such employees, officers, consultants, and technical or professional advisers as are necessary for the performance of its functions and the exercise of its powers under this Act.

(3) The Authority may, as prescribed by Regulations, request any Ministry, Division, public authority, public entity or autonomous or regulatory body to assign an official with requisite expertise to the Authority for such period as may be mutually agreed.

14. Pakistan Virtual Asset Regulatory Authority Fund. -(1) There shall be established a lapsable fund, vested in and administered and controlled by the Authority, to be known as the Pakistan Virtual Asset Regulatory Authority Fund, for meeting expenditures in connection with the performance of the functions and operations of the Authority under this Act.

(2) Subject to the provisions of the Public Finance Management Act, 2019 (V of 2019), the Fund shall consist of-

- (a) funds provided by the Federal Government for salaries, infrastructure, administrative, operational, and other expenses, including the day-to-day functioning of the Authority;
- (b) loans or funds obtained from the Federal Government, any Provincial Government, a local authority or any other entity with the approval of the Authority;
- (c) grants made by the Federal Government;
- (d) aids, grants, donations, or loans raised or obtained by the Authority from domestic and international agencies, in consultation with the Division to which the business of finance stands allocated and other relevant Divisions;

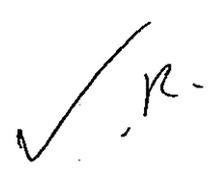
- (e) contributions from multilateral organisations, international agencies, and philanthropic organisations for purposes consistent with the objectives of the Authority, to be managed in accordance with regulations ensuring transparency and good governance;
- (f) all sums or property which may in any manner become payable to or vested in the Authority in connection with the exercise of its powers or performance of its functions;
- (g) income from investments and assets of the Authority;
- (h) NOC, licensing, supervision, renewal or other fees received by the Authority;
- (i) penalties, fines, settlements, and other recoveries imposed or realized under this Act or any Rules or Regulations made thereunder;
- (j) charges for services rendered by the Authority, including sandbox participation and other prescribed services; and
- (k) any other source as may be prescribed.

(3) The Fund shall be managed and operated in such manner as may be prescribed by Regulations.

(4) The Fund shall be maintained in such manner and with such institutions as the Authority may determine, subject to any requirements prescribed by Regulations.

(5) The Pakistan Virtual Asset Regulatory Authority Fund may be expended for—

- (a) paying any expenditure lawfully incurred by the Authority;
- (b) payment of salaries and other remunerations payable to the chairperson, Managing Director, Officers, employees, consultants, and advisers of the Authority;
- (c) paying any other expenses, costs or expenditures properly incurred or approved by the Authority in the performance of its functions or the exercise of its powers under this Act;
- (d) purchasing or hiring equipment, machinery and other materials, acquiring land and constructing buildings, and carrying out any other work or undertakings in connection with the performance of its functions or the exercise of its powers under this Act;
- (e) repayment of any loans or advances obtained under this Act, together with any associated interest, charges or fees;
- (f) meeting any financial obligations or liabilities that arising out of the performance of the functions of the Authority under this Act;



- (g) funding strategic and enabling projects or initiatives necessary to support the objective of this Act or to enhance the operational capabilities of the Authority and its stakeholders;
- (h) meeting expenses relating to investigations, inspections, enforcement actions, legal proceedings, arbitration, mediation, and dispute resolution, including court fees, expert fees, and legal costs; and
- (i) capacity-building, research, training, certification, and international cooperation activities, including participation in regional or international regulatory forums.

15. Budget, Finance and Audit. — (1) The Authority shall, in respect of each financial year, prepare and approve its budget in accordance with the procedure prescribed through Rules.

(2) The budget statement shall specifically state the estimated receipts and expenditure and the sums which are to be required from the Federal Government during the next financial year.

(3) The Authority shall maintain complete and accurate books of accounts of its receipts of funds and expenditure.

(4) At the end of each financial year, the accounts of the Authority shall be audited by the Auditor General of Pakistan and by a firm of Chartered Accountants nominated by the Auditor General of Pakistan.

(5) The Authority shall produce such accounts, books and documents and furnish such explanations and information as the auditors may require for the purpose of audit.

(6) Copies of the auditor's report on the accounts shall be provided to the Authority.

(7) The Authority shall submit an annual report of the fund under this section to the Prime Minister through the concerned Division within ninety days of the close of each financial year, including audited financial statements and performance against approved objectives, and such other matters as the Authority may consider necessary for transparency and accountability.

16. Code of conduct.— (1) The Chairperson, Members of the Authority including ex-officio Members, Managing Director, officers and employees of the Authority, shall, in the performance of their functions, act with integrity, impartiality, confidentiality and in good faith, and shall avoid any conflict of interest, whether direct or indirect.

(2) The Authority shall prescribe, by Regulations, a Code of Conduct applicable to the Chairperson, Members of the Authority, Managing Director, officers and employees of the Authority, including provisions relating to disclosure of interests, conflict management, restrictions on personal trading in Virtual Assets, confidentiality, and post-tenure obligations.

(3) Any violation of the provisions of this section or the Code of Conduct prescribed thereunder shall constitute misconduct and shall result in removal from office or service, as the case may be, and the initiation of disciplinary proceedings.

17. Inter-agency cooperation and information-sharing.— (1) For the effective regulation and supervision of Virtual Assets and Virtual Asset Service Providers, and to prevent their misuse, the Authority shall cooperate and share supervisory and enforcement information, in a timely and secure manner, with the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Financial Monitoring Unit, the Federal Investigation Agency, the Federal Board of Revenue, and any other competent regulatory or law-enforcement agencies or bodies.

(2) The Authority may, with the prior approval of the Federal Government, enter into cooperation arrangements or information-sharing arrangements with foreign regulatory or supervisory authorities for cross-border supervision, enforcement and mutual assistance relating to Virtual Assets and Virtual Assets Service Providers.

(3) The Authority may establish one or more inter-agency coordination mechanisms, including a regulatory coordination committee, comprising representatives of relevant public authorities, to facilitate policy coordination, information-sharing, supervision, enforcement, and risk mitigation in relation to Virtual Assets and Virtual Asset Service Providers.

Chapter 3

LICENSING OF VIRTUAL ASSET SERVICE PROVIDERS AND ISSUANCE OF VIRTUAL ASSETS

18. Categories of virtual asset services.— The following constitute Virtual Asset Services and shall be subject to licensing and regulation under this Act:

- (a) all services as specified in Schedule I; and
- (b) any other service as may be notified by the Federal Government and subsequently included in Schedule I of this Act.

19. Application for License. — (1) Any Person intending to incorporate a company, under the Companies Act, 2017 (XIX of 2017) or any other law for the time being in force, with the primary objective of engaging in Virtual Asset Services shall first apply to the Authority for a No-Objection Certificate before commencing the process of such incorporation.

(2) An application for a No-Objection Certificate under sub-section (1) shall be made in such form and manner, accompanied by such information and fee as may be prescribed by the Authority.

(3) Upon review of an application for No-Objection Certificate, the Authority may, having regard to the objects of this Act and the need to ensure the integrity of the Virtual Asset market, grant the approval or certificate, subject to any conditions, or refuse the application, providing written reasons for refusal.

(4) An application for a license, following incorporation of the company, shall be made to the Authority in such form and manner as may be prescribed. It shall be accompanied by—

- (a) the prescribed fee, which shall be non-refundable unless otherwise determined by the Authority; and
- (b) such information and documents as may be prescribed or required by the Authority.

20. Fit-and-proper criteria.— (1) The Authority shall determine whether a Controller, Sponsor, Chief Executive Officer and Director is fit and proper in accordance with criteria prescribed by Regulations.

(2) The fit-and-proper criteria shall apply to all Key Individuals. It shall be the responsibility of the applicant for a license or the licensee to assess and maintain the fitness and propriety of other key individuals not mentioned in sub-section (1), and to submit a written undertaking to the Authority confirming compliance and ongoing maintenance thereof.

(3) The Authority may refuse, suspend or revoke a license where any Controller, Sponsor or Key Individual fails to meet the prescribed fit-and-proper criteria.

(4) Fit-and-proper criteria shall be continuing in nature, and any person subject to such criteria shall notify the Authority of any matter that may affect their fitness and propriety.

(5) The Authority shall prescribe additional requirements for corporate Controllers, including assessment of the corporate behaviour, integrity and track record of Controller and ultimate beneficial owners.

(6) Every Licensee shall maintain a registered office in Pakistan and ensure that at least one Key Individual ordinarily resident in Pakistan is vested with operational and decision-making authority subject to conditions prescribed.

21. Grant, refusal and terms of license.— (1) Subject to this Act and any Rules or Regulations made thereunder, the Authority may —

- (a) grant a license, subject to such terms and conditions as it may deem appropriate; or
- (b) refuse the application, providing the applicant with written reasons for such refusal.

(2) The Authority may, on a case-by-case basis, grant a provisional or a limited-scope licence to an applicant, subject to such terms and conditions as may be prescribed.

(3) A license granted to a Virtual Asset Service Providers shall specify the Virtual Asset Services that is permitted to undertake and shall remain in force unless suspended or revoked.

(4) The Authority shall maintain and publish an up-to-date register of Licensees on its official website. The register shall include, at a minimum, the name, license number, permitted services and current regulatory status of each Licensee.

22. Ongoing obligations of licensees.— A Licensee shall, at all times—

- (a) maintain the prescribed minimum paid-up capital and financial resources;

- (b) comply with this Act and all Rules, Regulations, directives and guidelines issued by the Authority;
- (c) submit such periodic returns, reports and audited financial statements as may be prescribed;
- (d) obtain the prior approval of the Authority for any material change in control or business, in the manner prescribed;
- (e) maintain risk-management, compliance and cybersecurity systems in accordance with applicable legal and regulatory requirements including adherence to data privacy standards; and
- (f) pay such supervision, renewal or other fees as may be prescribed.

23. Variation, suspension and revocation of license. — (1) The Authority may, by way of written notice and after providing an opportunity of being heard, vary, suspend or revoke a license if it is found that—

- (a) the Licensee has contravened any provisions of this Act or any other applicable laws, or any terms or condition of its license;
- (b) the Licensee is insolvent or no longer satisfies the fit-and-proper criteria;
- (c) the Licensee has ceased to carry on the Virtual Asset Service for which it is licensed; or
- (d) such action is necessary or expedient in the public interest, including for the protection of consumers, the integrity of the market, or financial stability; or
- (e) the license was obtained by fraud, misrepresentation, or concealment of material facts.

(2) Where a license is revoked, the Licensee shall immediately cease the provision of Virtual Asset Services, and the Authority may notify the Securities and Exchange Commission of Pakistan to initiate winding-up or dissolution proceedings in accordance with the Companies Act, 2017 (XIX of 2017) and any Regulations that may be prescribed under this Act.

(3) The Authority may, by Regulations prescribe further procedures, timelines, and safeguards for variation, suspension, or revocation under this section.

Chapter 4

PRUDENTIAL REQUIREMENTS, SAFEGUARDING AND CUSTODY

24. Segregation of customer assets. — (1) A Licensee shall, at all times, hold Customer Assets in segregated accounts separate from its own assets, in the manner prescribed by Regulations.

(2) Notwithstanding anything to the contrary contained in any other law for the time being in force, Customer Assets held by a Licensee shall not form part of the Licensee's estate in the event of its insolvency or liquidation.

(3) Licensee owes a fiduciary duty to its customers and shall at all times act honestly, fairly, and in the best interests of its customers when dealing with Customer Assets.

(4) A Licensee shall not rehypothecate, lend, pledge, or otherwise encumber Customer Assets, whether Virtual Assets or fiat balances, without the customer's explicit, informed, and revocable written consent.

25. Minimum financial resource requirements. — (1) A Licensee shall, at all times, maintain such minimum paid-up capital, liquid assets and financial resources not less than such amounts as may be prescribed.

(2) The Authority may, having regard to the category, size, complexity, or risk profile of a Licensee, prescribe higher financial-resource requirements.

(3) The Authority may, by Regulations, prescribe additional liquidity, margin, risk-based capital or reserve requirements having regard to the risks posed by the Licensee's activities.

(4) The Authority may, in the manner prescribed by Regulations, grant conditional or risk-based exemptions from requirements under this section for limited-scope or low-risk Licensees.

26. Custody standards and key-management controls. — (1) A Licensee providing custody services for Virtual Assets shall:

(a) ensure the secure custody and protection of Virtual Assets against unauthorized access, loss, or misuse; and

(b) maintain operational resilience, including robust disaster-recovery and business-continuity arrangements.

(2) The Authority shall prescribe detailed technical standards, operational requirements, and audit procedures to ensure that Licensees meet the obligations under this clause, including but not limited to, standards for key management, custody mechanisms, and verification or assurance processes.

27. Proof-of-reserves and audit obligations. — (1) A Licensee shall furnish to the Authority, at such intervals as may be Prescribed by Regulations, cryptographic proof-of-reserves reconciled against its liabilities to customers.

(2) A Licensee shall cause its operations to be audited annually by a firm of Chartered Accountants approved by the Division concerned. Such audit shall include a verification of the segregation of Customer Assets as required under section 24.

28. Reserve custodians. — A custodian of reserve assets shall comply with such requirements, oversight and inspection standards as may be prescribed by Regulations.

29. Customer safeguard or compensation mechanism. — The Authority may, establish a customer-compensation or safeguard mechanism for losses arising from custodial failure, in such manner as may be prescribed by Regulations.

Chapter 5

FIAT-REFERENCED AND ASSET-REFERENCED TOKENS

30. Initial Virtual Asset Offerings.— (1) Only legal entities, as registered in Pakistan and meeting the eligibility criteria prescribed by Regulations shall be permitted to conduct an Initial Virtual Asset Offering.

(2) The Authority may prescribe, by Regulations, the conditions, disclosure requirements, approval processes and ongoing obligations applicable to Initial Virtual Asset Offerings.

31. Issuance Requirements for Fiat-Referenced Tokens. — (1) Any Issuer intending to issue a Fiat-Referenced Token in Pakistan shall comply with following requirements:

- (a) Hundred percent reserve backing, with High-Quality Liquid Assets (HQLA) or other assets as prescribed for fiat referenced token, held as a segregated reserve;
- (b) mechanisms for redemption at par value without undue delay;
- (c) audited reserve disclosures as prescribed by the Authority;
- (d) robust AML, CFT, CPF and sanctions compliance programs;
- (e) prioritized holder protections in insolvency; and
- (f) any other requirement prescribed by the Authority.

(2) The Authority may prescribe differentiated requirements based on the size, scope, complexity, or risk profile of the Issuer, including but not limited to, expedited approval, stress testing, ongoing supervision, and consultation with the State Bank of Pakistan on reserve arrangements.

32. Issuance Requirements for Asset-Referenced Tokens. — (1) Any Issuer intending to issue Asset-Referenced Token in Pakistan shall comply with following requirements:

- (a) a reserve of the underlying assets, as prescribed, for Assets-referenced token held in custody in accordance with Regulations;
- (b) audited reserve disclosures as prescribed by the Authority;
- (c) robust AML, CFT, CPF and sanctions compliance programs;
- (d) prioritized holder protections in insolvency; and
- (e) any other requirement prescribed by the Authority.

(2) An Asset-Referenced Token shall at all times be fully backed by the underlying assets and may reference tangible or intangible assets, including but not limited to commodities, real estate, real-world assets, securities, financial assets, or a combination of official currencies, but shall not be backed or derive its value from other Virtual Assets.

(3) The Authority may prescribe differentiated requirements based on the size, scope, complexity, or risk profile of the Issuer, including, but not limited to, expedited approval, stress testing, ongoing supervision, and consultation with the State Bank of Pakistan on reserve arrangements. The Authority may prescribe eligible categories of

underlying assets and may restrict or prohibit types of assets for the issuance of Asset-Referenced Token.

33. Significant issuers. — (1) An Issuer shall be deemed a Significant Issuer if it meets the thresholds and criteria prescribed by Regulations, having regard to size, scale, systemic importance, market impact, number of holders, and cross-border activity.

(2) Significant Issuers shall be registered with the Authority and shall comply with enhanced requirements, including reporting, disclosure, governance, and risk management, as prescribed in Regulations.

Chapter 6

CYBERSECURITY, SANDBOX AND INNOVATION

34. Cybersecurity and operational resilience.— Licensees shall comply with cybersecurity and operational-resilience requirements prescribed by the Authority or under any other applicable laws, including, but not limited to, technical standards, security controls, and reporting mechanisms.

35. Regulatory sandbox.— (1) The Authority may establish a regulatory sandbox to facilitate controlled testing of innovative Virtual Asset products or services, in the manner prescribed by Regulations.

(2) Eligibility, application procedures, supervisory arrangements, risk limits, duration and exit requirements shall be prescribed by Regulations.

(3) The Authority may issue guidance, no-objection statements or no-action communications in accordance with Regulations.

36. Oversight of blockchain technology adoption. — (1) The Authority shall issue Regulations, standards, directives, and guidelines on the adoption, deployment, and use of blockchain or distributed-ledger technology.

(2) The Authority shall consult with relevant regulators and ministries to ensure harmonization of blockchain adoption across Pakistan.

37. Regulation of Virtual Asset Mining Activities. — (1) The Authority may, in consultation with relevant government entities, issue Regulations, standards, and guidelines for mining activities.

(2) Pure mining, by itself, does not constitute a Virtual Asset Service requiring license under section 18 and Schedule I. Mining operations involving customer assets or funds, however, shall be treated as Virtual Asset Services and require licensing.

(3) The Authority may establish a registration or declaration framework for mining operators exceeding thresholds of scale, energy use, or hash rate, as set by Regulations.

38. Establishment of Strategic Digital Wallet Company.— (1) The Federal Government may establish or designate, under the Companies Act, 2017 (XIX of 2017), a wholly owned company to be known as the Strategic Digital Wallet Company (SDWC) to perform custody and administration services, and to design, develop, operate and secure wallet infrastructure that enables the Government of Pakistan or other designated public

bodies or institutions to manage, transfer and record Virtual Assets in furtherance of the Company's strategic reserve objectives.

(2) The Company shall operate exclusively on behalf of the Government of Pakistan and designated public bodies and shall not provide services to the private persons.

39. Data localization framework.— (1) A Licensee may store or process data outside Pakistan, subject to compliance with applicable laws relating to data protection, cybersecurity, and cross-border data transfers, and subject to such safeguards as shall be prescribed by Regulations.

(2) Nothing in this section shall prevent the Authority from requiring immediate localization or restricted cross-border transfer of specific datasets where necessary in the interest of national security, financial stability, consumer protection, or enforcement effectiveness.

40. Data segregation and protection of sensitive information.— (1) Every Licensee shall implement appropriate technical, organisational, and governance measures to ensure the segregation of sensitive information from other operational data, in such manner as may be prescribed by Regulations.

(2) For the purposes of this section, "sensitive information" shall include, but not be limited to—

- (a) customer identification and due-diligence records;
- (b) transaction-level data capable of identifying a customer;
- (c) private keys, cryptographic credentials, or wallet authentication data;
- (d) proprietary trading data and risk-management systems; and
- (e) any other category of information designated as sensitive by the Authority.

(3) A Licensee shall ensure that—

- (a) sensitive information is logically and technically segregated from non-sensitive data;
- (b) access to sensitive information is strictly controlled on a need-to-know basis;
- (c) encryption, tokenization, and secure key-management protocols are implemented in accordance with internationally recognised standards; and
- (d) appropriate audit trails and monitoring mechanisms are maintained.

(4) The Authority may prescribe, by Regulations, minimum technical standards, cybersecurity controls, storage architectures, encryption requirements, and data-governance frameworks to give effect to this section.

Chapter 7

MARKET CONDUCT, CONSUMER PROTECTION

41. Duty of integrity and fair dealing. — (1) A Licensee shall conduct its business honestly, fairly and professionally and in accordance with the best interests of its customers and in a manner that upholds the integrity of the market.

(2) The Authority may prescribe, by Regulations, detailed requirements relating to market conduct, including standards of fair dealing, professional behaviour, and customer treatment.

42. Obligations of issuers of Virtual Assets. — (1) An Issuer offering a Virtual Asset to the public shall publish a whitepaper in such form and manner as may be prescribed by Regulations.

(2) Issuers shall make ongoing disclosures of material information including reserve attestations in the manner and frequency prescribed by Regulations.

(3) The Authority may exempt categories of Issuers or offerings from requirements under this section, subject to appropriate safeguards.

(4) The Authority shall prescribe, by Regulations, mandatory risk disclosures, periodic reporting requirements and disclosure templates applicable to Issuers and Licensees.

43. Marketing and conduct restrictions. — (1) No person shall advertise or market a Virtual Asset unless the Issuer holds a valid license or registration under this Act.

(2) All marketing materials shall contain risk disclosures and shall comply with such conditions, standards and limitations, in such form and manner, as may be prescribed by the Authority.

44. Conflict-of-interest management. — A Licensee shall identify, manage, and disclose conflicts of interest and shall not place its own interests above those of its customers, in accordance with detailed requirements on policies, disclosure, and management as may be prescribed by the Authority by Regulations.

45. Complaint-handling and dispute resolution. — (1) Licensees shall establish and maintain internal complaint-handling procedures in accordance with the requirements prescribed by Regulations.

(2) Notwithstanding anything contained in any other law for the time being in force, the Authority may establish or recognize an independent dispute-resolution scheme for claims below a prescribed monetary threshold.

Chapter 8

ANTI-MONEY LAUNDERING, COUNTERING OF TERRORISM FINANCING AND COUNTERING OF PROLIFERATION FINANCING

46. Application of Anti-Money Laundering Act, 2010. — (1) For the purposes of the Anti-Money Laundering Act, 2010 (VII of 2010), Virtual Asset Service Providers licensed under this Act shall be deemed to be financial institutions, and shall comply with all obligations thereunder.

(2) Without prejudice to sub-section (1), every Virtual Asset Service Provider and Issuer shall—

- (a) report suspicious transactions to the Financial Monitoring Unit (FMU) in accordance with Anti-Money Laundering Act, 2010 (VII of 2010) and any rules, regulations or guidelines issued thereunder;

(b) maintain records of customer due diligence, transactions and other relevant information for the period prescribed under Anti-Money Laundering Act, 2010 (VII of 2010); and

(c) establish and maintain internal controls and compliance programmes to prevent money laundering and terrorist financing, including the appointment of an AML, CFT or CPF compliance officer.

(3) The Authority shall, through AML, CFT or CPF Regulations, align its supervisory framework with the standards of the Financial Action Task Force (FATF) and may issue additional guidance, consistent with FMU's mandate, to address risks specific to Virtual Assets.

47. Travel rule and record-keeping obligations. — (1) A Licensee shall obtain, hold and transmit originator and beneficiary information in any transfer of Virtual Assets meeting or exceeding the threshold prescribed by the Authority, in a manner consistent with Recommendations of Financial Action Task Force, as updated from time to time.

(2) Such obligations shall be implemented in compliance with applicable data protection, data governance, and cybersecurity laws, ensuring the confidentiality, integrity, and security of the information.

(3) The Authority may prescribe detailed procedures, standards, and formats for record-keeping, reporting, and transmission of information through Regulations.

(4) A Licensee shall maintain records of transactions, customer due-diligence data and risk assessments for a period prescribed by Regulations, which shall not be less than the period required under the Anti-Money Laundering Act, 2010 (VII of 2010).

48. Real-time data access and reporting. — (1) Licensees shall establish secure reporting channels, and where required secure automated interfaces, enabling the Authority and such other agencies as notified to access prescribed data for supervisory and enforcement purposes.

(2) The Authority shall prescribe, by Regulations, the technical standards, security requirements and data specifications for the reporting and interfaces referred to in subsection (1).

49. Data Privacy Obligations for Licensed entities.— Each licensee shall implement strict limits on the collection, use, and sharing of customer data, requiring explicit, informed, and revocable consent for any non-essential data processing.

Chapter-9

Prohibitions

50. Prohibition of unlicensed Virtual Asset services. — (1) No Person shall, by way of business, engage in, or represent themselves as engaging in, any Virtual Asset Services in or from Pakistan, unless that Person:-

- (a) is a company incorporated under the Companies Act, 2017 or any other law for the time being in force in Pakistan governing the incorporation of companies; and
- (b) holds a valid license granted by the Authority under this Act.

51. Prohibition on Initial Virtual Asset Offerings. — No Person shall conduct or purport to conduct an Initial Virtual Asset Offering, in or from Pakistan, except in accordance with this Act and the Rules or Regulations made thereunder.

52. Prohibition of market manipulation and insider trading. – (1) No person shall engage in market manipulation or Market abuse in relation to virtual assets.

(2) No person shall:

- (a) use inside information to trade virtual assets for themselves or others;
- (b) recommend or induce trading based on inside information; or
- (c) unlawfully disclose inside information.

(3) The Authority shall issue guidelines and regulations specifying the type of manipulative behaviour.

53. Prohibition on Algorithmic tokens. — No Person shall issue, offer, or market a Virtual Asset whose primary mechanism for maintaining value is algorithmic and not fully or adequately collateralized, unless specifically permitted by Regulations and subject to the safeguards prescribed therein.

Chapter-10

ENFORCEMENT, OFFENCES AND PENALTIES

54. Criminal offences.— (1) Whoever, willfully, provides an unlicensed Virtual Asset Service shall be punishable with imprisonment for a term up to five years, or with fine up to fifty million Pakistani Rupees, or with both.

(2) Whoever conducts an Initial Virtual Asset Offering in contravention of this Act, Rules and Regulations shall be punishable with imprisonment for a term up to three years, or with fine up to twenty-five Million Rupees or with both.

(3) Whoever, wilfully, contravenes section 52 shall be punishable:

- (a) in the case of natural person, with imprisonment for a term up to three years or with fine up to twenty-five Million Rupees or with both.
- (b) in the case of a legal person, with fine or three times the amount of any profit gained or loss avoided as a result of the contravention. If the amount of profit gained or loss avoided cannot be determined, a fine not exceeding 15% of the total annual turnover of the body corporate in the preceding financial year.

(4) Whoever, knowingly, makes any false or misleading statement in any application, return or document submitted to the Authority shall be punishable with

imprisonment for a term up to three years, or with fine up to twenty million Pakistani Rupees, or with both.

(5) Whoever, obstructs an officer of the Authority in the exercise of powers under this Act shall be punishable with imprisonment for a term up to two years, or with fine up to ten million Pakistani Rupees, or with both.

(6) Whoever, willfully, fails to comply with any order or decision of the Authority shall be punishable with imprisonment up to one year, or with fine up to twenty-five million Pakistani Rupees and the Authority may also impose administrative penalties prescribed in this Act.

(7) All offences punishable under this Act shall be investigated, tried, and punished in accordance with the provisions of the Code of Criminal Procedure, 1898 (Act V of 1898) and the Qanun-e-Shahadat Order, 1984 (Order X of 1984), unless otherwise provided in this Act.

(8) The Federal Government may, by notification in the Official Gazette, designate one or more Special Courts to exercise jurisdiction over offences committed under this Act.

55. Liability of officers of bodies corporate.— Where an offence under this Act is committed by a body corporate with the consent, connivance or neglect of any director, manager, secretary or similar officer, such Person shall be deemed to have committed the offence.

56. Power to Investigate. — Only an authorized officer of the Authority shall have the power to investigate offences under this Act.

57. Powers of Authorized Officer.— (1) For the purpose of investigation of offences under this Act, an authorised officer shall obtain a warrant for search and seizure of evidence of an offence from a court of competent jurisdiction.

(2) The powers specified in sub-section (1), the authorized officer shall, for the purposes of investigation, inquiry, search, seizure, arrest, attachment, confiscation, and other criminal proceedings under this Act, exercise all powers conferred upon an officer incharge of a police station or an investigating officer under the Code of Criminal Procedure, 1898 (Act V of 1898), subject to the provisions of this Act.

(3) Any person who, wilfully, refuses to provide information required by the Authorized Officer under sub-section (1) shall be punishable with imprisonment for a term up to one year or with fine up to one million rupees or with both.

(4) No Court shall take cognizance of any offence under this Act except on a report in writing submitted by an authorized officer of the Authority.

58. Prosecution of offences. — (1) All prosecutions under this Act shall be conducted by a special public prosecutor appointed by the Federal Government. The special public prosecutor, or advocates appointed by the Division concerned, may institute or defend cases, appeals, petitions, applications, and all other matters before any court, including the High Court and Supreme Court, arising from proceedings under this Act.

(2) The personal attendance of any officer authorized by the Authority to file a complaint shall not be required during trial in the presence of the special public prosecutor referred to in sub-section (1).

(3) The court shall, in a manner not inconsistent with this Act, follow the procedure provided under Chapter XXII-A of the Code of Criminal Procedure, 1898 (Act V of 1898), and all prosecutions shall be disposed of and judgments pronounced as expeditiously as possible.

(4) Hearings shall not be adjourned except for sufficient cause to be recorded, and for no more than fourteen days at a time. The court may impose such costs as it deems fit.

59. Administrative sanctions.— (1) Where the Authority is satisfied that a Person has contravened any provision of this Act, or any Rules, Regulations, directions, circulars, or other regulatory requirements made thereunder, it may, impose one or more of the following sanctions—

(a) issue a written reprimand or public censure;

(b) issue a directive requiring the Person to cease or remedy the contravention;

(c) impose a financial penalty up to the maximum amount prescribed by the Rules;

(d) suspend or revoke any license issued under this Act; or

(e) disqualify any Person from holding any office or position of responsibility in a Licensee.

(2) Where the Authority is satisfied that an Issuer has contravened this Act or any Regulations made thereunder, it may impose sanctions under sub-section (1), with such modifications as are appropriate, upon Issuers.

(3) Without prejudice to sub-sections (1) and (2), where a Virtual Asset Service Provider or Issuer contravenes any other law applicable in Pakistan, the Authority may, in accordance with Regulations, impose administrative sanctions as it deems appropriate.

(4) The Authority may impose a fine up to twenty-five Million Rupees for any contravention of the provisions of this Act.

(5) The court may order restitution, disgorgement of profits or such other relief as it deems appropriate.

60. Emergency intervention powers. — In the event of a systemic threat, market manipulation, fraud, or cybersecurity breach, or other serious risk to customers or market integrity, the Authority may issue an order temporarily suspending specified Virtual Asset Services or freezing related assets for a period not exceeding thirty days.

61. Power to prevent access to unlicensed virtual asset services. — (1) The Authority may remove, block, or direct the removal or blocking of any online material (e.g., websites, apps, ads, payment links) if, on reasonable grounds, it promotes, operates, or

relates to an unlicensed Virtual Asset Service or contravenes this Act, its Rules, or Regulations.

(2) Such directions may be issued to telecommunication authorities, Virtual Asset Service Providers, intermediaries, hosting providers, app stores, search engines, advertising networks, registrars, payment providers, or any person facilitating such material.

(3) All orders or directions shall be in writing, stating reasons and statutory basis, and communicated to the affected person.

(4) The Authority may require preservation of copies, logs, or transactional data for evidentiary purposes.

(5) A person aggrieved by an order may submit a representation within ten days; the Authority shall respond in writing within fifteen days.

Chapter- 11

APPEALS

62. Establishment of the virtual assets appellate tribunal. - (1) A Virtual Assets Appellate Tribunal shall be established and no court shall take cognizance of a legal dispute under this Act or the Rules or Regulations made thereunder to which the jurisdiction of the Virtual Assets Appellate Tribunal extends.

(2) The Virtual Assets Appellate Tribunal shall consist of a presiding officer, who shall be a person who is a retired Judge of a High Court, or an advocate having not less than ten years' practice and experience in the relevant field, and two members, one being a technical expert and the other being a financial expert, who shall be Persons of ability, integrity, and have special knowledge and professional experience of not less than ten years in the fields of law, technology, finance, or economics.

(3) The presiding officer and members of the Virtual Assets Appellate Tribunal shall be appointed by the Federal Government, in the manner Prescribed, and hold office for a period of three years and shall be eligible for re-appointment for a similar term or terms and shall cease to hold office on attaining the age of sixty years or the expiry of the term, whichever is earlier.

(4) The terms, conditions, and appointment of the Virtual Assets Appellate Tribunal presiding officer and other members shall be in the manner Prescribed by the Federal Government.

63. Jurisdiction.- Any Virtual Asset Service Provider, Licensee, or any other Person aggrieved by an order of the Authority may prefer an appeal before the Virtual Assets Appellate Tribunal within thirty days of the date on which the order was communicated, in accordance with the Prescribed Rules.

64. Appeal.- (1) An appeal to the Virtual Assets Appellate Tribunal shall be filed within thirty days from the date of such order in such form, contain such particulars, and be accompanied by such documents and fees as may be prescribed under this Act.

(2) The Virtual Assets Appellate Tribunal shall decide an appeal expeditiously but not later than three months of its presentation to the Tribunal.

(3) The Virtual Assets Appellate Tribunal shall, for the purpose of deciding an appeal, be deemed to be a civil court and shall have the same powers as are vested in such court under the Code of Civil Procedure, 1908 (Act V of 1908), including the powers of —

- (a) enforcing the attendance of any Person and examining him on oath;
- (b) compelling the production of documents; and
- (c) issuing commissions for the examination of witnesses and documents.

(4) It shall be sufficient for the Virtual Assets Appellate Tribunal to establish, or to be satisfied as to any matter on the standard of proof applicable to civil proceedings in a summary manner in a court of law.

(5) The Virtual Assets Appellate Tribunal's determinations or decisions under this Act shall be deemed to be the decrees of a civil court under the Code of Civil Procedure, 1908 (Act V of 1908).

65. Appeal to Supreme Court. — Any Person aggrieved by an order of the Virtual Assets Appellate Tribunal may file an appeal to the Supreme Court of Pakistan within thirty days from the date of such order and in such manner as may be prescribed.

Chapter-12

MISCELLANEOUS

66. Tax Compliance. — Every Virtual Asset Service Provider licensed under this Act shall comply with the obligations imposed under the Income Tax Act, 2001 and any Rules or Regulations issued by the Federal Board of Revenue.

67. Power to make Rules. — The Federal Government may by notification in the official Gazette, make Rules, as deemed necessary for the implementation of and to carry out the purposes of this Act.

68. Powers to make regulations. — The Authority may make Regulations in the consultation with Division concerned as deemed necessary for the implementation of and for carrying out the purposes of this Act.

69. Officers to be Public Servants. — The Chairperson, Managing Director, members, staff, experts; consultants, advisers, other officers and employees of the Authority shall be deemed to be public servants within the meaning of section 21 of the Pakistan Penal Code; 1860 (XLV of 1860).

70. Transitional provisions.— (1) Any Person providing Virtual Asset Services immediately before the commencement of this Act shall, within six months of such commencement, apply to the Authority for a license under this Act or shall cease to provide such services.

(2) After the commencement of this Act, within six months, a Person who has submitted a complete application as per sub-section (1) may continue to provide existing Virtual Asset Services:

Provided that such Person fully complies with any interim directives issued by the Authority and continues to adhere to the core obligations of this Act, particularly regarding customer asset protection under AML, CFT and CPF.

71. Power of the Federal Government to issue policy directives.— The Federal Government may, by notification in the official Gazette, give policy directives to the Authority to align its actions with national policies, priorities and interests consistent with the objectives and framework established under this Act. Such policy directives shall not impede the Authority's operational autonomy.

72. Annual and special reports of the Authority.— (1) The Authority shall prepare an annual report at the end of the financial year and may at any time prepare special reports on any matter which in its opinion is of particular urgency or importance.

(2) The Division concerned shall cause the annual report and the special reports to be laid before the Majlis-e-Shoora (Parliament) within ninety days.

(3) The report shall be placed on the website of the Authority immediately after its lying before the Majlis-e-Shoora (Parliament) for information of general public.

73. Removal of difficulties.— If a procedural or operational difficulty arises in giving effect to any of the provisions of this Act, the Federal Government may, within six months of the commencement of this Act, make such order not inconsistent with the provisions of this Act, as may appear to it to be necessary or expedient for removing such difficulty.

74. Savings.— Notwithstanding the lapse of the Virtual Assets Ordinance, 2025 (VII of 2025), anything done, action taken, appointment made, notification or order issued, or right, privilege, obligation or liability accrued under the said Ordinance shall be deemed to have been validly done, taken, made, issued or accrued under the corresponding provisions of this Act.

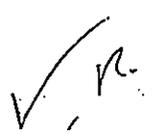
SCHEDULE I

(See section 18)

CATEGORIES OF VIRTUAL ASSET SERVICES

The list below shall constitute the types of Virtual Asset Services and their description.

Sr. No	Service Category	Description
(1)	(2)	(3)
1.	Advisory Services	means the provision of personalised recommendations, on professional basis, to a customer, either upon request or at the initiative of Virtual Asset Service Providers, relating to one or more actions or transactions involving Virtual Assets. The term "personalised" refers to recommendations that are addressed to a specific customer and take into account (or are presented as taking into account) that customer's individual circumstances, objectives, risk profile or financial situation. General market information, research reports or non-individualised suggestions do not constitute personalised recommendations.



2.

Broker-Dealer Services

means any of the following:

- (a) arranging or facilitating orders for the purchase and sale of Virtual Assets between two parties;
- (b) soliciting or accepting orders and receiving consideration in fiat currency or Virtual Assets;
- (c) trading Virtual Assets on the Virtual Asset Service Provider's own account;

Exemption: A Person that deals solely on its own account, does not execute orders on behalf of customers, and does not hold or control Customer Assets is not regarded as carrying on 'broker-dealer services' for the purposes of this Act

- (d) market-making using Customer Assets; or
- (e) providing placement or distribution services for Issuers acting as intermediaries.

3.

Custody and Administration Services

means the safekeeping or administration, on behalf of customers and pursuant to their instructions, of:

- (a) Virtual Assets; or
- (b) private cryptographic keys or other means of access that allow the customer to transfer or dispose of Virtual Assets independently,

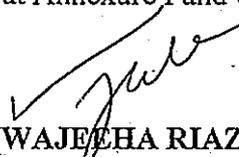
but excludes the mere provision of software, hardware or infrastructure that enables a customer to retain exclusive control over their own private keys.

4.	Exchange Services	<p>means any of the following:</p> <ul style="list-style-type: none"> (a) exchanging Virtual Assets for fiat currency; (b) exchanging one or more types of Virtual Assets; (c) matching orders between buyers and sellers and executing conversions as described in (a) and (b); or (d) maintaining an order book for the above purposes.
5.	Lending and Borrowing Services	<p>means the facilitation, arrangement, intermediation or direct provision (as principal) of lending or borrowing arrangements involving Virtual Assets, where one or more lenders transfer, lend or make available Virtual Assets (or rights thereto) to one or more borrowers, subject to a contractual obligation for the borrower to return equivalent Virtual Assets (together with any agreed interest, fees or rewards) at a specified time or upon demand.</p>
6.	Virtual Asset Derivatives Services	<p>means the offering, facilitation, execution, clearing, trading or arranging of transactions in derivatives (including futures, options, swaps, contracts for difference or other similar instruments) that have a Virtual Asset (or a basket or index of Virtual Assets) as their underlying reference asset.</p>

7.	Virtual Asset Management and Investment Services	<p>means acting in a fiduciary or agency capacity for the purpose of managing or administering another Person's Virtual Assets, including:</p> <p>(a) portfolio or discretionary investment management involving Virtual Assets; and</p> <p>(b) responsibility for staking on behalf of customers to earn validator or network rewards, provided that such staking is performed on a discretionary basis or forms part of a broader investment management mandate.</p>
8.	Virtual Asset Transfer and Settlement Services	<p>includes transfer, transmission, or settlement of Virtual Assets between parties, or from one wallet, address, or location to another, on behalf of customers excluding exchange execution.</p>
9.	Virtual Assets Issuance Services	<p>Creation, issuance, initial offering, administration, and ongoing management of Virtual Assets, including supply control, reserve management (if any), redemption, governance, and required disclosures.</p>
10.	Mining-related Virtual Asset Services	<p>Includes activities where mining operations provide services to third parties involving customer virtual assets or funds. Pure mining for own account is excluded. Licensing and regulatory obligations apply only if the service involves customer assets or funds, as per the Authority's Regulations.</p>

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10. Accordingly, the Chairman Committee after taking sense of the Committee put the bill to vote and the members present voted that the "The Virtual Assets Bill, 2025", as reported by the Committee, may be passed by the Senate of Pakistan. (Copy of Bill introduced in the Senate is annexed at Annexure I and Copy of Bill is annexed at Annexure III).


(WAJEHA RIAZ)
S.O/ Secretary Committee


(SENATOR RANA MEHMOOD-UL HASSAN)
Chairman Standing Committee on Cabinet Secretariat

REGISTERED No. M - 302
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9/7/25

The Gazette  **of Pakistan**

**EXTRAORDINARY
PUBLISHED BY AUTHORITY**

ISLAMABAD, WEDNESDAY, JULY 9, 2025

PART I

Acts, Ordinances, President's Orders and Regulations

**GOVERNMENT OF PAKISTAN
MINISTRY OF LAW AND JUSTICE**

Islamabad, the 8th July, 2025

F. No. 2(1)/2025-Pub.—The following Ordinance Promulgated on 8th July, 2025 by the president is hereby published for general information:—

ORDINANCE NO. VII OF 2025

AN

ORDINANCE

To establish a regulatory Authority for the licensing, regulation, and supervision of Virtual Assets and Virtual Asset Service Providers, and to provide for related matters.

(533)

Price: Rs. 60.00

[1302(2025)/Ex. Gaz.]

WHEREAS, Virtual Assets have become an integral part of the modern financial ecosystem, requiring a dedicated regulatory Authority to license, regulate, and supervise Virtual Asset Service Providers to ensure investor protection, transparency, and market integrity;

WHEREAS, it is imperative to establish a comprehensive legal framework that empowers the Authority to combat money laundering, terrorist financing, and other illicit activities, while promoting responsible innovation, financial inclusion, economic growth, and the development of Shariah-compliant Virtual Asset Services, in alignment with international standards;

AND WHEREAS, the Senate and the National Assembly are not in session and the President of Islamic Republic of Pakistan is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in exercise of the powers conferred by clause (1) of Article 89 of the Constitution of the Islamic Republic of Pakistan, the President of Pakistan is pleased to make and promulgate the following Ordinance:-

PART I: PRELIMINARY

1. **Short title, commencement and application.**— (1) This Ordinance shall be called as the Virtual Assets Ordinance, 2025.

(2) It shall extend to the whole of Pakistan.

(3) It shall come into force at once.

2. **Scope of application.**—(1) This Ordinance shall apply to any Virtual Asset Service Provider, and to any Issuer that carries out its business activities in or from Pakistan.

(2) For avoidance of doubt, this Ordinance shall not apply to—

(a) digital representations of value or rights that are transferable or usable only within a closed ecosystem of the Issuer, including—

- (i) non-transferable outside a closed ecosystem;
- (ii) non-exchangeable with real world goods, services, discounts, purchases outside a closed ecosystem;
- (iii) non-tradeable onwards on the secondary market outside of the closed ecosystem;
- (iv) non-saleable on a secondary market outside of the closed loop-system;
- (v) non-usable for payment or investment purposes; and
- (vi) non-exchangeable for fiat-currency;

Explanation: For the purposes of this section, a "closed ecosystem" refers to a digital environment or platform in which Virtual Assets or tokens are exclusively issued, used, and redeemed within a defined and restricted network of users, services, or applications, and are not intended for use outside of that environment.

A "closed loop system" refers to a transactional framework in which the issuance, circulation, and redemption of digital tokens or value units occur entirely within a predefined network, without interoperability with external payment systems, exchanges, or real-world goods and services markets.

- (b) financial assets;
- (c) digital representation of fiat currencies issued by the State Bank of Pakistan or any other central bank of another sovereign jurisdiction;
- (d) a non-fungible token which is not used for payment, investment or any other financial purposes;
- (e) a non-fungible token which by its nature and function rather than the designation given by its Issuer, is not used for payment or investment purposes, and is not a digital representation of any of financial asset; or
- (f) any other digital representations of value or rights sought to be expressly excluded by the Authority.

3. Definitions.— (1) In this Ordinance, unless the context otherwise requires—

- (i) "Asset-Referenced Token" means a Virtual Asset (or a basket of assets) that purports to maintain a stable value by reference to another asset, other than a Virtual Asset, which may include one or more official currencies, and which may be backed by tangible or intangible assets.

Provided that the use of any reference asset class shall be subject to such limitations or approvals as may be notified by the Authority;

- (ii) "Authority" means the Pakistan Virtual Asset Regulatory Authority established under section 6 of this Ordinance;
- (iii) "Board" means the Board of the Authority, constituted under section 8 of this Ordinance;
- (iv) "Chairperson" means the Chairperson of the Authority, appointed pursuant to the provisions of this Ordinance;
- (v) "Controller" means a Person who, alone or together with associates, holds or is entitled to exercise 20% or more of the voting power or share capital of a Licensee;
- (vi) "Customer Assets" means Virtual Assets and fiat currency that a Virtual Asset Service Provider holds on behalf of another Person;
- (vii) "Division concerned" means the Cabinet Division;
- (viii) "Fiat-Referenced Token" means a Virtual Asset that purports to maintain a stable value relative to a single Official Currency and is redeemable at par value by its Issuer;
- (ix) "High-Quality Liquid Assets" (HQLA) means cash, demand deposits with the State Bank of Pakistan, and other Level 1 assets recognised under the Basel III Liquidity-Coverage-Ratio framework as adopted by the State Bank of Pakistan, provided such assets are unencumbered, held in segregated custody, and can be sold for cash within one business day;
- (x) "Issuer" means the legal Person that originates or creates a Virtual Asset and retains primary control over its initial supply, reserve

assets (if any) or on-chain governance, and that bears the ongoing obligations set out in this Ordinance toward holders.

Explanation: An Issuer is deemed a Virtual Asset Service Provider when, in addition to issuance, it offers the Virtual Asset to the public or to third parties on a commercial basis.

For the avoidance of doubt, a Person is not an Issuer solely because it:

- (a) markets, advertises or otherwise promotes a Virtual Asset;
 - (b) facilitates secondary-market trading, brokerage, distribution or exchange; or
 - (c) provides technical development or maintenance services that do not confer control over issuance, supply or reserve assets.
- (xi) "Initial Virtual Asset Offering" means a method of raising funds by an Issuer through the public offering of Virtual Assets in exchange for funds or other Virtual Assets or anything of commercial value, subject to the limitations and disclosure requirements Prescribed under this Ordinance;
- (xii) "Key Individual" means any natural Person who occupies or performs - whether on a full-time, part-time, acting or outsourced basis - one or more of the positions listed below in relation to a Licensee:
- (a) director (executive or non-executive) registered under the Companies Act 2017;
 - (b) chief executive officer (or Managing Director);
 - (c) chief financial officer;
 - (d) chief operating officer;
 - (e) head of internal audit;
 - (f) head of compliance;
 - (g) money-laundering reporting officer (MLRO) or equivalent AML/CFT compliance officer designated under the

- AML/CFT Regulations issued pursuant to the Anti-Money Laundering Act 2010;
- (h) head of risk management;
 - (i) head of information-security / cyber-security; or
 - (j) any other position that the Authority, by written notice to the Licensee, declares to be a Key Individual on the ground that the holder exercises significant influence over the management or business of the Licensee.
- (xiii) "Licensee" means a Person who holds a license under Part III of this Ordinance;
- (xiv) "Official Currency" means an Official Currency of a country that is issued by its central bank or other monetary authority;
- (xv) "Ordinance" means the Virtual Assets Ordinance;
- (xvi) "Person" means any natural or legal Person;
- (xvii) "Prescribed" means Prescribed by Rules or Regulations made under this Ordinance;
- (xviii) "Regulations" means Regulations Prescribed under this Ordinance;
- (xix) "Rules" means Rules Prescribed under this Ordinance;
- (xx) "Security Token" means a Virtual Asset that represents, evidences or confers rights or interests which constitute a security as that term is defined in the Securities Act 2015, whether such rights are issued, recorded, transferred or stored using distributed-ledger technology or any similar digital arrangement;
- (xxi) "Shariah Advisory Committee" means the committee constituted by the Authority for advice on Shariah matters;
- (xxii) "Virtual Asset" means a digital representation of value that can be digitally traded or transferred and used for payment or investment purposes, but does not include digital representations of fiat currency, securities or other financial assets regulated under any other law
- For the avoidance of doubt, Virtual Assets are not legal tender;

- (xxiii) "Virtual Assets Appellate Tribunal" means the Virtual Assets Appellate Tribunal constituted under this Ordinance;
- (xxiv) "Virtual Asset Services" has the meaning assigned to it in section 14 of this Ordinance; and
- (xxv) "Virtual Asset Service Provider" means any Person who, as a business, provides one or more Virtual Asset Services to third parties on a professional basis. That is licensed to provide such Virtual Assets services as provided under this Ordinance.

(2) Words and expressions used but not defined in this Ordinance and defined in the State Bank of Pakistan Act, 1956, the Securities Act, 2015, the Anti-Money Laundering Act, 2010 or the Companies Act, 2017 shall have the meanings respectively assigned to them therein.

4. **Extraterritorial application.**—(1) For the purposes of investigation and enforcement under this Ordinance, the Authority may exercise its powers extraterritorially to the fullest extent permitted by law.

(2) To facilitate the enforcement of this section and the effective regulation of Virtual Asset Services with cross-border implications, the Authority may enter into agreements or arrangements with regulatory authorities and law enforcement agencies in other jurisdictions for mutual assistance, information sharing, and the recognition and enforcement of regulatory decisions, and shall, by Regulations, prescribe the conditions under which a Virtual Asset Service conducted outside Pakistan shall or shall not be deemed to be offered or marketed to Persons in Pakistan.

(3) The Authority shall endeavour to align its extraterritorial enforcement practices with mutual legal assistance treaties and international cooperation frameworks, including those of the Financial Action Task Force and IOSCO.

5. **Relationship with other laws.**—(1) The provisions of this Ordinance are in addition to, and not in derogation of, any other law for the time being in force.

(2) In the event of any inconsistency between the provisions of this Ordinance and any other law, other than the Foreign Exchange Regulation Act, 1947, the provisions of this Ordinance shall prevail to the extent of the inconsistency, subject to sub-sections (3) and (4).

(3) Where any law prescribes measures for protecting citizens' data rights and cybersecurity, such provisions shall have overriding effect and must be complied with in executing this Ordinance.

(4) In cases where conflicts with existing laws are identified, the Authority shall establish a consultative process involving relevant stakeholders and concerned regulatory bodies to assess and resolve the conflict through consultation. Where conflict persists, the Authority may issue necessary recommendations or directives for resolution or propose legislative amendments to the Government.

PART II: PAKISTAN VIRTUAL ASSET REGULATORY AUTHORITY

6. Establishment of the authority. — (1) The Federal Government, by notification in the official Gazette, shall establish an authority to be known as the Pakistan Virtual Asset Regulatory Authority to carry out the purposes of this Ordinance.

(2) The Authority shall be a body corporate, shall have perpetual succession and a common seal and may sue and be sued in its own name.

(3) The Authority shall be autonomous in the performance of its functions and exercise of its powers, subject to this Ordinance and any such directives issued by the Federal Government in writing on matters of overriding national interest and policy.

(4) The headquarters of the Authority shall be at Islamabad and it may with the prior approval of the Federal Government, set up as many offices all over the country as, when and where required.

7. Governance, board, chairperson and staffing. — (1) The Authority shall be governed by a Board comprising:—

- (a) a Chairperson who shall possess demonstrable expertise in finance, law, technology, or regulatory affairs and be appointed by the Federal Government in the manner Prescribed;
- (b) the Governor, State Bank of Pakistan;
- (c) the Secretary, Ministry of Finance;
- (d) the Secretary, Ministry of Law and Justice;
- (e) the Secretary, Ministry of Information Technology and Telecommunications;
- (f) the Chairperson, Securities and Exchange Commission of Pakistan;
- (g) the Chairperson Digital Pakistan Authority;
- (h) the Chairperson FBR;
- (i) the Director General FIA; and

(j) two independent directors with proven expertise and a strong track record possessing expertise relevant to Virtual Asset markets, technology, finance, law or consumer protection, appointed by the Federal Government in the manner Prescribed.

(2) Board members, other than ex officio members, shall hold office for a term of three years and shall be eligible for one further term of three years.

(3) The Board shall determine the policy and strategic direction of the Authority and approve its budget and Regulations.

(4) The Chairperson shall be responsible for managing the day-to-day operations of the Authority.

(5) The Authority may employ such officers, experts and staff as it considers necessary for the efficient discharge of its functions, on such terms and conditions as it may determine.

8. **Procedures of the authority.**—(1) The Authority may meet any time on requisition of the Chairperson or at requisition of at least fifty percent of the members. Provided however, the Authority shall meet at least twice a year.

(2) The quorum of the Authority's meeting shall be fifty percent of the total membership.

(3) A meeting of the Authority shall be presided over by the Chairperson. In the absence of the Chairperson, a member nominated by the Chairperson shall preside over the meeting. In case of non-availability of an ex-officio member for the meeting, his/her nominee may attend the meeting.

(4) All decisions in the meeting shall be made with majority of the present members. The Chairperson or the member presiding the meeting, as the case may be, shall not have second vote.

(5) No act or proceeding of the Authority shall be invalid by reason only of the existence of a vacancy in, or defect in the constitution of the Authority.

(6) The Authority may constitute as many committees as deemed necessary to conduct its functions under this Ordinance.

9. **Objects, functions and powers of the authority.**—(1) The Authority shall:

(a) license, regulate and supervise Virtual Asset Service Providers in accordance with the provisions of this Ordinance and any Rules or Regulations made thereunder;

- (b) protect customers and investors dealing in Virtual Assets by establishing and enforcing appropriate safeguards and conduct of business requirements;
- (c) attract investment and encourage companies operating in the fields of Virtual Assets to base their business in Pakistan;
- (d) ensure compliance of data protection and cyber security laws by Virtual Asset Service Providers;
- (e) make Regulations, Rules and guidelines required for regulating, supervising, and overseeing Virtual Asset Service Providers;
- (f) promote responsible innovation and financial inclusion within a framework that manages risks and maintains market integrity
- (g) assess, determine, and classify, for the purposes of this Ordinance, any Virtual Asset Service, activity, offering, Issuer, or service provider based on its substantive features, underlying function, method of use, or economic effect, irrespective of the nomenclature, structure, or designation assigned to it. Such classification may include, but is not limited to, the determination of whether an asset is a Virtual Asset, whether a Person qualifies as a Virtual Asset Service Provider, or whether an offering constitutes a financial activity within the scope of this Ordinance; and
- (h) combat, in coordination with relevant authorities, money laundering, terrorist financing, and other illicit activities associated with Virtual Assets, in accordance with the Anti-Money Laundering Act, 2010, and other applicable laws and international standards.

(2) For the purposes of subsection (1), and without prejudice to the generality of the foregoing, the Authority may—

- (a) issue, vary, suspend or revoke licenses and approvals under this Ordinance and prescribe conditions for such actions;
- (b) make Regulations, Rules, handbooks and guidelines that are consistent with the objectives of this Ordinance and other applicable laws;
- (c) conduct on-site inspections and off-site monitoring of Licensees and other entities to ensure compliance with this Ordinance and relevant Rules and Regulations;
- (d) require Licensees to furnish information, documents and data in the manner and timeframe reasonably Prescribed by Regulations;

- (e) impose administrative sanctions in accordance with the provisions of this Ordinance and any Rules or Regulations made thereunder and apply to court for civil or criminal remedies as provided under any applicable law;
 - (f) set prudential, conduct and technical standards;
 - (g) operate a regulatory sandbox and grant no-action relief in a transparent and accountable manner;
 - (h) enter into cooperation or mutual assistance arrangements with domestic and foreign regulators and law enforcement agencies to facilitate information sharing and coordinated action, including mutual recognition of Regulations and licenses;
 - (i) levy such fees, charges and penalties as may be Prescribed by Rules;
 - (j) establish and enforce standards relating to cybersecurity, data protection, risk management, and technological safeguards for Virtual Asset activities, and conduct public education and awareness initiatives to promote informed participation in the Virtual Asset ecosystem; and
 - (k) do all such acts as may be necessary or incidental to the discharge of its functions and to achieve its objectives under this Ordinance and other applicable laws.
- (2) the Authority may delegate any of its powers and functions to the Chairperson of the Authority with such terms and conditions as it may deem appropriate.

10. Code of conduct.—(1) The Chairperson, the Board members and all employees of the Authority shall:-

- (a) Upon assumption and during their tenure, disclose, in such form and intervals as the Authority may prescribe:
 - (i) the name and jurisdiction of any Virtual Asset Service Provider with which the Person holds or controls an account or engages in transactions;
 - (ii) the type of service or relationship (e.g., trading account, custody, staking);
 - (iii) the aggregate balance held or controlled of any Virtual Asset, where the equivalent value exceeds a threshold of USD 10,000 or equivalent, whether held with a Virtual Asset Service Provider or in self-custody; and

- (iv) any other information or interest relating to Virtual Assets or service providers as may be specified by the Authority from time to time.
- (b) Maintain the confidentiality of any information and data accessed or acquired by them by virtue of their official positions within the Authority;
- (c) Not, without prior written approval from the Authority, disseminate, divulge, disclose, or transfer to any Person or entity any information or data, nor retain any confidential instrument or document, pertaining to the Authority, Virtual Asset Service Providers, customers, or trading transactions, which has come to their knowledge or possession due to their official positions.

For clarity, the obligation of confidentiality stipulated herein shall continue to bind the Chairperson, the Board members and all employees of the Authority even after the termination of their service with the Authority.

(2) The Chairperson and Board members shall, in the performance of their functions and exercise of their powers, act in good faith and exercise due diligence to avoid any conflict of interest, whether direct or indirect, and shall fulfill their fiduciary duties towards the Authority and the stakeholders in the Virtual Asset market. The Authority shall prescribe Regulations to establish a conflict of interest policy for its Chairperson and Board members.

11. Budget, finance and audit.—(1) The Authority shall, in respect of each financial year, prepare its own budget in accordance with the procedure Prescribed through Rules and submit to the Board for approval.

(2) The budget statement shall specifically state the estimated receipts and expenditure and the sums which are likely to be required from the Federal Government during the next financial year.

(3) The Authority shall maintain complete and accurate books of accounts of its receipts and expenditure.

(4) At the end of each financial year, the accounts of the Authority shall be audited by the Auditor General of Pakistan or by a firm of Chartered Accountants nominated by the Auditor General of Pakistan.

(5) The Authority shall produce such accounts, books and documents and furnish such explanations and information as the auditors may require for the purpose of audit by the external auditors or Auditor General of Pakistan.

(6) The Authority shall facilitate the auditors, providing access to all necessary accounts, books, documents, and explanations required for the audit by the external auditors or the Auditor General of Pakistan.

(7) Copies of the auditor's report on the accounts shall be provided to the Authority and the Board.

12. **Inter-agency cooperation and information-sharing.**—(1) For the purpose of ensuring the effective regulation and supervision of Virtual Assets and Virtual Asset Service Providers, and to prevent their misuse for illicit purposes, the Authority shall cooperate and share supervisory and enforcement information on a timely and secure basis with the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Federal Investigation Agency, the Federal Board of Revenue, the Financial Monitoring Unit and any other competent regulatory or law enforcement body in Pakistan.

(2) The Authority may, with the prior approval of the Federal Government, enter into cooperation arrangements and information-sharing agreements with regulatory authorities or similar bodies in foreign jurisdictions to facilitate cross-border supervision and enforcement related to Virtual Assets and Virtual Asset Service Providers.

(3) The Authority shall establish a Regulatory Coordination Committee comprising representatives from relevant domestic regulatory bodies, including, but not limited to, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Financial Monitoring Unit, the Federal Board of Revenue, the Pakistan Digital Authority, and the Ministry of Information Technology and Telecommunication, as well as any other agency or authority the Authority may deem appropriate. The Committee shall serve as a standing forum to coordinate policy matters, streamline regulatory approaches, address systemic risks, and facilitate cross-agency collaboration on supervision, enforcement, and innovation.

PART III: LICENSING OF VIRTUAL ASSET SERVICE PROVIDERS

13. **Prohibition of unlicensed services.**—(1) No Person shall, by way of business, engage in, or represent themselves as engaging in, any Virtual Asset Services in or from Pakistan, unless that Person:-

- (a) is a company incorporated under the Companies Act, 2017 or any other law for the time being in force in Pakistan governing the incorporation of companies; and
- (b) holds a valid license granted by the Authority under this Ordinance.

(2) A contravention of subsection (1) shall constitute an offence punishable under section 50 of this Ordinance.

14. **Categories of virtual asset services.**—(1) The following constitute Virtual Asset Services and shall be subject to licensing and regulation under this Ordinance:

- (a) all services as specified in Schedule 1; and
- (b) any other service as may be notified by the Federal Government and subsequently included in Schedule 1 of this Ordinance.

15. **Application for license.**—(1) Any Person intending to incorporate a company under the Companies Act, 2017 or any other law for the time being in force in Pakistan governing the incorporation of companies, with the primary object of engaging in Virtual Asset Services as defined in this Ordinance, shall first apply to the Authority for a preliminary approval or a No-Objection Certificate before commencing the process of such incorporation.

(2) An application for a preliminary approval or a No-Objection Certificate under subsection (1) shall be made in such form and accompanied by such information and fee as the Authority may Prescribed. This information may include, but is not limited to, proposed details of the Controllers and key individuals, a high-level business concept, and initial declarations regarding fitness and propriety.

(3) Upon review of an application for preliminary approval or No-Objection Certificate, the Authority may, having regard to the objects of this Ordinance and the need to ensure the integrity of the Virtual Asset market, grant the approval or certificate, subject to any conditions, or refuse the application, providing written reasons for refusal.

(4) An application for a license, following successful incorporation after obtaining preliminary approval, shall be made to the Authority in the Prescribed form and accompanied by:

- (a) the Prescribed fee, which shall be non-refundable unless otherwise determined by the Authority;
- (b) constitutional documents and details of the applicant's ownership structure, including ultimate beneficial owners, and its group structure, as applicable;
- (c) a comprehensive business plan, detailing the proposed Virtual Asset Services, risk management framework, compliance procedures and cyber-security protocols;
- (d) particulars of Controllers, directors and key individuals including their qualifications, experience, and fitness and probity declarations in the Prescribed manner; and
- (e) such other information or documents as the Authority may prescribe.

(5) The Authority shall, within seven working days, acknowledge receipt of a complete application under subsection (4).

(6) Notwithstanding the generality of the above, where an applicant for a license under this Part intends to engage in Virtual Asset Services that involve Security Tokens, the Authority shall:

- (a) require the applicant to demonstrate compliance with all applicable provisions of the Securities Act, 2015, and Regulations issued by the Securities and Commission of Pakistan; and
- (b) share relevant information with the Securities and Commission of Pakistan regarding the application.

16. **Fit-and-proper criteria for controllers and key individuals.**— (1) The Authority shall determine whether each Controller, director and Key Individual is fit and proper, having regard to—

- (a) the integrity, honesty and reputation of the Person, any history of convictions for offences involving fraud or dishonesty, or any adverse findings by regulatory bodies, whether in Pakistan or elsewhere;
- (b) the financial soundness of the Person, considering their credit history, and any record of bankruptcy or significant adverse financial judgments;
- (c) the competence and capability of the Person, including their qualifications, relevant experience in Virtual Assets, financial services, technology, law, or business management commensurate with their proposed role and responsibilities within the entity;
- (d) any potential conflict of interest that the Person may have, and their ability to exercise independent judgment in the best interests of the licensed entity as a Virtual Asset Service Provider and its customers; and
- (e) any other Prescribed criteria.

(2) The Authority may refuse to grant a license, or may suspend or revoke an existing license, if any Controller, director or Key Individual fails to fulfil the fit-and-proper criteria as determined by the Authority.

(3) Where a Controller, being a sponsor and major shareholder, is a body corporate, then in addition to the factors specified in subsection (1), the Authority shall duly consider the corporate behaviour of the said body corporate, as well as the integrity and track record of both the sponsor and the ultimate beneficial owners of such body corporate.

(4) The fit and proper criteria are perpetual in nature, and Persons subject to these criteria shall have a continuing obligation to disclose any information that may affect their fitness and propriety to the Authority from time to time.

(5) Every licensed Virtual Asset Service Provider shall:

- (a) maintain a physical address in Pakistan through a registered office; and
- (b) ensure that at least one key management Personnel is ordinarily resident in Pakistan and is vested with operational responsibility and decision-making authority.

17. Grant, refusal and terms of license.— (1) Subject to the provisions of this Ordinance and any Rules or Regulations made thereunder, the Authority shall, within ninety days of receiving a complete application —

- (a) grant a license, subject to such terms and conditions as it may deem appropriate; or
- (b) refuse the application, providing the applicant with written reasons for such refusal.

(2) A license granted under this Ordinance shall specify the Virtual Asset Services that the Licensee is permitted to undertake and shall remain in force unless suspended or revoked.

18. Ongoing obligations of licensees.— (1) A Licensee shall, at all times—

- (a) maintain the Prescribed minimum paid-up capital and capital adequacy ratio as Prescribed by the Authority from time to time;
- (b) comply with the provisions of the Ordinance and other applicable laws, and with all Regulations, Rules, guidelines and directives issued by the Authority from time to time;
- (c) submit periodic returns and audited financial statements as required;
- (d) seek approval of the Authority promptly for any material change in control or business in the circumstances, and following the thresholds and procedures, Prescribed by the Regulations; and
- (e) maintain adequate risk-management, compliance and cyber-security systems; and (f) pay the Prescribed annual supervision fee.

19. Variation, suspension and revocation of license.— (1) The Authority may, by way of written notice and after providing an opportunity of being heard, vary, suspend or revoke a license if it is found that—

- (a) the Licensee has contravened any provisions of this Ordinance or any other applicable laws, or any terms or condition of its license;
- (b) the Licensee is insolvent or no longer satisfies the fit-and-proper criteria;
- (c) the Licensee has ceased to carry on the Virtual Asset Service for which it is licensed; or
- (d) such action is necessary or expedient in the public interest, including for the protection of consumers, the integrity of the market, or financial stability; or
- (e) the license was obtained by fraud, misrepresentation, or concealment of material facts.

(2) Where a license is revoked under this section, the Licensee shall immediately cease the provision of Virtual Asset Services, and the Authority shall notify the Securities and Exchange Commission of Pakistan to initiate winding-up or dissolution proceedings in accordance with the Companies Act, 2017 and any Regulations that may be Prescribed under this Ordinance.

(3) The Authority may, by Regulations, prescribe further procedures, timelines, and safeguards for variation, suspension, or revocation under this section.

20. Register of licensees.— (1) The Authority shall maintain and publish an up-to-date register of Licensees.

(2) The register shall, at a minimum, contain the name, license number, permitted services and current status of each Licensee.

PART IV: PRUDENTIAL, SAFEGUARDING AND CUSTODY REQUIREMENTS

21. Segregation of customer assets and fiduciary duty.— (1) A Licensee shall, at all times, hold Customer Assets in segregated accounts separate from the Licensee's own assets.

(2) Notwithstanding anything to the contrary contained in any other law for the time being in force, Customer Assets held by a Licensee shall not form part of the Licensee's estate in the event of its insolvency or liquidation.

(3) A Licensee owes a fiduciary duty to its customers and shall at all times act honestly, fairly, and in the best interests of its customers when dealing with Customer Assets.

22. Minimum paid-up capital.— (1) A Licensee shall, at all times, maintain paid-up capital not less than the amount specified in Schedule 2 for the relevant category.

(2) The Authority may, having regard to the size, complexity, or risk profile of a Licensee, impose paid-up capital requirements higher than those specified in Schedule 2.

23. Custody standards and key-management controls.— (1) A Licensee providing custody services for Virtual Assets shall—

- (a) implement multi-signature or equivalent access control mechanisms to secure Virtual Assets;
- (b) ensure the secure storage of private keys, both physically and logically, in a manner that prevents unauthorized access; and
- (c) establish and maintain robust disaster-recovery and business-continuity plans.

24. Proof-of-reserves and audit obligations.— (1) A Licensee shall furnish to the Authority, at such intervals as may be Prescribed by Regulations, cryptographic proof-of-reserves reconciled against its liabilities to customers.

(2) A Licensee shall cause its operations to be audited annually by a firm of Chartered Accountants approved by the Authority.

Explanation — such audit shall include a verification of the segregation of Customer Assets as required under section 21.

25. Customer asset insolvency protection.— In the event of liquidation of a Licensee, Customer Assets shall remain separate from the insolvency estate entirely.

PART V: FIAT-REFERENCED TOKENS AND ASSET-REFERENCED TOKENS

26. Reserve, redemption and disclosure requirements for fiat referenced tokens.— An Issuer of a Fiat-Referenced Token shall—

- (a) maintain High Quality Liquid Assets (HQLA) or any other assets as Prescribed by the Authority, as reserve assets equal to at least hundred percent of the outstanding value of the fiat-referenced or Asset-Referenced token, ensuring at all times the ability to meet redemption requests;
- (b) hold such reserve assets in segregated accounts with custodians approved by the Authority in consultation with State Bank;
- (c) ensure timely redemption of each Fiat-Referenced Token at par value, without being:

- (i) unduly compromised by the disruption or failure of an intermediary or other relevant entity and infrastructure; or
 - (ii) within such period as the Authority may prescribe.
- (d) publish quarterly audit reports of reserve composition and sufficiency, audited by an independent auditor approved by the Authority.

27. **Reserve, redemption and disclosure requirements for asset referenced tokens.**— An Issuer of an Asset-Referenced token shall maintain arrangements for the custody, valuation, and safekeeping of reference assets, and ensure redemption, reserve, and disclosure mechanisms in such manner as may be Prescribed in Regulations.

28. **Prudential capital add-ons for significant issuers.**— An Issuer shall qualify as 'significant' where it exceeds the thresholds specified in Schedule 3, and such an Issuer shall thereupon maintain additional own funds in such manner and of such amounts as may be Prescribed and shall be subject to enhanced governance and reporting requirements as may be specified by the Authority.

29. **Marketing and conduct restrictions.**—(1) No Person shall advertise or market a Fiat-Referenced Token or an Asset-Referenced token unless the Issuer of such token holds a valid license or registration under this Ordinance; or unless the token issued meets equivalent standards in another jurisdiction recognized by the Authority.

(2) All marketing materials shall contain risk disclosures in a form and manner approved by the Authority.

30. **Obligations of reserve custodians.**—(1) A custodian of reserve assets shall—

- (a) comply with guidelines issued by the Authority;
- (b) permit the Authority to inspect its records relating to the reserve; and
- (c) not encumber reserve assets without prior written approval of the Authority.

PART VI: MARKET CONDUCT AND CONSUMER PROTECTION

31. **General duty of integrity and fair dealing.**—A Licensee shall conduct its business honestly, fairly and professionally and in accordance with the best interests of its customers and in a manner that upholds the integrity of the market.

32. **Prohibition of market manipulation and insider trading.** — (1) No Person shall engage in any act, practice or course of conduct that constitutes market manipulation in

relation to a Virtual Asset. Such conduct shall be treated as a criminal offense subject to penalties under applicable laws.

(2) No Person shall trade in a Virtual Asset while in possession of inside information relating to that Virtual Asset, or unlawfully disclose such information to any other Person, except where such disclosure is made in the normal exercise of an employment, profession or duties.

(3) The Authority may prescribe Rules further defining market manipulation and inside information for the purposes of this section.

(4) Any contravention of this section shall constitute a criminal offence and be punishable in the manner Prescribed under this Ordinance or the applicable anti-money laundering and counter-terrorism financing laws.

(5) For purposes of this section, the Authority shall issue guidelines specifying the types of manipulative behaviors, including wash trading, spoofing, front-running, and pump-and-dump schemes.

(6) Investigation, prosecution, and adjudication of offenses under this section shall be conducted in accordance with the provisions of the Code of Criminal Procedure, 1898 (Act V of 1898), the Qanun-e-Shahadat Order, 1984 (S.R.O. 1984 No. 1069(I)), the Anti-Money Laundering Act, 2010 (Act No. XX of 2010), and any other relevant criminal or procedural laws.

33. Obligations of Issuers.— (1) Prior to offering a Virtual Asset to the public, an Issuer shall publish a white paper in such form and manner as may be Prescribed by Regulations. The white paper shall contain true, clear, and not misleading information regarding, inter alia—

- (a) the nature, characteristics, and purpose of the Virtual Asset;
- (b) the rights and obligations of holders or purchasers of the Virtual Asset;
- (c) the economic model, technology, and governance mechanisms of the asset or platform;
- (d) the identity and qualifications of the Issuer, Controllers, and relevant key individuals;
- (e) associated risks, including market, legal, technological, and cybersecurity risks; and
- (f) any other information as may be Prescribed.

(2) Issuers shall make ongoing disclosures of material information, including any change that may reasonably affect the value, utility, or regulatory status of the Virtual Asset, in such manner and frequency as may be Prescribed by the Authority.

(3) The Authority may exempt certain categories of Issuers or offerings from the licensing or disclosure requirements under this section, subject to such conditions and criteria as may be specified by Regulations.

(4) The obligations imposed under this section shall apply in addition to any requirements under Section 37 or any other provision of this Ordinance relating to the initial offering of Virtual Assets.

(5) An Issuer of a Virtual Asset may be licensed to operate as a Virtual Asset Service Provider under this Ordinance, subject to such conditions and safeguards as the Authority may prescribe to manage conflicts of interest, ensure market integrity, and protect consumers.

34. **Conflict-of-interest management.**— A Licensee shall identify, manage and disclose any conflicts of interest and shall not place its own interests above those of its customers.

35. **Whistle-blower protection.**— (1) A Person who in good faith reports to the Authority a contravention of this Ordinance or any Rules or Regulations made under it shall not be subjected to any form of retaliation.

(2) The Authority may prescribe a whistle-blower reward scheme by Rules which shall be consistent with any applicable whistle-blower protection law in Pakistan.

36. **Complaint-handling and dispute-resolution scheme.**— (1) Licensees shall establish and maintain internal complaint-handling procedures approved by the Authority.

(2) The Authority may establish or recognize an independent dispute-resolution scheme for claims below a Prescribed monetary threshold.

37. **Issuers of initial virtual asset offering.**—(1) A Person shall not conduct or purport to conduct an Initial Virtual Asset Offering, in or from Pakistan, unless that Virtual Asset offering is approved under this Ordinance.

(2) For avoidance of doubt, a natural Person shall not be eligible to promote or conduct an Initial Virtual Asset Offering in or from Pakistan.

(3) A Person desiring to conduct or promote an Initial Virtual Asset Offering, in or from Pakistan, or trading on a Virtual Asset trading platform shall be in compliance with such requirements as may be Prescribed by the Authority.

(4) A Person shall not conduct or promote an Initial Virtual Asset Offering, in or from Pakistan, or trading on a Virtual Asset trading platform unless it has submitted to the Authority an application in compliance with subsection (3) and the Authority has notified the Person, in writing, that it has no objection to the issuance.

(5) Notwithstanding subsection (4), the Authority may object in writing and require that such measures or actions be taken after issuance has commenced, where—

- (a) the manner in which the issuance is advertised is not consistent with the information provided in the application;
- (b) the description, nature or characteristics of the Initial Virtual Asset Offering material deviates from the description provided in the application;
- (c) the Issuer is a Person that was not disclosed in the application;
- (d) the target investor base is different from that disclosed in the application;
- (e) the relevant regulatory authority has reason to believe that the Issuer is mis selling the initial Virtual Assets offering; or
- (f) the issuance is undertaken in a manner detrimental to the public interest.

(6) Any Person who, in connection with the application, supplies the Authority with information he or she knows or should reasonably know is false or misleading, commits an offence and is liable on conviction to such fines as provided under section 50.

(7) A Person who contravenes the provisions of subsection (1), (2), (3) and (4) commits an offence and is liable on conviction to imprisonment for a term of 7 years, fine or both.

PART VII: ANTI-MONEY-LAUNDERING, COUNTER-TERRORIST FINANCING

38. Application of anti-money laundering act, 2010:— (1) For the purposes of the Anti-Money Laundering Act, 2010, Virtual Asset Service Providers licensed under this Ordinance shall be deemed to be designated non-financial businesses and professions and shall comply with all obligations thereunder.

(2) Without prejudice to the generality of subsection (1), every Virtual Asset Service Provider licensed under this Ordinance shall, in accordance with the requirements of the Anti-Money Laundering Act, 2010, and any Rules, Regulations, or guidelines issued by the Financial Monitoring Unit:

- (a) report suspicious transactions to the Financial Monitoring Unit. The Authority may, in consultation with the Financial Monitoring Unit, issue further guidance on indicators of suspicious activity specific to Virtual Asset transactions;

- (b) maintain records of customer due diligence, transactions, and other relevant information for the Prescribed period; and
- (c) establish and maintain internal controls and compliance programs, including the appointment of a compliance officer, to prevent money laundering and terrorist financing.

(3) The Authority shall align its AML/CFT requirements with the standards established by the Financial Action Task Force (FATF) and may issue additional guidance to ensure compatibility with international compliance norms.

39. **Travel rule and record-keeping obligations.**— (1) A Licensee shall obtain, hold, and transmit originator and beneficiary information in any transfer of Virtual Assets meeting or exceeding the threshold Prescribed by the Authority, in a manner consistent with the standards set out in Recommendation 16 of the Financial Action Task Force (FATF), as updated from time to time.

(2) A Licensee shall maintain records of transactions, customer due-diligence and risk assessments for a minimum period of seven years.

40. **Real-time regulator access and reporting.**— (1) Licensees shall establish secure automated interfaces enabling the Authority, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Federal Investigation Agency and the Federal Board of Revenue and all other relevant agencies and authorities as may be notified by the Authority to access Prescribed data in real time or near real time.

(2) The Authority shall specify the technical standards and data scheme for the interfaces referred to in subsection (1).

41. **Cyber-security and operational-resilience standards.**— (1) Licensees shall comply with the cyber-security framework issued by the Authority in consultation with the relevant agencies and/or authorities.

(2) A material cyber incident shall be reported to the Authority without delay and in any case not later than twenty-four hours from the time of its discovery.

PART VIII: INNOVATION SANDBOX AND NO-ACTION RELIEF

42. **Establishment and objectives of the sandbox.**— The Authority shall establish and operate a regulatory sandbox for the purpose of fostering responsible innovation in Virtual Asset products and services within a controlled environment.

43. **Eligibility, application and supervisory agreement.**— (1) An applicant seeking entry into the sandbox shall submit a detailed application to the Authority, providing

comprehensive information regarding the proposed innovation, its anticipated benefits, potential risks, proposed mitigation measures, and a clear exit strategy.

(2) Applicants who are deemed suitable for participation in the sandbox shall enter into a formal supervisory agreement with the Authority, which shall specify the precise parameters and conditions governing the testing of the innovation.

44. **Duration, limits and exit of sandbox testing.**— (1) The duration of any testing within the sandbox shall not exceed a period of eighteen months from the date of commencement, unless otherwise determined by the Authority.

(2) The Authority may, at its discretion, impose limits on transaction, the number of customers involved in the testing, or the overall financial exposure arising from the sandbox activities.

(3) Upon the conclusion of the sandbox testing period, the participant shall, as directed by the Authority, either transition to obtaining a full license under this Ordinance, discontinue the Virtual Asset Service that was the subject of the test, or take such other steps as the Authority may direct or deem necessary.

45. **No-action relief and transitional arrangements.**— (1) The Authority may issue a no-action letter stating that it does not intend to take enforcement action in respect of specified conduct for a defined period.

(2) The issuance of a no-action letter shall not constitute a legal immunity, and the Authority reserves the right to withdraw such a letter at any time by providing written notice.

PART IX: ENFORCEMENT, OFFENCES AND PENALTIES

46. **Investigatory powers.**— (1) For the purpose of ascertaining compliance with this Ordinance the Authority may—

- (a) enter and inspect any premises used in connection with a Virtual Asset Services;
- (b) examine and take copies of books, records and data;
- (c) summon and examine any Person acquainted with the facts and circumstances of the matter; or
- (d) apply to the relevant authority for a warrant to search and seize evidence of an offence.

(2) Where the Authority, as a result of an investigation, has reasonable grounds to believe that an offence under this Ordinance has been committed, it may file a criminal complaint in writing before a court of competent jurisdiction in accordance with the Code of Criminal Procedure, 1898.

47. **Administrative sanctions.**— (1) Where the Authority is satisfied that a Person has contravened this Ordinance or any Regulations made under it, the Authority may impose one or more of the following sanctions—

- (a) issue a written reprimand or public censure;
- (b) issue a directive requiring the Person to cease or take specified measures to remedy the contravention;
- (c) impose a financial penalty not exceeding the higher of one hundred million Pakistani Rupees (PKR 100,000,000) or five percent (5%) of the Virtual Asset Service Provider's annual turnover;
- (d) suspend or revoke any license issued to the Virtual Asset Service Provider under this Ordinance; or
- (e) disqualify any Person from holding any office or position of responsibility in a Virtual Asset Service Provider licensed under this Ordinance.

(2) Where the Authority is satisfied that an Issuer has contravened any provision of Sections 33 or 37 of this Ordinance, or any Regulations made thereunder, the Authority may impose one or more of the sanctions listed in subsection (1), with such modifications as may be appropriate, including—

- (a) a financial penalty not exceeding the higher of one hundred million Pakistani Rupees (PKR 100,000,000) or five percent (5%) of the total value of the Virtual Asset offering;
- (b) a public directive requiring correction, retraction, or clarification of false or misleading statements;
- (c) a ban or restriction on the Issuer from making further public offerings of Virtual Assets for a specified period;
- (d) disqualification of responsible individuals from participating in the management or governance of Virtual Asset Service Providers or Issuers; or
- (e) suspension or revocation of any prior approval granted under Section 37.

48. **Emergency intervention powers.**—(1) In the event of a systemic threat, market manipulation, fraud, or cybersecurity breach, the Authority may issue an order temporarily suspending specified Virtual Asset Services or freezing related assets for a period not exceeding thirty days.

(2) Such order shall be subject to review by the Virtual Assets Appellate Tribunal upon application by an aggrieved party.

49. **Civil penalties.**—(1) The Authority may, in addition to or in lieu of administrative sanctions, apply to the Court having jurisdiction for the imposition of a civil penalty as applicable under the Code of Civil Procedure, 1908 in respect of any contravention of the provisions of this Ordinance.

(2) The court may order restitution of profits and grant such other relief as it may deem appropriate.

50. **Criminal offences.**—(1) A Person who willfully provides an unlicensed Virtual Asset Service commits an offence and is liable on conviction to imprisonment for a term not exceeding seven years, or a fine not exceeding fifty million Pakistani Rupees, or both.

(2) A Person who knowingly makes any false or misleading statement in any application, return or document submitted to the Authority commits an offence and is liable on conviction to imprisonment for a term not exceeding three years, or a fine not exceeding twenty million Pakistani Rupees, or both.

(3) Any Person who obstructs an officer of the Authority in the exercise of powers under this Ordinance commits an offence and is liable on conviction to imprisonment for a term not exceeding two years, or a fine not exceeding ten million Pakistani Rupees, or both.

(4) Where a Virtual Asset Service Provider contravenes any provision of the Anti-Money Laundering Act, 2010, or the Rules, Regulations, or guidelines made thereunder, such contravention shall be punishable in accordance with the penalties Prescribed under the said Ordinance, in addition to any regulatory action under this Ordinance.

(5) Notwithstanding anything contained in this Ordinance, all offences punishable under this Ordinance shall be investigated, tried, and punished in accordance with the provisions of the Code of Criminal Procedure, 1898 (Act V of 1898), as may be applicable, unless otherwise provided in this Ordinance or the Rules or Regulations made thereunder.

(6) The Federal Government may, by notification in the official Gazette, designate one or more special courts or judicial forums to exercise jurisdiction over offences under this Ordinance. Until such time, jurisdiction shall lie with the courts empowered to try offences under the Code of Criminal Procedure, 1898.

51. **Liability of officers of bodies corporate.**— Where an offence under this Ordinance is committed by a body corporate with the consent, connivance or neglect of any

director, manager, secretary or similar officer, such Person shall be deemed to have committed the offence.

52. **Establishment and appeals to virtual assets appellate tribunal.**— (1) A Virtual Assets Appellate Tribunal shall be established and no court shall take cognizance of a legal dispute under this Ordinance or the Rules or Regulations made thereunder to which the jurisdiction of the Virtual Assets Appellate Tribunal extends. An appeal can be filed on a decision of the Virtual Assets Tribunal as set forth in section 53 of this Ordinance.

(2) Notwithstanding anything contained here, the Federal Government may, by notification in the official Gazette, designate an existing tribunal established under any other law to exercise the powers and perform the functions of the Virtual Assets Appellate Tribunal under this Ordinance.

(3) Any Virtual Asset Service Provider, Licensee, or any other Person aggrieved by an order of the Authority may prefer an appeal before the Virtual Assets Appellate Tribunal within thirty days of the date on which the order was communicated, in accordance with the Prescribed Rules.

(4) An appeal to the Virtual Assets Appellate Tribunal shall be in such form, contain such particulars, and be accompanied by such documents and fees as may be Prescribed under this Ordinance.

(5) The Virtual Assets Appellate Tribunal shall consist of a presiding officer, who shall be a legal expert, and two members, one being a technical expert and the other being a financial expert, who shall be Persons of ability, integrity, and have special knowledge and professional experience of not less than ten years in the fields of law, technology, finance, or economics.

(6) The presiding officer and members of the Virtual Assets Appellate Tribunal shall be appointed by the Federal Government, in the manner Prescribed, and hold office for a period of three years and shall be eligible for re-appointment for a similar term or terms and shall cease to hold office on attaining the age of sixty-eight years or the expiry of the term, whichever is earlier.

(7) The terms, conditions, and appointment of the Virtual Assets Appellate Tribunal presiding officer and other members shall be in the manner Prescribed by the Federal Government.

(8) The presiding officer and the members shall be entitled to such salary and other terms and conditions of service as the Federal Government may prescribe.

(9) The Virtual Assets Appellate Tribunal shall decide an appeal expeditiously but not later than three months of its presentation to the Tribunal.

(10) The Virtual Assets Appellate Tribunal shall, for the purpose of deciding an appeal, be deemed to be a civil court and shall have the same powers as are vested in such court under the Code of Civil Procedure, 1908 (Act V of 1908), including the powers of—

- (a) enforcing the attendance of any Person and examining him on oath;
- (b) compelling the production of documents; and
- (c) issuing commissions for the examination of witnesses and documents.

(11) It shall be sufficient for the Virtual Assets Appellate Tribunal to establish, or to be satisfied as to any matter on the standard of proof applicable to civil proceedings in a summary manner in a court of law.

(12) The Virtual Assets Appellate Tribunal's determinations or decisions under this Ordinance shall be deemed to be the decrees of a civil court under the Code of Civil Procedure, 1908 (Act V of 1908).

53. **Appeal to supreme court.**— Any Person aggrieved by an order of the Virtual Assets Appellate Tribunal may prefer an appeal to the Supreme Court of Pakistan within sixty days under the Rules Prescribed by the Supreme Court.

PART X: TAXATION AND AUDIT CO-OPERATION

54. **Reporting to federal board of revenue.**— Every Virtual Asset Service Provider licensed under this Ordinance shall comply with the obligations for tax withholding and the filing of information returns as Prescribed under the Income Tax Ordinance, 2001 and any Rules or Regulations issued by the Federal Board of Revenue in relation to transactions involving Virtual Assets and the income of the Virtual Asset Service Provider.

PART XI: ISLAMIC-FINANCE AND SHARIAH COMPLIANCE

55. **Role of shariah advisory committee.**— (1) The Authority shall constitute a Shariah Advisory Committee of such composition and in such mode and manner as may be Prescribed by Rules.

(2) The Shariah Advisory Committee shall advise the Authority on Shariah compliance of Virtual Asset products and services.

(3) The rulings issued by the Shariah Advisory Committee on designated Islamic products shall be binding on Licensees offering or dealing with such products.

56. **Certification of shariah-compliant virtual asset products.**— (1) A Licensee may submit an application to the Authority for certification that a Virtual Asset product is Shariah-compliant.

(2) The Authority may grant such certification subject to such terms and conditions and ongoing review as the Authority may deem appropriate in consultation with the Shariah Advisory Committee.

PART XII: MISCELLANEOUS

57. **Powers to make rules.**— The Authority may, with the approval of the Federal Government, make Rules as deemed necessary for the implementation of and to carry out the purposes of this Ordinance.

58. **Powers to make regulations.**— The Authority may make Regulations as deemed necessary for the implementation of and to carry out the purposes of this Ordinance.

59. **Bar of jurisdiction.**— Notwithstanding anything contained in any other law for the time being in force and except as provided under this Ordinance, no decision or action taken under this Ordinance or Rules or Regulations made thereunder shall be questioned by any agency or challenged in any court or tribunal, nor shall any injunction be granted against such decisions or actions.

60. **Transitional provisions.** — (1) Until such time that the Pakistan Virtual Asset Regulatory Authority is formally notified and operational under this Ordinance, the Federal Government may, by notification in the official Gazette, designate any existing Division, regulatory authority, or body corporate to perform the functions, exercise the powers, and discharge the responsibilities assigned to the Authority under this Ordinance.

(2) Any Person who is providing Virtual Asset Services immediately before the commencement of this Ordinance shall, within a period of six months from such commencement, either apply to the Authority or designated authority for a license under this Ordinance or cease to carry on such service.

(3) During the transitional period specified in subsection (1), any Person providing Virtual Asset Services shall comply with directions issued by the designated Division, regulatory authority, or body acting on behalf of the Authority.

61. **Power of the Federal Government to issue policy directives.**— The Federal Government may, by notification in the official Gazette, give policy directives to the Authority

to align its actions with national policies, priorities and interests consistent with the objectives and framework established under this Ordinance. Such policy directives shall not impede the Authority's operational autonomy.

62. **Removal of difficulties.**— If a procedural or operational difficulty arises in giving effect to any of the provisions of this Ordinance, the Federal Government may, within six months of the commencement of this Ordinance, make such order not inconsistent with the provisions of this Ordinance, as may appear to it to be necessary or expedient for removing such difficulty.

SCHEDULE 1

(See section 14)

CATEGORIES OF VIRTUAL ASSET SERVICES

The list below shall constitute the types of Virtual Asset Services and their description.

Service Category	Description
Advisory Services	means the provision of Personalised recommendations to a customer, either upon request or at the initiative of Virtual Asset Service Providers, relating to one or more actions or transactions involving Virtual Assets.

Broker-Dealer Services

means any of the following:

- (a) arranging or facilitating orders for the purchase and sale of Virtual Assets between two parties;
- (b) soliciting or accepting orders and receiving consideration in fiat currency or Virtual Assets;
- (c) trading Virtual Assets on the Virtual Asset Service Provider's own account;

Exemption: A Person that deals solely on its own account, does not execute orders on behalf of customers, and does not hold or control Customer Assets is not regarded as carrying on 'broker-dealer services' for the purposes of this Ordinance

- (d) market-making using Customer Assets; or

- (e) providing placement or distribution services for Issuers.

means the safekeeping or controlling, on behalf of customers, of Virtual Assets or of the means of access to such Virtual Assets.

Custody Services**Exchange Services**

means any of the following:

- (a) exchanging Virtual Assets for fiat currency;
- (b) exchanging one or more types of Virtual Assets;
- (c) matching orders between buyers and sellers and executing conversions as described in (a) and (b); or
- (d) maintaining an order book for the above purposes.

Lending and Borrowing Services	means the facilitation of lending or borrowing arrangements involving Virtual Assets, where one or more lenders transfer or lend Virtual Assets to one or more borrowers, subject to a contractual obligation for the borrower to return equivalent Virtual Assets at a specified time or upon demand.
Virtual Asset Derivatives Services	means the offering or facilitation of transactions in derivatives that have a Virtual Asset as their underlying reference asset.
Virtual Asset Management and Investment Services	means acting in a fiduciary or agency capacity for the purpose of managing or administering another Person's Virtual Assets, including: <ul style="list-style-type: none"> (a) portfolio or investment management involving Virtual Assets; and (b) responsibility for staking on behalf of customers to earn validator or network rewards.
Virtual Asset Transfer and Settlement Services	includes transfer, transmission, or settlement of Virtual Assets between parties, or from one wallet, address, or location to another, on behalf of customers.
Fiat-referenced Token Issuance Services	The issuance, offering, redemption, or ongoing management of any fiat-Asset-Referenced token, including: <ul style="list-style-type: none"> • Establishing or administering reserve assets backing the value of the Fiat-Referenced Token; • Providing redemption rights or liquidity mechanisms to users or holders; • Operating any infrastructure enabling the issuance, transfer, or conversion of such Fiat-Referenced Token;

	<ul style="list-style-type: none"> Acting as the primary Issuer, reserve custodian, or central administrator of the Fiat-Referenced Tokensystem.
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SCHEDULE 2

(See section 22)

MINIMUM PAID-UP CAPITAL

Category	Minimum Paid-up Capital (PKR)
Exchange	1,000,000,000
Broker-dealer	100,000,000
Custody-only	200,000,000
Fiat Referenced Token Issuer	1,000,000,000
Asset Referenced Token Issuer	1,000,000,000
Other	As Prescribed

SCHEDULE 3

(See sections 26 & 27)

SIGNIFICANT ISSUER THRESHOLDS & RESERVE METRICS

- (1) An Issuer shall be deemed "significant" where:
- the total market capitalisation of the fiat referenced or Asset-Referenced token exceeds five billion Pakistani Rupees (PKR 5,000,000,000); or
 - the number of users based in Pakistan holding the fiat referenced or Asset-Referenced token exceeds five million (5,000,000); or
 - such other thresholds as may be Prescribed by the Authority.

(2) Significant Issuers shall be required to maintain additional own funds equivalent to at least three percent (3%) of reserve assets, capped at PKR 2 billion (or such lower or higher cap as the Authority may prescribe in Regulations) and shall submit enhanced risk assessment and governance.

ASIF ALI ZARDARI,
President.

RAJA NAEEM AKBAR,
Secretary.

NOTICE OF AMENDMENTS TO THE VIRTUAL ASSETS BILL, 2025

SUBSTITUTION OF THE LONG TITLE

For the long title, the following shall be substituted, namely:-

“to establish a regulatory Authority for the licensing, regulation and supervision of Virtual Assets and Virtual Asset Service Providers”;

SUBSTITUTION OF PREAMBLE

For preamble, the following shall be substituted, namely:-

“WHEREAS, it is expedient to establish a dedicated Virtual Assets Regulatory Authority to license, regulate and supervise Virtual Assets and Virtual Asset Service Providers, in order to ensure investor protection, transparency and market integrity in Pakistan;

AND WHEREAS, it is necessary to provide a comprehensive legal framework to empower the Authority to combat money laundering, terrorist financing, proliferation financing and other illicit activities involving Virtual Assets, in accordance with international standards, and to provide for matters connected therewith or ancillary thereto;

It is hereby enacted as follows: -“;

SUBSTITUTION OF CLAUSES 2 to 62

For clauses 2 to 62, the following shall be substituted, namely:-

2. Scope of application.— (1) This Act shall apply to—

- (a) any Virtual Asset Service Provider that carries on, or holds itself out as carrying on, a Virtual Asset Service in or from Pakistan; and
- (b) any Issuer that offers, originates or distributes, on its own behalf, a Virtual Asset in or from Pakistan.

(2) For the avoidance of doubt, this Act shall not apply to the following digital representations of value or rights, insofar as they meet the conditions stated below—

- (a) closed-ecosystem or closed-loop digital tokens, including any digital representation of value or rights that, by design, technical architecture, or enforceable system controls, satisfies all of the following conditions—
 - (i) is usable or redeemable solely within a restricted digital platform, ecosystem, application, or network administered by the issuer or operator;
 - (ii) is not transferable outside such platform, ecosystem, application, or network, whether directly or indirectly;
 - (iii) is not exchangeable for fiat currency or legal tender outside such ecosystem;
 - (iv) is not redeemable for real-world goods or services outside such ecosystem;
 - (v) is not convertible into, exchangeable for, or interoperable with any other Virtual Asset;
 - (vi) is not saleable, tradable, or transferable on any external market, exchange, or secondary trading venue; or
 - (vii) is not designed, marketed, or used for payment, investment, or value-transfer purposes beyond such ecosystem.
- (b) securities, derivatives, collective investment schemes, depositary receipts, or other traditional financial instruments that fall within the regulatory jurisdiction of the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan;
- (c) digital representations of fiat currency issued by the State Bank of Pakistan or any central bank or monetary authority of another sovereign jurisdiction;
- (d) a non-fungible token that is not used for payment or investment and does not represent, reference, or derive value from any security, commodity, financial asset, or other regulated instrument;
- (e) any non-fungible token or digital collectible that does not constitute a Virtual Asset, having regard to its substance, function, or economic effect; or
- (f) any other digital representation of value or rights expressly excluded by the Authority.

3. **Definitions.**— (1) In this Act, unless there is anything repugnant in the subject or context:

- (i) "Asset-Referenced Token" means a Virtual Asset that represents, directly or indirectly, ownership rights, claims, or economic interests, including entitlements to receive or share income, returns, or other economic benefits, in respect of one or more underlying assets, or is designed to maintain a stable value by reference to such underlying assets.
- (ii) "Authority" or "PVARA" means the Pakistan Virtual Asset Regulatory Authority established under this Act;
- (iii) "Blockchain" or "Distributed Ledger Technology" or "DLT" means a technology that enables a distributed ledger, an information repository that records transactions or data across multiple nodes in a synchronized manner using cryptography to ensure integrity, tamper-resistance, immutability, and consensus among participants, as may be further defined by Regulations;
- (iv) "Chairperson" means the Chairperson of the Authority appointed under this Act;
- (v) "Controller" means a Person who, alone or together with associates, holds or is entitled to exercise twenty percent (20 %) or more of the voting power, ownership interest, or share capital of a Licensee, or otherwise exercises significant influence or control over its management or policies, whether directly or indirectly;
- (vi) "Customer" means any natural or legal person who obtains or uses a Virtual Asset Service from a Licensee, or who enters into a business or contractual relationship with a Licensee for the provision of such service, whether on a one-off or ongoing basis;
- (vii) "Customer Assets" means Virtual Assets and fiat currency belonging to a customer that a Virtual Asset Service Provider holds, safeguards, or otherwise has custody or control over on that customer's behalf, and excludes assets owned by the Virtual Asset Service Provider;
- (viii) "Division concerned" means the Cabinet Division as defined in the Rules of Business, 1973;
- (ix) "Fiat-Referenced Token" means a Virtual Asset that purports to maintain a stable value relative to a single Official Currency of any country and is redeemable at par value by its Issuer;

- (x) "High-Quality Liquid Assets" or "HQLA" means such high-quality liquid assets as may be prescribed by Regulations;
- (xi) "Inside information" means non-public information likely to affect virtual asset prices if disclosed, including client orders, trading intentions, or decisions related to issuance or facilitation, as may be further defined by regulations;
- (xii) "Insiders" include Controller, officers, directors, employees, or affiliates of issuers or Virtual Asset Service Providers with access to inside information; family members; or other persons obtaining such information unlawfully or through employment, and as may be further prescribed by Regulations.
- (xiii) "Issuer" means the legal Person that originates or creates a Virtual Asset and retains primary control over its initial supply, reserve assets (if any) or on-chain governance, and may distribute such Virtual Asset as part of its initial offering, and that bears the ongoing obligations as prescribed by the Authority.

Explanation: A Person is not an Issuer solely because it markets, advertises, promotes, facilitates secondary-Market trading (including third-party brokerage, distribution or exchange), or provides technical development or maintenance services without control over issuance, supply or reserve assets.

- (xiv) "Initial Virtual Asset Offering" means a method of raising funds by an Issuer through the public offering of Virtual Assets in exchange for funds or other Virtual Assets or anything of commercial value, subject to the limitations and disclosure requirements Prescribed under this Act;
- (xv) "Key Individual" means any natural Person who occupies or performs - whether on a full-time, part-time, acting or outsourced basis - one or more of the positions listed below in relation to a Licensee:
 - (a) director (executive or non-executive) registered under the Companies Act, 2017 (XIX of 2017)
 - (b) Managing Director;
 - (c) chief financial officer;
 - (d) chief operating officer;
 - (e) head of internal audit;

- (f) head of compliance;
 - (g) money-laundering reporting officer (MLRO) or equivalent AML, CFT or CPF compliance officer designed under the AML, CFT and CPF Regulations issued pursuant to the Anti-Money Laundering Act 2010 (VII of 2010);
 - (h) head of risk management;
 - (i) head of information-security and cyber-security; or
 - (j) any other position that the Authority, by written notice to the Licensee, declares to be a Key Individual.
- (xvi) "Licensee" means a person who holds a license under this Act;
- (xvii) Market Manipulation or Market Abuse means any act, practice or course of conduct that:
- (a) gives false or misleading signals as to the supply, demand or price of one or more Virtual Assets;
 - (b) secures the price of Virtual Assets at an abnormal or artificial level; or
 - (c) employs any device, deception or artificial means to interfere with the normal operation of supply and demand in Virtual Asset markets, as may be further defined by Regulations.
- (xviii) "Managing Director" means the Managing Director of the Authority, appointed under this Act;
- (xix) "Virtual Asset Mining" means the process of validating or verifying transactions and recording them on a distributed ledger or blockchain network, using computational or other consensus mechanisms, and, in return, earning virtual assets, transaction fees, or other rewards.
- (xx) "Non-Fungible Token" or "NFT" means a unique, non-interchangeable digital representation of value or rights recorded on a distributed ledger or similar technology, where each token is distinguishable from every other token;
- (xxi) "Official or Fiat Currency" means a currency issued by the central bank or monetary authority of a country that is recognized as legal tender under the laws of that country;
- (xxii) "Person" means a natural or legal Person;

- (xxiii) "Prescribed" means prescribed by Rules or Regulations made under this Act;
- (xxiv) "Regulations" means Regulations made under this Act;
- (xxv) "Rules" means Rules made under this Act;
- (xxvi) "Segregated Reserve" means a pool of reserve assets that is kept separate from the Issuer's own assets, held in the name of the Issuer, or in a trust or special vehicle for the benefit of token holders, and under custody, with independent custodian or regulated financial institution, approved by the authority, so that the Issuer or its creditors cannot claim the assets. The Authority may, by Regulations, prescribe additional requirements regarding the types of assets, custody arrangements, audits, attestations, disclosures, and other safeguards;
- (xxvii) "Shariah Advisory Committee" means the committee constituted by the Authority for advice on Shariah matters;
- (xxviii) "Special Court" means a court notified by the Federal Government to take cognizance of offence as mentioned under this Act;
- (xxix) "Sponsor" means a person or group of persons who has contributed initial capital to establish the company or hold a controlling shareholding therein, whether directly or indirectly;
- (xxx) "Tribunal" means a Tribunal constituted under this Act;
- (xxxi) "Virtual Asset" means a digital representation of value that can be digitally traded or transferred and used for payment or investment purposes, but does not include digital representations of fiat currency, securities or other financial assets regulated under any other law except where represented, issued, or transferred using distributed ledger technology. For the avoidance of doubt, Virtual Assets are not legal tender;
- (xxxii) "Virtual Asset Services" means the categories of services set out in section 18 of this Act; and
- (xxxiii) "Virtual Asset Service Provider" means any Person who, as a business, provides one or more Virtual Asset Services to third parties on a professional basis.

(2) All other words and expressions not defined in this Act but defined in the State Bank of Pakistan Act, 1956 (XXXIII of 1956), the Securities Act, 2015, (III of 2015) the Anti-Money Laundering Act, 2010 (VII of 2010), or the Companies Act, 2017 (XIX of 2017)

shall, unless the context otherwise requires, have the meanings assigned to them in those Acts.

4. Extraterritorial application.— (1) For the purposes of investigation and enforcement under this Act, the Authority may exercise its powers extraterritorially to the fullest extent permitted by law.

(2) In order to facilitate enforcement under this section and the effective regulation of Virtual Asset Services with cross-border implications, the Authority may enter into agreements or arrangements with regulatory authorities and law enforcement agencies in other jurisdictions for mutual assistance, information sharing, and the recognition and enforcement of regulatory decisions, and shall, by Regulations, prescribe the conditions under which a Virtual Asset Service conducted outside Pakistan shall or shall not be deemed to be offered or marketed to Persons in Pakistan.

(3) The Authority shall, where applicable, align its extraterritorial enforcement practices with mutual legal assistance treaties and international cooperation frameworks, including those of the Financial Action Task Force and International Organization of Securities Commissions (IOSCO).

5. Relationship with other laws.— (1) The provisions of this Act are in addition to, and not in derogation of, any other law for the time being enforce. In the event of any inconsistency with any other law, other than the Foreign Exchange Regulation Act, 1947 (VII of 1947), this Act shall prevail except as provided in sub-section (2) below.

(2) Where any law prescribes measures relating to data protection, data governance, or cybersecurity, financial secrecy or cross-border transfer of personal data, such provisions shall prevail and be complied with by the Authority and Licensees.

(3) The regulation and supervision of Virtual Assets, Virtual Asset Service Providers, tokenization of real-world assets, and blockchain technology shall vest primarily in the Authority under this Act, in coordination with other relevant regulators where applicable.

Chapter 2

PAKISTAN VIRTUAL ASSETS REGULATORY AUTHORITY

6. Establishment of the Authority. — (1) After the commencement of this Act, an authority shall be established to be known as the Pakistan Virtual Assets Regulatory Authority, which shall carry out the purposes of this Act.

(2) The Authority shall be a body corporate with perpetual succession and a common seal and may sue and be sued in its name.

(3) The Authority shall be autonomous in the performance of its functions and exercise of its powers, subject to this Act.

(4) The headquarters of the Authority shall be at Islamabad, and it may set up as many offices across Pakistan as required.

7. Composition of Authority. — (1) The Authority shall consist of the following, namely:—

- (a) Chairperson - to be appointed by the Federal Government
- (b) the Secretary, Ministry of Finance;
- (c) the Secretary, Ministry of Law and Justice;
- (d) the Governor, State Bank of Pakistan;
- (e) the Chairperson, Securities and Exchange Commission of Pakistan;
- (f) the Chairman, National AML-CFT Authority;
- (g) the Chairperson, Pakistan Digital Authority; and
- (h) two independent directors with proven expertise and a strong track record possessing expertise relevant to Virtual Asset markets, digital technology, digital finance, appointed by the Federal Government in the manner Prescribed.

(2) The members of the Authority, other than ex-officio members, shall hold office for a term of three years and shall be eligible for one further term of three years.

(3) The Authority shall determine its own policy and strategic direction and approve its budget and Regulations.

8. Procedures of the Authority. — (1) The Authority may meet any time on requisition of the Chairperson or at requisition of at least fifty percent of the members. Provided however, the Authority shall meet at least twice a year.

(2) The quorum of the Authority's meeting shall be at fifty percent of the total membership with the mandatory presence of the (a) (b) and (d) as mentioned in section 7.

(3) A meeting of the Authority shall be presided over by the Chairperson. In the absence of the Chairperson, a member nominated by the Chairperson shall preside over the meeting.

(4) All decisions in the meeting shall be made with majority of the present members.

9. Objectives, functions and powers of the Authority. — (1) The Authority shall: -

- (a) license, regulate and supervise Virtual Asset Service Providers and issuers in accordance with the provisions of this Act and any Rules or Regulations made thereunder;
- (b) protect customers and investors and the integrity of Pakistan's Virtual Asset markets by establishing and enforcing appropriate safeguards and conduct of business requirements, prudential, operational-resilience, risk-management standards, and measures to prevent money laundering, terrorist financing and other illicit use of Virtual Assets;
- (c) attract investment and encourage companies operating in the fields of Virtual Assets to base their business in Pakistan;
- (d) promote responsible innovation, digital financial inclusion and the development of compliant Virtual Asset markets within a framework that manages risks and supports financial stability and market integrity;
- (e) promote, develop, govern, and regulate the adoption, deployment, and scalable use of blockchain technology and distributed ledger technology across Pakistan;
- (f) assess, determine, and classify any Virtual Asset, service, activity, offering, Issuer, or service provider based on its substantive features, underlying function, method of use, or economic effect, irrespective of the nomenclature, structure, or designation assigned to it. Such classification may include, but is not limited to the determination of whether an asset is a Virtual Asset, whether a Person qualifies as a Virtual Asset Service Provider, or whether an offering constitutes a financial activity within the scope of this Act subject to consultation with the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan where the asset exhibits characteristics falling within their respective mandates;
- (g) coordinate with the Financial Monitoring Unit, National AML and CFT Authority, other relevant authorities and law enforcement agencies to combat money laundering, terrorist financing, and other illicit activities associated with Virtual Assets, in accordance with the Anti-Money Laundering Act, 2010 (VII of 2010), other applicable laws, and international standards;
- (h) advise the Federal Government, on its own motion or upon request, on regulatory, supervisory, technical or emerging-risk matters relating to Virtual Assets, digital-asset markets, tokenisation, stablecoin structures, blockchain, DLT, cyber-risks or any matter connected with its mandate under this Act; and

- (i) do all such acts as may be necessary or incidental to the discharge of its functions and to achieve its objectives under this Act and other applicable laws.

(2) For the purposes of sub-section (1), and without prejudice to the generality of the foregoing, the Authority may—

- (a) make Regulations, standards, directives, guidelines, handbooks and circulars, or any other instrument, consistent with the objectives of this Act and other applicable laws;
- (b) set prudential, conduct operational resilience, risk-management, cybersecurity, data protection & technical standards;
- (c) issue, vary, suspend or revoke licenses, approvals or directives under this Act and prescribe conditions for such actions;
- (d) prescribe licensing conditions, eligibility criteria, renewal requirements and any additional obligations for Licensees;
- (e) conduct on-site inspections and off-site monitoring of Licensees and other entities to ensure compliance with this Act and relevant Rules and Regulations;
- (f) require Licensees to furnish information, documents and data in the manner and timeframe reasonably Prescribed by Regulations;
- (g) ensure compliance of data-protection, data-governance and cyber security obligations by Virtual Asset Service Providers subject to supervisory follow-up;
- (h) impose administrative sanctions in accordance with the provisions of this Act and any Rules or Regulations made thereunder;
- (i) apply to court for civil or criminal remedies as provided under any applicable law;
- (j) levy such fees, charges and penalties as may be Prescribed by Rules;
- (k) operate regulatory sandboxes in a transparent and accountable manner;
- (l) enter into cooperation or mutual assistance arrangements with domestic and foreign regulators and law enforcement agencies to facilitate information sharing and coordinated action, including mutual recognition of Regulations and licenses;
- (m) conduct public education and awareness initiatives to promote informed participation in the Virtual Asset ecosystem; and

(n) constitute as many committees as deemed necessary to conduct its functions under this Act.

10. Delegation of powers. — The Authority may delegate any of its powers and functions to the Managing Director, subject to such terms, conditions, and limitations as it may deem appropriate.

11. Appointment and Functions of Chairperson. - (1) The Chairperson of the Authority shall be appointed by the Federal Government on such terms and conditions as it may deem fit. The Chairperson shall have demonstrable expertise in digital finance or technology and a minimum of three years' relevant professional experience, and shall be eligible for re-appointment for maximum two terms on such term or terms as the Federal Government may determine.

(2) The Chairperson shall provide overall guidance, direction, and oversight of the Authority.

(3) The Chairperson shall only be removed prior to the expiry of the term for gross misconduct or incapacity following a show cause notice and opportunity to be heard.

(4) The Chairperson may resign by writing to the Prime Minister.

12. Appointment and Functions of Managing Director.- (1) The Authority shall appoint a Managing Director for a term of three years, extendable for a further maximum of two term of three years only.

(2) The Managing Director shall be a person of proven integrity and competence, and shall meet such qualifications, criteria, and requirements as may be prescribed by Regulations.

(3) The Managing Director shall act as Secretary of the Authority for its proceedings but shall not have voting rights unless specifically authorized.

13. Appointment of Officers, Staff, Consultants, Advisors and other personnel. - (1) The Authority may, from time to time, create and sanction such posts, prescribe required qualifications and experience, and determine terms of service through Regulations as required.

(2) The Authority may, through a transparent and competitive process prescribed by Regulations, appoint such employees, officers, consultants, and technical or professional advisers as are necessary for the performance of its functions and the exercise of its powers under this Act.

(3) The Authority may, as prescribed by Regulations, request any Ministry, Division, public authority, public entity or autonomous or regulatory body to assign an official with requisite expertise to the Authority for such period as may be mutually agreed.

14. **Pakistan Virtual Asset Regulatory Authority Fund.** —(1) There shall be established a lapsable fund, vested in and administered and controlled by the Authority, to be known as the Pakistan Virtual Asset Regulatory Authority Fund, for meeting expenditures in connection with the performance of the functions and operations of the Authority under this Act.

(2) Subject to the provisions of the Public Finance Management Act, 2019 (V of 2019), the Fund shall consist of—

- (a) funds provided by the Federal Government for salaries, infrastructure, administrative, operational, and other expenses, including the day-to-day functioning of the Authority;
- (b) loans or funds obtained from the Federal Government, any Provincial Government, a local authority or any other entity with the approval of the Authority;
- (c) grants made by the Federal Government;
- (d) aids, grants, donations, or loans raised or obtained by the Authority from domestic and international agencies, in consultation with the Division to which the business of finance stands allocated and other relevant Divisions;
- (e) contributions from multilateral organisations, international agencies, and philanthropic organisations for purposes consistent with the objectives of the Authority, to be managed in accordance with regulations ensuring transparency and good governance;
- (f) all sums or property which may in any manner become payable to or vested in the Authority in connection with the exercise of its powers or performance of its functions;
- (g) income from investments and assets of the Authority;
- (h) NOC, licensing, supervision, renewal or other fees received by the Authority;
- (i) penalties, fines, settlements, and other recoveries imposed or realized under this Act or any Rules or Regulations made thereunder;
- (j) charges for services rendered by the Authority, including sandbox participation and other prescribed services; and
- (k) any other source as may be prescribed.

(3) The Fund shall be managed and operated in such manner as may be prescribed by Regulations.

(4) The Fund shall be maintained in such manner and with such institutions as the Authority may determine, subject to any requirements prescribed by Regulations.

(5) The Pakistan Virtual Asset Regulatory Authority Fund may be expended for—

- (a) paying any expenditure lawfully incurred by the Authority;
- (b) payment of salaries and other remunerations payable to the chairperson, Managing Director, Officers, employees, consultants, and advisers of the Authority;
- (c) paying any other expenses, costs or expenditures properly incurred or approved by the Authority in the performance of its functions or the exercise of its powers under this Act;
- (d) purchasing or hiring equipment, machinery and other materials, acquiring land and constructing buildings, and carrying out any other work or undertakings in connection with the performance of its functions or the exercise of its powers under this Act;
- (e) repayment of any loans or advances obtained under this Act, together with any associated interest, charges or fees;
- (f) meeting any financial obligations or liabilities that arising out of the performance of the functions of the Authority under this Act;
- (g) funding strategic and enabling projects or initiatives necessary to support the objective of this Act or to enhance the operational capabilities of the Authority and its stakeholders;
- (h) meeting expenses relating to investigations, inspections, enforcement actions, legal proceedings, arbitration, mediation, and dispute resolution, including court fees, expert fees, and legal costs; and
- (i) capacity-building, research, training, certification, and international cooperation activities, including participation in regional or international regulatory forums.

15. Budget, Finance and Audit. — (1) The Authority shall, in respect of each financial year, prepare and approve its budget in accordance with the procedure prescribed through Rules.

(2) The budget statement shall specifically state the estimated receipts and expenditure and the sums which are to be required from the Federal Government during the next financial year.

(3) The Authority shall maintain complete and accurate books of accounts of its receipts of funds and expenditure.

(4) At the end of each financial year, the accounts of the Authority shall be audited by the Auditor General of Pakistan and by a firm of Chartered Accountants nominated by the Auditor General of Pakistan.

(5) The Authority shall produce such accounts, books and documents and furnish such explanations and information as the auditors may require for the purpose of audit.

(6) Copies of the auditor's report on the accounts shall be provided to the Authority.

(7) The Authority shall submit an annual report of the fund under this section to the Prime Minister through the concerned Division within ninety days of the close of each financial year, including audited financial statements and performance against approved objectives, and such other matters as the Authority may consider necessary for transparency and accountability.

16. Code of conduct.— (1) The Chairperson, Members of the Authority including ex-officio Members, Managing Director, officers and employees of the Authority, shall, in the performance of their functions, act with integrity, impartiality, confidentiality and in good faith, and shall avoid any conflict of interest, whether direct or indirect.

(2) The Authority shall prescribe, by Regulations, a Code of Conduct applicable to the Chairperson, Members of the Authority, Managing Director, officers and employees of the Authority, including provisions relating to disclosure of interests, conflict management, restrictions on personal trading in Virtual Assets, confidentiality, and post-tenure obligations.

(3) Any violation of the provisions of this section or the Code of Conduct prescribed thereunder shall constitute misconduct and shall result in removal from office or service, as the case may be, and the initiation of disciplinary proceedings.

17. Inter-agency cooperation and information-sharing.— (1) For the effective regulation and supervision of Virtual Assets and Virtual Asset Service Providers, and to prevent their misuse, the Authority shall cooperate and share supervisory and enforcement information, in a timely and secure manner, with the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Financial Monitoring Unit, the Federal Investigation Agency, the Federal Board of Revenue, and any other competent regulatory or law-enforcement agencies or bodies.

(2) The Authority may, with the prior approval of the Federal Government, enter into cooperation arrangements or information-sharing arrangements with foreign regulatory or supervisory authorities for cross-border supervision, enforcement and mutual assistance relating to Virtual Assets and Virtual Assets Service Providers.

(3) The Authority may establish one or more inter-agency coordination mechanisms, including a regulatory coordination committee, comprising representatives of relevant

public authorities, to facilitate policy coordination, information-sharing, supervision, enforcement, and risk mitigation in relation to Virtual Assets and Virtual Asset Service Providers.

Chapter 3

LICENSING OF VIRTUAL ASSET SERVICE PROVIDERS AND ISSUANCE OF VIRTUAL ASSETS

18. Categories of virtual asset services.— The following constitute Virtual Asset Services and shall be subject to licensing and regulation under this Act:

- (a) all services as specified in Schedule I; and
- (b) any other service as may be notified by the Federal Government and subsequently included in Schedule I of this Act.

19. Application for License. — (1) Any Person intending to incorporate a company, under the Companies Act, 2017 (XIX of 2017) or any other law for the time being in force, with the primary objective of engaging in Virtual Asset Services shall first apply to the Authority for a No-Objection Certificate before commencing the process of such incorporation.

(2) An application for a No-Objection Certificate under sub-section (1) shall be made in such form and manner, accompanied by such information and fee as may be prescribed by the Authority.

(3) Upon review of an application for No-Objection Certificate, the Authority may, having regard to the objects of this Act and the need to ensure the integrity of the Virtual Asset market, grant the approval or certificate, subject to any conditions, or refuse the application, providing written reasons for refusal.

(4) An application for a license, following incorporation of the company, shall be made to the Authority in such form and manner as may be prescribed. It shall be accompanied by—

- (a) the prescribed fee, which shall be non-refundable unless otherwise determined by the Authority; and
- (b) such information and documents as may be prescribed or required by the Authority.

20. Fit-and-proper criteria.— (1) The Authority shall determine whether a Controller, Sponsor, Chief Executive Officer and Director is fit and proper in accordance with criteria prescribed by Regulations.

(2) The fit-and-proper criteria shall apply to all Key Individuals. It shall be the responsibility of the applicant for a license or the licensee to assess and maintain the fitness

and propriety of other key individuals not mentioned in sub-section (1), and to submit a written undertaking to the Authority confirming compliance and ongoing maintenance thereof.

(3) The Authority may refuse, suspend or revoke a license where any Controller, Sponsor or Key Individual fails to meet the prescribed fit-and-proper criteria.

(4) Fit-and-proper criteria shall be continuing in nature, and any person subject to such criteria shall notify the Authority of any matter that may affect their fitness and propriety.

(5) The Authority shall prescribe additional requirements for corporate Controllers, including assessment of the corporate behaviour, integrity and track record of Controller and ultimate beneficial owners.

(6) Every Licensee shall maintain a registered office in Pakistan and ensure that at least one Key Individual ordinarily resident in Pakistan is vested with operational and decision-making authority subject to conditions prescribed.

21. Grant, refusal and terms of license. — (1) Subject to this Act and any Rules or Regulations made thereunder, the Authority may —

- (a) grant a license, subject to such terms and conditions as it may deem appropriate; or
- (b) refuse the application, providing the applicant with written reasons for such refusal.

(2) The Authority may, on a case-by-case basis, grant a provisional or a limited-scope licence to an applicant, subject to such terms and conditions as may be prescribed.

(3) A license granted to a Virtual Asset Service Providers shall specify the Virtual Asset Services that is permitted to undertake and shall remain in force unless suspended or revoked.

(4) The Authority shall maintain and publish an up-to-date register of Licensees on its official website. The register shall include, at a minimum, the name, license number, permitted services and current regulatory status of each Licensee.

22. Ongoing obligations of licensees. — A Licensee shall, at all times—

- (a) maintain the prescribed minimum paid-up capital and financial resources;
- (b) comply with this Act and all Rules, Regulations, directives and guidelines issued by the Authority;
- (c) submit such periodic returns, reports and audited financial statements as may be prescribed;

- (d) obtain the prior approval of the Authority for any material change in control or business, in the manner prescribed;
- (e) maintain risk-management, compliance and cybersecurity systems in accordance with applicable legal and regulatory requirements including adherence to data privacy standards; and
- (f) pay such supervision, renewal or other fees as may be prescribed.

23. Variation, suspension and revocation of license. — (1) The Authority may, by way of written notice and after providing an opportunity of being heard, vary, suspend or revoke a license if it is found that—

- (a) the Licensee has contravened any provisions of this Act or any other applicable laws, or any terms or condition of its license;
- (b) the Licensee is insolvent or no longer satisfies the fit-and-proper criteria;
- (c) the Licensee has ceased to carry on the Virtual Asset Service for which it is licensed; or
- (d) such action is necessary or expedient in the public interest, including for the protection of consumers, the integrity of the market, or financial stability; or
- (e) the license was obtained by fraud, misrepresentation, or concealment of material facts.

(2) Where a license is revoked, the Licensee shall immediately cease the provision of Virtual Asset Services, and the Authority may notify the Securities and Exchange Commission of Pakistan to initiate winding-up or dissolution proceedings in accordance with the Companies Act, 2017 (XIX of 2017) and any Regulations that may be prescribed under this Act.

(3) The Authority may, by Regulations prescribe further procedures, timelines, and safeguards for variation, suspension, or revocation under this section.

Chapter 4

PRUDENTIAL REQUIREMENTS, SAFEGUARDING AND CUSTODY

24. Segregation of customer assets. — (1) A Licensee shall, at all times, hold Customer Assets in segregated accounts separate from its own assets, in the manner prescribed by Regulations.

(2) Notwithstanding anything to the contrary contained in any other law for the time being in force, Customer Assets held by a Licensee shall not form part of the Licensee's estate in the event of its insolvency or liquidation.

(3) Licensee owes a fiduciary duty to its customers and shall at all times act honestly, fairly, and in the best interests of its customers when dealing with Customer Assets.

(4) A Licensee shall not rehypothecate, lend, pledge, or otherwise encumber Customer Assets, whether Virtual Assets or fiat balances, without the customer's explicit, informed, and revocable written consent.

25. Minimum financial resource requirements. — (1) A Licensee shall, at all times, maintain such minimum paid-up capital, liquid assets and financial resources not less than such amounts as may be prescribed.

(2) The Authority may, having regard to the category, size, complexity, or risk profile of a Licensee, prescribe higher financial-resource requirements.

(3) The Authority may, by Regulations, prescribe additional liquidity, margin, risk-based capital or reserve requirements having regard to the risks posed by the Licensee's activities.

(4) The Authority may, in the manner prescribed by Regulations, grant conditional or risk-based exemptions from requirements under this section for limited-scope or low-risk Licensees.

26. Custody standards and key-management controls. — (1) A Licensee providing custody services for Virtual Assets shall:

(a) ensure the secure custody and protection of Virtual Assets against unauthorized access, loss, or misuse; and

(b) maintain operational resilience, including robust disaster-recovery and business-continuity arrangements.

(2) The Authority shall prescribe detailed technical standards, operational requirements, and audit procedures to ensure that Licensees meet the obligations under this clause, including but not limited to, standards for key management, custody mechanisms, and verification or assurance processes.

27. Proof-of-reserves and audit obligations. — (1) A Licensee shall furnish to the Authority, at such intervals as may be Prescribed by Regulations, cryptographic proof-of-reserves reconciled against its liabilities to customers.

(2) A Licensee shall cause its operations to be audited annually by a firm of Chartered Accountants approved by the Division concerned. Such audit shall include a verification of the segregation of Customer Assets as required under section 24.

28. **Reserve custodians.** — A custodian of reserve assets shall comply with such requirements, oversight and inspection standards as may be prescribed by Regulations.

29. **Customer safeguard or compensation mechanism.** — The Authority may, establish a customer-compensation or safeguard mechanism for losses arising from custodial failure, in such manner as may be prescribed by Regulations.

Chapter 5

FIAT-REFERENCED AND ASSET-REFERENCED TOKENS

30. **Initial Virtual Asset Offerings.**— (1) Only legal entities, as registered in Pakistan and meeting the eligibility criteria prescribed by Regulations shall be permitted to conduct an Initial Virtual Asset Offering.

(2) The Authority may prescribe, by Regulations, the conditions, disclosure requirements, approval processes and ongoing-obligations applicable to Initial Virtual Asset Offerings.

31. **Issuance Requirements for Fiat-Referenced Tokens.** — (1) Any Issuer intending to issue a Fiat-Referenced Token in Pakistan shall comply with following requirements:

- (a) Hundred percent reserve backing, with High-Quality Liquid Assets (HQLA) or other assets as prescribed for fiat referenced token, held as a segregated reserve;
- (b) mechanisms for redemption at par value without undue delay;
- (c) audited reserve disclosures as prescribed by the Authority;
- (d) robust AML, CFT, CPF and sanctions compliance programs;
- (e) prioritized holder protections in insolvency; and
- (f) any other requirement prescribed by the Authority.

(2) The Authority may prescribe differentiated requirements based on the size, scope, complexity, or risk profile of the Issuer, including but not limited to, expedited approval, stress testing, ongoing supervision, and consultation with the State Bank of Pakistan on reserve arrangements.

32. **Issuance Requirements for Asset-Referenced Tokens.** — (1) Any Issuer intending to issue Asset-Referenced Token in Pakistan shall comply with following requirements:

- (a) a reserve of the underlying assets, as prescribed, for Assets-referenced token held in custody in accordance with Regulations;
- (b) audited reserve disclosures as prescribed by the Authority;

- (c) robust AML, CFT, CPF and sanctions compliance programs;
- (d) prioritized holder protections in insolvency; and
- (e) any other requirement prescribed by the Authority.

(2) An Asset-Referenced Token shall at all times be fully backed by the underlying assets and may reference tangible or intangible assets, including but not limited to commodities, real estate, real-world assets, securities, financial assets, or a combination of official currencies, but shall not be backed or derive its value from other Virtual Assets.

(3) The Authority may prescribe differentiated requirements based on the size, scope, complexity, or risk profile of the Issuer, including, but not limited to, expedited approval, stress testing, ongoing supervision, and consultation with the State Bank of Pakistan on reserve arrangements. The Authority may prescribe eligible categories of underlying assets and may restrict or prohibit types of assets for the issuance of Asset-Referenced Token.

33. Significant issuers. — (1) An Issuer shall be deemed a Significant Issuer if it meets the thresholds and criteria prescribed by Regulations, having regard to size, scale, systemic importance, market impact, number of holders, and cross-border activity.

(2) Significant Issuers shall be registered with the Authority and shall comply with enhanced requirements, including reporting, disclosure, governance, and risk management, as prescribed in Regulations.

Chapter 6.

CYBERSECURITY, SANDBOX AND INNOVATION

34. Cybersecurity and operational resilience.— Licensees shall comply with cybersecurity and operational-resilience requirements prescribed by the Authority or under any other applicable laws, including, but not limited to, technical standards, security controls, and reporting mechanisms.

35. Regulatory sandbox.— (1) The Authority may establish a regulatory sandbox to facilitate controlled testing of innovative Virtual Asset products or services, in the manner prescribed by Regulations.

(2) Eligibility, application procedures, supervisory arrangements, risk limits, duration and exit requirements shall be prescribed by Regulations.

(3) The Authority may issue guidance, no-objection statements or no-action communications in accordance with Regulations.

36. Oversight of blockchain technology adoption. — (1) The Authority shall issue Regulations, standards, directives, and guidelines on the adoption, deployment, and use of blockchain or distributed-ledger technology.

(2) The Authority shall consult with relevant regulators and ministries to ensure harmonization of blockchain adoption across Pakistan.

37. Regulation of Virtual Asset Mining Activities. — (1) The Authority may, in consultation with relevant government entities, issue Regulations, standards, and guidelines for mining activities.

(2) Pure mining, by itself, does not constitute a Virtual Asset Service requiring license under section 18 and Schedule I. Mining operations involving customer assets or funds, however, shall be treated as Virtual Asset Services and require licensing.

(3) The Authority may establish a registration or declaration framework for mining operators exceeding thresholds of scale, energy use, or hash rate, as set by Regulations.

38. Establishment of Strategic Digital Wallet Company.— (1) The Federal Government may establish or designate, under the Companies Act, 2017 (XIX of 2017), a wholly owned company to be known as the Strategic Digital Wallet Company (SDWC) to perform custody and administration services, and to design, develop, operate and secure wallet infrastructure that enables the Government of Pakistan or other designated public bodies or institutions to manage, transfer and record Virtual Assets in furtherance of the Company's strategic reserve objectives.

(2) The Company shall operate exclusively on behalf of the Government of Pakistan and designated public bodies and shall not provide services to the private persons.

39. Data localization framework.— (1) A Licensee may store or process data outside Pakistan, subject to compliance with applicable laws relating to data protection, cybersecurity, and cross-border data transfers, and subject to such safeguards as shall be prescribed by Regulations.

(2) Nothing in this section shall prevent the Authority from requiring immediate localization or restricted cross-border transfer of specific datasets where necessary in the interest of national security, financial stability, consumer protection, or enforcement effectiveness.

40. Data segregation and protection of sensitive information.— (1) Every Licensee shall implement appropriate technical, organisational, and governance measures to ensure the segregation of sensitive information from other operational data, in such manner as may be prescribed by Regulations.

(2) For the purposes of this section, "sensitive information" shall include, but not be limited to—

- (a) customer identification and due-diligence records;
- (b) transaction-level data capable of identifying a customer;
- (c) private keys, cryptographic credentials, or wallet authentication data;
- (d) proprietary trading data and risk-management systems; and
- (e) any other category of information designated as sensitive by the Authority.

(3) A Licensee shall ensure that—

- (a) sensitive information is logically and technically segregated from non-sensitive data;
- (b) access to sensitive information is strictly controlled on a need-to-know basis;
- (c) encryption, tokenization, and secure key-management protocols are implemented in accordance with internationally recognised standards; and
- (d) appropriate audit trails and monitoring mechanisms are maintained.

(4) The Authority may prescribe, by Regulations, minimum technical standards, cybersecurity controls, storage architectures, encryption requirements, and data-governance frameworks to give effect to this section.

Chapter 7

MARKET CONDUCT, CONSUMER PROTECTION

41. Duty of integrity and fair dealing. — (1) A Licensee shall conduct its business honestly, fairly and professionally and in accordance with the best interests of its customers and in a manner that upholds the integrity of the market.

(2) The Authority may prescribe, by Regulations, detailed requirements relating to market conduct, including standards of fair dealing, professional behaviour, and customer treatment.

42. Obligations of issuers of Virtual Assets. — (1) An Issuer offering a Virtual Asset to the public shall publish a whitepaper in such form and manner as may be prescribed by Regulations.

(2) Issuers shall make ongoing disclosures of material information including reserve attestations in the manner and frequency prescribed by Regulations.

(3) The Authority may exempt categories of Issuers or offerings from requirements under this section, subject to appropriate safeguards.

(4) The Authority shall prescribe, by Regulations, mandatory risk disclosures, periodic reporting requirements and disclosure templates applicable to Issuers and Licensees.

43. Marketing and conduct restrictions. — (1) No person shall advertise or market a Virtual Asset unless the Issuer holds a valid license or registration under this Act.

(2) All marketing materials shall contain risk disclosures and shall comply with such conditions, standards and limitations, in such form and manner, as may be prescribed by the Authority.

44. Conflict-of-interest management. — A Licensee shall identify, manage, and disclose conflicts of interest and shall not place its own interests above those of its customers, in accordance with detailed requirements on policies, disclosure, and management as may be prescribed by the Authority by Regulations.

45. Complaint-handling and dispute resolution. — (1) Licensees shall establish and maintain internal complaint-handling procedures in accordance with the requirements prescribed by Regulations.

(2) Notwithstanding anything contained in any other law for the time being in force, the Authority may establish or recognize an independent dispute-resolution scheme for claims below a prescribed monetary threshold.

Chapter 8

ANTI-MONEY LAUNDERING, COUNTERING OF TERRORISM FINANCING AND COUNTERING OF PROLIFERATION FINANCING

46. Application of Anti-Money Laundering Act, 2010. — (1) For the purposes of the Anti-Money Laundering Act, 2010 (VII of 2010), Virtual Asset Service Providers licensed under this Act shall be deemed to be financial institutions, and shall comply with all obligations thereunder.

(2) Without prejudice to sub-section (1), every Virtual Asset Service Provider and Issuer shall—

- (a) report suspicious transactions to the Financial Monitoring Unit (FMU) in accordance with Anti-Money Laundering Act, 2010 (VII of 2010) and any rules, regulations or guidelines issued thereunder;
- (b) maintain records of customer due diligence, transactions and other relevant information for the period prescribed under Anti-Money Laundering Act, 2010 (VII of 2010); and
- (c) establish and maintain internal controls and compliance programmes to prevent money laundering and terrorist financing, including the appointment of an AML, CFT or CPF compliance officer.

(3) The Authority shall, through AML, CFT or CPF Regulations, align its supervisory framework with the standards of the Financial Action Task Force (FATF) and may issue additional guidance, consistent with FMU's mandate, to address risks specific to Virtual Assets.

47. Travel rule and record-keeping obligations. — (1) A Licensee shall obtain, hold and transmit originator and beneficiary information in any transfer of Virtual Assets meeting or exceeding the threshold prescribed by the Authority, in a manner consistent with Recommendations of Financial Action Task Force, as updated from time to time.

(2) Such obligations shall be implemented in compliance with applicable data protection, data governance, and cybersecurity laws, ensuring the confidentiality, integrity, and security of the information.

(3) The Authority may prescribe detailed procedures, standards, and formats for record-keeping, reporting, and transmission of information through Regulations.

(4) A Licensee shall maintain records of transactions, customer due-diligence data and risk assessments for a period prescribed by Regulations, which shall not be less than the period required under the Anti-Money Laundering Act, 2010 (VII of 2010).

48. Real-time data access and reporting. — (1) Licensees shall establish secure reporting channels, and where required secure automated interfaces, enabling the Authority and such other agencies as notified to access prescribed data for supervisory and enforcement purposes.

(2) The Authority shall prescribe, by Regulations, the technical standards, security requirements and data specifications for the reporting and interfaces referred to in subsection (1).

49. Data Privacy Obligations for Licensed entities.— Each licensee shall implement strict limits on the collection, use, and sharing of customer data, requiring explicit, informed, and revocable consent for any non-essential data processing.

Chapter-9

Prohibitions

50. Prohibition of unlicensed Virtual Asset services. — (1) No Person shall, by way of business, engage in, or represent themselves as engaging in, any Virtual Asset Services in or from Pakistan, unless that Person:-

- (a) is a company incorporated under the Companies Act, 2017 or any other law for the time being in force in Pakistan governing the incorporation of companies; and

(b) holds a valid license granted by the Authority under this Act.

51. Prohibition on Initial Virtual Asset Offerings. — No Person shall conduct or purport to conduct an Initial Virtual Asset Offering, in or from Pakistan, except in accordance with this Act and the Rules or Regulations made thereunder.

52. Prohibition of market manipulation and insider trading. — (1) No person shall engage in market manipulation or Market abuse in relation to virtual assets.

(2) No person shall:

(a) use inside information to trade virtual assets for themselves or others;

(b) recommend or induce trading based on inside information; or

(c) unlawfully disclose inside information.

(3) The Authority shall issue guidelines and regulations specifying the type of manipulative behaviour.

53. Prohibition on Algorithmic tokens. — No Person shall issue, offer, or market a Virtual Asset whose primary mechanism for maintaining value is algorithmic and not fully or adequately collateralized, unless specifically permitted by Regulations and subject to the safeguards prescribed therein.

Chapter-10

ENFORCEMENT, OFFENCES AND PENALTIES

54. Criminal offences.— (1) Whoever, willfully, provides an unlicensed Virtual Asset Service shall be punishable with imprisonment for a term up to five years, or with fine up to fifty million Pakistani Rupees, or with both.

(2) Whoever conducts an Initial Virtual Asset Offering in contravention of this Act, Rules and Regulations shall be punishable with imprisonment for a term up to three years, or with fine up to twenty-five Million Rupees or with both.

(3) Whoever, wilfully, contravenes section 52 shall be punishable:

(a) in the case of natural person, with imprisonment for a term up to three years or with fine up to twenty-five Million Rupees or with both.

(b) in the case of a legal person, with fine or three times the amount of any profit gained or loss avoided as a result of the contravention. If the amount of profit gained or loss avoided cannot be determined, a fine not exceeding 15% of the total annual turnover of the body corporate in the preceding financial year.

(4) Whoever, knowingly, makes any false or misleading statement in any application, return or document submitted to the Authority shall be punishable with imprisonment for a term up to three years, or with fine up to twenty million Pakistani Rupees, or with both.

(5) Whoever, obstructs an officer of the Authority in the exercise of powers under this Act shall be punishable with imprisonment for a term up to two years, or with fine up to ten million Pakistani Rupees, or with both.

(6) Whoever, willfully, fails to comply with any order or decision of the Authority shall be punishable with imprisonment up to one year, or with fine up to twenty-five million Pakistani Rupees and the Authority may also impose administrative penalties prescribed in this Act.

(7) All offences punishable under this Act shall be investigated, tried, and punished in accordance with the provisions of the Code of Criminal Procedure, 1898 (Act V of 1898) and the Qanun-e-Shahadat Order, 1984 (Order X of 1984), unless otherwise provided in this Act.

(8) The Federal Government may, by notification in the Official Gazette, designate one or more Special Courts to exercise jurisdiction over offences committed under this Act.

55. Liability of officers of bodies corporate.— Where an offence under this Act is committed by a body corporate with the consent, connivance or neglect of any director, manager, secretary or similar officer, such Person shall be deemed to have committed the offence.

56. Power to Investigate. — Only an authorized officer of the Authority shall have the power to investigate offences under this Act.

57. Powers of Authorized Officer.— (1) For the purpose of investigation of offences under this Act, an authorised officer shall obtain a warrant for search and seizure of evidence of an offence from a court of competent jurisdiction.

(2) The powers specified in sub-section (1), the authorized officer shall, for the purposes of investigation, inquiry, search, seizure, arrest, attachment, confiscation, and other criminal proceedings under this Act, exercise all powers conferred upon an officer incharge of a police station or an investigating officer under the Code of Criminal Procedure, 1898 (Act V of 1898), subject to the provisions of this Act.

(3) Any person who, wilfully, refuses to provide information required by the Authorized Officer under sub-section (1) shall be punishable with imprisonment for a term up to one year or with fine up to one million rupees or with both.

(4) No Court shall take cognizance of any offence under this Act except on a report in writing submitted by an authorized officer of the Authority.

58. Prosecution of offences. — (1) All prosecutions under this Act shall be conducted by a special public prosecutor appointed by the Federal Government. The special

public prosecutor, or advocates appointed by the Division concerned, may institute or defend cases, appeals, petitions, applications, and all other matters before any court, including the High Court and Supreme Court, arising from proceedings under this Act.

(2) The personal attendance of any officer authorized by the Authority to file a complaint shall not be required during trial in the presence of the special public prosecutor referred to in sub-section (1).

(3) The court shall, in a manner not inconsistent with this Act, follow the procedure provided under Chapter XXII-A of the Code of Criminal Procedure, 1898 (Act V of 1898), and all prosecutions shall be disposed of and judgments pronounced as expeditiously as possible.

(4) Hearings shall not be adjourned except for sufficient cause to be recorded, and for no more than fourteen days at a time. The court may impose such costs as it deems fit.

59. Administrative sanctions.— (1) Where the Authority is satisfied that a Person has contravened any provision of this Act, or any Rules, Regulations, directions, circulars, or other regulatory requirements made thereunder, it may, impose one or more of the following sanctions—

- (a) issue a written reprimand or public censure;
- (b) issue a directive requiring the Person to cease or remedy the contravention;
- (c) impose a financial penalty up to the maximum amount prescribed by the Rules;
- (d) suspend or revoke any license issued under this Act; or
- (e) disqualify any Person from holding any office or position of responsibility in a Licensee.

(2) Where the Authority is satisfied that an Issuer has contravened this Act or any Regulations made thereunder, it may impose sanctions under sub-section (1), with such modifications as are appropriate, upon Issuers.

(3) Without prejudice to sub-sections (1) and (2), where a Virtual Asset Service Provider or Issuer contravenes any other law applicable in Pakistan, the Authority may, in accordance with Regulations, impose administrative sanctions as it deems appropriate.

(4) The Authority may impose a fine up to twenty-five Million Rupees for any contravention of the provisions of this Act.

(5) The court may order restitution, disgorgement of profits or such other relief as it deems appropriate.

60. Emergency intervention powers. — In the event of a systemic threat, market manipulation, fraud, or cybersecurity breach, or other serious risk to customers or market integrity, the Authority may issue an order temporarily suspending specified Virtual Asset Services or freezing related assets for a period not exceeding thirty days.

61. Power to prevent access to unlicensed virtual asset services. — (1) The Authority may remove, block, or direct the removal or blocking of any online material (e.g., websites, apps, ads, payment links) if, on reasonable grounds, it promotes, operates, or relates to an unlicensed Virtual Asset Service or contravenes this Act, its Rules, or Regulations.

(2) Such directions may be issued to telecommunication authorities, Virtual Asset Service Providers, intermediaries, hosting providers, app stores, search engines, advertising networks, registrars, payment providers, or any person facilitating such material.

(3) All orders or directions shall be in writing, stating reasons and statutory basis, and communicated to the affected person.

(4) The Authority may require preservation of copies, logs, or transactional data for evidentiary purposes.

(5) A person aggrieved by an order may submit a representation within ten days; the Authority shall respond in writing within fifteen days.

Chapter- 11

APPEALS

62. Establishment of the virtual assets appellate tribunal. - (1) A Virtual Assets Appellate Tribunal shall be established and no court shall take cognizance of a legal dispute under this Act or the Rules or Regulations made thereunder to which the jurisdiction of the Virtual Assets Appellate Tribunal extends.

(2) The Virtual Assets Appellate Tribunal shall consist of a presiding officer, who shall be a person who is a retired Judge of a High Court, or an advocate having not less than ten years' practice and experience in the relevant field, and two members, one being a technical expert and the other being a financial expert, who shall be Persons of ability, integrity, and have special knowledge and professional experience of not less than ten years in the fields of law, technology, finance, or economics.

(3) The presiding officer and members of the Virtual Assets Appellate Tribunal shall be appointed by the Federal Government, in the manner Prescribed, and hold office for a period of three years and shall be eligible for re-appointment for a similar term or terms and shall cease to hold office on attaining the age of sixty years or the expiry of the term, whichever is earlier.

(4) The terms, conditions, and appointment of the Virtual Assets Appellate Tribunal presiding officer and other members shall be in the manner Prescribed by the Federal Government.

63. Jurisdiction.- Any Virtual Asset Service Provider, Licensee, or any other Person aggrieved by an order of the Authority may prefer an appeal before the Virtual Assets Appellate Tribunal within thirty days of the date on which the order was communicated, in accordance with the Prescribed Rules.

64. Appeal.- (1) An appeal to the Virtual Assets Appellate Tribunal shall be filed within thirty days from the date of such order in such form, contain such particulars, and be accompanied by such documents and fees as may be prescribed under this Act.

(2) The Virtual Assets Appellate Tribunal shall decide an appeal expeditiously but not later than three months of its presentation to the Tribunal.

(3) The Virtual Assets Appellate Tribunal shall, for the purpose of deciding an appeal, be deemed to be a civil court and shall have the same powers as are vested in such court under the Code of Civil Procedure, 1908 (Act V of 1908), including the powers of —

- (a) enforcing the attendance of any Person and examining him on oath;
- (b) compelling the production of documents; and
- (c) issuing commissions for the examination of witnesses and documents.

(4) It shall be sufficient for the Virtual Assets Appellate Tribunal to establish, or to be satisfied as to any matter on the standard of proof applicable to civil proceedings in a summary manner in a court of law.

(5) The Virtual Assets Appellate Tribunal's determinations or decisions under this Act shall be deemed to be the decrees of a civil court under the Code of Civil Procedure, 1908 (Act V of 1908).

65. Appeal to Supreme Court. — Any Person aggrieved by an order of the Virtual Assets Appellate Tribunal may file an appeal to the Supreme Court of Pakistan within thirty days from the date of such order and in such manner as may be prescribed.

Chapter-12

MISCELLANEOUS

66. Tax Compliance. — Every Virtual Asset Service Provider licensed under this Act shall comply with the obligations imposed under the Income Tax Act, 2001 and any Rules or Regulations issued by the Federal Board of Revenue.

67. Power to make Rules. — The Federal Government may by notification in the official Gazette, make Rules, as deemed necessary for the implementation of and to carry out the purposes of this Act.

68. Powers to make regulations. — The Authority may make Regulations in the consultation with Division concerned as deemed necessary for the implementation of and for carrying out the purposes of this Act.

69. Officers to be Public Servants. — The Chairperson, Managing Director, members, staff, experts; consultants, advisers, other officers and employees of the Authority shall be deemed to be public servants within the meaning of section 21 of the Pakistan Penal Code; 1860 (XLV of 1860).

70. Transitional provisions.— (1) Any Person providing Virtual Asset Services immediately before the commencement of this Act shall, within six months of such commencement, apply to the Authority for a license under this Act or shall cease to provide such services.

(2) After the commencement of this Act, within six months, a Person who has submitted a complete application as per sub-section (1) may continue to provide existing Virtual Asset Services:

Provided that such Person fully complies with any interim directives issued by the Authority and continues to adhere to the core obligations of this Act, particularly regarding customer asset protection under AML, CFT and CPF.

71. Power of the Federal Government to issue policy directives.— The Federal Government may, by notification in the official Gazette, give policy directives to the Authority to align its actions with national policies, priorities and interests consistent with the objectives and framework established under this Act. Such policy directives shall not impede the Authority's operational autonomy.

72. Annual and special reports of the Authority.— (1) The Authority shall prepare an annual report at the end of the financial year and may at any time prepare special reports on any matter which in its opinion is of particular urgency or importance.

(2) The Division concerned shall cause the annual report and the special reports to be laid before the Majlis-e-Shoora (Parliament) within ninety days.

(3) The report shall be placed on the website of the Authority immediately after its lying before the Majlis-e-Shoora (Parliament) for information of general public.

73. Removal of difficulties.— If a procedural or operational difficulty arises in giving effect to any of the provisions of this Act, the Federal Government may, within six months of the commencement of this Act, make such order not inconsistent with the

provisions of this Act, as may appear to it to be necessary or expedient for removing such difficulty.

74. Savings.— Notwithstanding the lapse of the Virtual Assets Ordinance, 2025 (VII of 2025), anything done, action taken, appointment made, notification or order issued, or right, privilege, obligation or liability accrued under the said Ordinance shall be deemed to have been validly done, taken, made, issued or accrued under the corresponding provisions of this Act.

SUBSTITUTION OF SCHEDULES

For Schedules I to III, the following shall be substituted, namely:-

“SCHEDULE I

(See section 18)

CATEGORIES OF VIRTUAL ASSET SERVICES

The list below shall constitute the types of Virtual Asset Services and their description.

Sr. No	Service Category	Description
(1)	(2)	(3)
1.	Advisory Services	<p>means the provision of personalised recommendations, on professional basis, to a customer, either upon request or at the initiative of Virtual Asset Service Providers, relating to one or more actions or transactions involving Virtual Assets.</p> <p>The term “personalised” refers to recommendations that are addressed to a specific customer and take into account (or are presented as taking into account) that customer’s individual circumstances, objectives, risk profile or financial situation. General market information,</p>

2.	Broker-Dealer Services	<p>research reports or non-individualised suggestions do not constitute personalised recommendations.</p> <p>means any of the following:</p> <ul style="list-style-type: none"> (a) arranging or facilitating orders for the purchase and sale of Virtual Assets between two parties; (b) soliciting or accepting orders and receiving consideration in fiat currency or Virtual Assets; (c) trading Virtual Assets on the Virtual Asset Service Provider's own account; <p><i>Exemption: A Person that deals solely on its own account, does not execute orders on behalf of customers, and does not hold or control Customer Assets is not regarded as carrying on 'broker-dealer services' for the purposes of this Act</i></p> <ul style="list-style-type: none"> (d) market-making using Customer Assets; or (e) providing placement or distribution services for Issuers acting as intermediaries.
3.	Custody and Administration Services	<p>means the safekeeping or administration, on behalf of customers and pursuant to their instructions, of:</p> <ul style="list-style-type: none"> (a) Virtual Assets; or

		<p>(b) private cryptographic keys or other means of access that allow the customer to transfer or dispose of Virtual Assets independently,</p> <p>but excludes the mere provision of software, hardware or infrastructure that enables a customer to retain exclusive control over their own private keys.</p>
4.	Exchange Services	<p>means any of the following:</p> <ul style="list-style-type: none"> (a) exchanging Virtual Assets for fiat currency; (b) exchanging one or more types of Virtual Assets; (c) matching orders between buyers and sellers and executing conversions as described in (a) and (b); or (d) maintaining an order book for the above purposes.
5.	Lending and Borrowing Services	<p>means the facilitation, arrangement, intermediation or direct provision (as principal) of lending or borrowing arrangements involving Virtual Assets, where one or more lenders transfer, lend or make available Virtual Assets (or rights thereto) to one or more borrowers, subject to a contractual obligation for the borrower to return equivalent Virtual Assets (together with</p>

		any agreed interest, fees or rewards) at a specified time or upon demand.
6.	Virtual Asset Derivatives Services	means the offering, facilitation, execution, clearing, trading or arranging of transactions in derivatives (including futures, options, swaps, contracts for difference or other similar instruments) that have a Virtual Asset (or a basket or index of Virtual Assets) as their underlying reference asset.
7.	Virtual Asset Management and Investment Services	<p>means acting in a fiduciary or agency capacity for the purpose of managing or administering another Person's Virtual Assets, including:</p> <p>(a) portfolio or discretionary investment management involving Virtual Assets; and</p> <p>(b) responsibility for staking on behalf of customers to earn validator or network rewards, provided that such staking is performed on a discretionary basis or forms part of a broader investment management mandate.</p>
8.	Virtual Asset Transfer and Settlement Services	includes transfer, transmission, or settlement of Virtual Assets between parties, or from one wallet, address, or location to another, on behalf of customers excluding exchange execution.

9.	Virtual Assets Issuance Services	Creation, issuance, initial offering, administration, and ongoing management of Virtual Assets, including supply control, reserve management (if any), redemption, governance, and required disclosures.
10.	Mining-related Virtual Asset Services	Includes activities where mining operations provide services to third parties involving customer virtual assets or funds. Pure mining for own account is excluded. Licensing and regulatory obligations apply only if the service involves customer assets or funds, as per the Authority's Regulations.



SENATOR SALEEM MANDIHWALA

AS REPORTED BY THE STANDING COMMITTEE

A

Bill

to establish a regulatory Authority for the licensing, regulation and supervision of Virtual Assets and Virtual Asset Service Providers

WHEREAS, it is expedient to establish a dedicated Virtual Assets Regulatory Authority to license, regulate and supervise Virtual Assets and Virtual Asset Service Providers, in order to ensure investor protection, transparency and market integrity in Pakistan;

AND WHEREAS, it is necessary to provide a comprehensive legal framework to empower the Authority to combat money laundering, terrorist financing, proliferation financing and other illicit activities involving Virtual Assets, in accordance with international standards, and to provide for matters connected therewith or ancillary thereto;

It is hereby enacted as follows: -

Chapter I

PRELIMINARY

1. Short title, extent, commencement. — (1) This Act Shall be called the Virtual Assets Act, 2026.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

2. Scope of application.— (1) This Act shall apply to—

(a) any Virtual Asset Service Provider that carries on, or holds itself out as carrying on, a Virtual Asset Service in or from Pakistan; and

(b) any Issuer that offers, originates or distributes, on its own behalf, a Virtual Asset in or from Pakistan.

(2) For the avoidance of doubt, this Act shall not apply to the following digital representations of value or rights, insofar as they meet the conditions stated below—

(a) closed-ecosystem or closed-loop digital tokens, including any digital representation of value or rights that, by design, technical architecture,

or enforceable system controls, satisfies all of the following conditions—

- (i) is usable or redeemable solely within a restricted digital platform, ecosystem, application, or network administered by the issuer or operator;
 - (ii) is not transferable outside such platform, ecosystem, application, or network, whether directly or indirectly;
 - (iii) is not exchangeable for fiat currency or legal tender outside such ecosystem;
 - (iv) is not redeemable for real-world goods or services outside such ecosystem;
 - (v) is not convertible into, exchangeable for, or interoperable with any other Virtual Asset;
 - (vi) is not saleable, tradable, or transferable on any external market, exchange, or secondary trading venue; or
 - (vii) is not designed, marketed, or used for payment, investment, or value-transfer purposes beyond such ecosystem.
- (b) securities, derivatives, collective investment schemes, depositary receipts, or other traditional financial instruments that fall within the regulatory jurisdiction of the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan;
 - (c) digital representations of fiat currency issued by the State Bank of Pakistan or any central bank or monetary authority of another sovereign jurisdiction;
 - (d) a non-fungible token that is not used for payment or investment and does not represent, reference, or derive value from any security, commodity, financial asset, or other regulated instrument;
 - (e) any non-fungible token or digital collectible that does not constitute a Virtual Asset, having regard to its substance, function, or economic effect; or
 - (f) any other digital representation of value or rights expressly excluded by the Authority.

3. Definitions.— (1) In this Act, unless there is anything repugnant in the subject or context:

- (i) "Asset-Referenced Token" means a Virtual Asset that represents, directly or indirectly, ownership rights, claims, or economic interests, including entitlements to receive or share income, returns, or other economic benefits, in respect of one or more underlying assets, or is designed to maintain a stable value by reference to such underlying assets.
- (ii) "Authority" or "PVARA" means the Pakistan Virtual Asset Regulatory Authority established under this Act;
- (iii) "Blockchain" or "Distributed Ledger Technology" or "DLT" means a technology that enables a distributed ledger, an information repository that records transactions or data across multiple nodes in a synchronized manner using cryptography to ensure integrity, tamper-resistance, immutability, and consensus among participants, as may be further defined by Regulations;
- (iv) "Chairperson" means the Chairperson of the Authority appointed under this Act;
- (v) "Controller" means a Person who, alone or together with associates, holds or is entitled to exercise twenty percent (20 %) or more of the voting power, ownership interest, or share capital of a Licensee, or otherwise exercises significant influence or control over its management or policies, whether directly or indirectly;
- (vi) "Customer" means any natural or legal person who obtains or uses a Virtual Asset Service from a Licensee, or who enters into a business or contractual relationship with a Licensee for the provision of such service, whether on a one-off or ongoing basis;
- (vii) "Customer Assets" means Virtual Assets and fiat currency belonging to a customer that a Virtual Asset Service Provider holds, safeguards, or otherwise has custody or control over on that customer's behalf, and excludes assets owned by the Virtual Asset Service Provider;
- (viii) "Division concerned" means the Cabinet Division as defined in the Rules of Business, 1973;
- (ix) "Fiat-Referenced Token" means a Virtual Asset that purports to maintain a stable value relative to a single Official Currency of any country and is redeemable at par value by its Issuer;

- (x) "High-Quality Liquid Assets" or "HQLA" means such high-quality liquid assets as may be prescribed by Regulations;
- (xi) "Inside information" means non-public information likely to affect virtual asset prices if disclosed, including client orders, trading intentions, or decisions related to issuance or facilitation, as may be further defined by regulations;
- (xii) "Insiders" include Controller, officers, directors, employees, or affiliates of issuers or Virtual Asset Service Providers with access to inside information; family members; or other persons obtaining such information unlawfully or through employment, and as may be further prescribed by Regulations.
- (xiii) "Issuer" means the legal Person that originates or creates a Virtual Asset and retains primary control over its initial supply, reserve assets (if any) or on-chain governance, and may distribute such Virtual Asset as part of its initial offering, and that bears the ongoing obligations as prescribed by the Authority.

Explanation: A Person is not an Issuer solely because it markets, advertises, promotes, facilitates secondary-Market trading (including third-party brokerage, distribution or exchange), or provides technical development or maintenance services without control over issuance, supply or reserve assets.

- (xiv) "Initial Virtual Asset Offering" means a method of raising funds by an Issuer through the public offering of Virtual Assets in exchange for funds or other Virtual Assets or anything of commercial value, subject to the limitations and disclosure requirements Prescribed under this Act;
- (xv) "Key Individual" means any natural Person who occupies or performs - whether on a full-time, part-time, acting or outsourced basis - one or more of the positions listed below in relation to a Licensee:
 - (a) director (executive or non-executive) registered under the Companies Act, 2017 (XIX of 2017)
 - (b) Managing Director;
 - (c) chief financial officer;
 - (d) chief operating officer;
 - (e) head of internal audit;

- (f) head of compliance;
 - (g) money-laundering reporting officer (MLRO) or equivalent AML, CFT or CPF compliance officer designed under the AML, CFT and CPF Regulations issued pursuant to the Anti-Money Laundering Act 2010 (VII of 2010);
 - (h) head of risk management;
 - (i) head of information-security and cyber-security; or
 - (j) any other position that the Authority, by written notice to the Licensee, declares to be a Key Individual.
- (xvi) "Licensee" means a person who holds a license under this Act;
- (xvii) Market Manipulation or Market Abuse means any act, practice or course of conduct that:
- (a) gives false or misleading signals as to the supply, demand or price of one or more Virtual Assets;
 - (b) secures the price of Virtual Assets at an abnormal or artificial level; or
 - (c) employs any device, deception or artificial means to interfere with the normal operation of supply and demand in Virtual Asset markets, as may be further defined by Regulations.
- (xviii) "Managing Director" means the Managing Director of the Authority, appointed under this Act;
- (xix) "Virtual Asset Mining" means the process of validating or verifying transactions and recording them on a distributed ledger or blockchain network, using computational or other consensus mechanisms, and, in return, earning virtual assets, transaction fees, or other rewards.
- (xx) "Non-Fungible Token" or "NFT" means a unique, non-interchangeable digital representation of value or rights recorded on a distributed ledger or similar technology, where each token is distinguishable from every other token;
- (xxi) "Official or Fiat Currency" means a currency issued by the central bank or monetary authority of a country that is recognized as legal tender under the laws of that country;
- (xxii) "Person" means a natural or legal Person;

- (xxiii) "Prescribed" means prescribed by Rules or Regulations made under this Act;
- (xxiv) "Regulations" means Regulations made under this Act;
- (xxv) "Rules" means Rules made under this Act;
- (xxvi) "Segregated Reserve" means a pool of reserve assets that is kept separate from the Issuer's own assets, held in the name of the Issuer, or in a trust or special vehicle for the benefit of token holders, and under custody, with independent custodian or regulated financial institution, approved by the authority, so that the Issuer or its creditors cannot claim the assets. The Authority may, by Regulations, prescribe additional requirements regarding the types of assets, custody arrangements, audits, attestations, disclosures, and other safeguards;
- (xxvii) "Shariah Advisory Committee" means the committee constituted by the Authority for advice on Shariah matters;
- (xxviii) "Special Court" means a court notified by the Federal Government to take cognizance of offence as mentioned under this Act;
- (xxix) "Sponsor" means a person or group of persons who has contributed initial capital to establish the company or hold a controlling shareholding therein, whether directly or indirectly;
- (xxx) "Tribunal" means a Tribunal constituted under this Act;
- (xxxi) "Virtual Asset" means a digital representation of value that can be digitally traded or transferred and used for payment or investment purposes, but does not include digital representations of fiat currency, securities or other financial assets regulated under any other law except where represented, issued, or transferred using distributed ledger technology. For the avoidance of doubt, Virtual Assets are not legal tender;
- (xxxii) "Virtual Asset Services" means the categories of services set out in section 18 of this Act; and
- (xxxiii) "Virtual Asset Service Provider" means any Person who, as a business, provides one or more Virtual Asset Services to third parties on a professional basis.

(2) All other words and expressions not defined in this Act but defined in the State Bank of Pakistan Act, 1956 (XXXIII of 1956), the Securities Act, 2015, (III of 2015) the Anti-Money Laundering Act, 2010 (VII of 2010), or the Companies Act, 2017 (XIX of 2017)

shall, unless the context otherwise requires, have the meanings assigned to them in those Acts.

4. **Extraterritorial application.**— (1) For the purposes of investigation and enforcement under this Act, the Authority may exercise its powers extraterritorially to the fullest extent permitted by law.

(2) In order to facilitate enforcement under this section and the effective regulation of Virtual Asset Services with cross-border implications, the Authority may enter into agreements or arrangements with regulatory authorities and law enforcement agencies in other jurisdictions for mutual assistance, information sharing, and the recognition and enforcement of regulatory decisions, and shall, by Regulations, prescribe the conditions under which a Virtual Asset Service conducted outside Pakistan shall or shall not be deemed to be offered or marketed to Persons in Pakistan.

(3) The Authority shall, where applicable, align its extraterritorial enforcement practices with mutual legal assistance treaties and international cooperation frameworks, including those of the Financial Action Task Force and International Organization of Securities Commissions (IOSCO).

5. **Relationship with other laws.**— (1) The provisions of this Act are in addition to, and not in derogation of, any other law for the time being enforce. In the event of any inconsistency with any other law, other than the Foreign Exchange Regulation Act, 1947 (VII of 1947), this Act shall prevail except as provided in ~~sub-section (2)~~ below.

(2) Where any law prescribes measures relating to data protection, data governance, or cybersecurity, financial secrecy or cross-border transfer of personal data, such provisions shall prevail and be complied with by the Authority and Licensees.

(3) The regulation and supervision of Virtual Assets, Virtual Asset Service Providers, tokenization of real-world assets, and blockchain technology shall vest primarily in the Authority under this Act, in coordination with other relevant regulators where applicable.

Chapter 2

PAKISTAN VIRTUAL ASSETS REGULATORY AUTHORITY

6. **Establishment of the Authority.** — (1) After the commencement of this Act, an authority shall be established to be known as the Pakistan Virtual Assets Regulatory Authority, which shall carry out the purposes of this Act.

(2) The Authority shall be a body corporate with perpetual succession and a common seal and may sue and be sued in its name.

(3) The Authority shall be autonomous in the performance of its functions and exercise of its powers, subject to this Act.

(4) The headquarters of the Authority shall be at Islamabad, and it may set up as many offices across Pakistan as required.

7. Composition of Authority. — (1) The Authority shall consist of the following, namely:—

- (a) Chairperson – to be appointed by the Federal Government
- (b) the Secretary, Ministry of Finance;
- (c) the Secretary, Ministry of Law and Justice;
- (d) the Governor, State Bank of Pakistan;
- (e) the Chairperson, Securities and Exchange Commission of Pakistan;
- (f) the Chairman, National AML-CFT Authority;
- (g) the Chairperson, Pakistan Digital Authority; and
- (h) two independent directors with proven expertise and a strong track record possessing expertise relevant to Virtual Asset markets, digital technology, digital finance, appointed by the Federal Government in the manner Prescribed.

(2) The members of the Authority, other than ex-officio members, shall hold office for a term of three years and shall be eligible for one further term of three years.

(3) The Authority shall determine its own policy and strategic direction and approve its budget and Regulations.

8. Procedures of the Authority. — (1) The Authority may meet any time on requisition of the Chairperson or at requisition of at least fifty percent of the members. Provided however, the Authority shall meet at least twice a year.

(2) The quorum of the Authority's meeting shall be at fifty percent of the total membership with the mandatory presence of the (a) (b) and (d) as mentioned in section 7.

(3) A meeting of the Authority shall be presided over by the Chairperson. In the absence of the Chairperson, a member nominated by the Chairperson shall preside over the meeting.

(4) All decisions in the meeting shall be made with majority of the present members.

9. Objectives, functions and powers of the Authority. — (1) The Authority shall: -

- (a) license, regulate and supervise Virtual Asset Service Providers and issuers in accordance with the provisions of this Act and any Rules or Regulations made thereunder;
- (b) protect customers and investors and the integrity of Pakistan's Virtual Asset markets by establishing and enforcing appropriate safeguards and conduct of business requirements, prudential, operational-resilience, risk-management standards, and measures to prevent money laundering, terrorist financing and other illicit use of Virtual Assets;
- (c) attract investment and encourage companies operating in the fields of Virtual Assets to base their business in Pakistan;
- (d) promote responsible innovation, digital financial inclusion and the development of compliant Virtual Asset markets within a framework that manages risks and supports financial stability and market integrity;
- (e) promote, develop, govern, and regulate the adoption, deployment, and scalable use of blockchain technology and distributed ledger technology across Pakistan;
- (f) assess, determine, and classify any Virtual Asset, service, activity, offering, Issuer, or service provider based on its substantive features, underlying function, method of use, or economic effect, irrespective of the nomenclature, structure, or designation assigned to it. Such classification may include, but is not limited to the determination of whether an asset is a Virtual Asset, whether a Person qualifies as a Virtual Asset Service Provider, or whether an offering constitutes a financial activity within the scope of this Act subject to consultation with the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan where the asset exhibits characteristics falling within their respective mandates;
- (g) coordinate with the Financial Monitoring Unit, National AML and CFT Authority, other relevant authorities and law enforcement agencies to combat money laundering, terrorist financing, and other illicit activities associated with Virtual Assets, in accordance with the Anti-Money Laundering Act, 2010 (VII of 2010), other applicable laws, and international standards;
- (h) advise the Federal Government, on its own motion or upon request, on regulatory, supervisory, technical or emerging-risk matters relating to Virtual Assets, digital-asset markets, tokenisation, stablecoin structures, blockchain, DLT, cyber-risks or any matter connected with its mandate under this Act; and

- (i) do all such acts as may be necessary or incidental to the discharge of its functions and to achieve its objectives under this Act and other applicable laws.

(2) For the purposes of sub-section (1), and without prejudice to the generality of the foregoing, the Authority may—

- (a) make Regulations, standards, directives, guidelines, handbooks and circulars, or any other instrument, consistent with the objectives of this Act and other applicable laws;
- (b) set prudential, conduct operational resilience, risk-management, cybersecurity, data protection & technical standards;
- (c) issue, vary, suspend or revoke licenses, approvals or directives under this Act and prescribe conditions for such actions;
- (d) prescribe licensing conditions, eligibility criteria, renewal requirements and any additional obligations for Licensees;
- (e) conduct on-site inspections and off-site monitoring of Licensees and other entities to ensure compliance with this Act and relevant Rules and Regulations;
- (f) require Licensees to furnish information, documents and data in the manner and timeframe reasonably Prescribed by Regulations;
- (g) ensure compliance of data-protection, data-governance and cyber security obligations by Virtual Asset Service Providers subject to supervisory follow-up;
- (h) impose administrative sanctions in accordance with the provisions of this Act and any Rules or Regulations made thereunder;
- (i) apply to court for civil or criminal remedies as provided under any applicable law;
- (j) levy such fees, charges and penalties as may be Prescribed by Rules;
- (k) operate regulatory sandboxes in a transparent and accountable manner;
- (l) enter into cooperation or mutual assistance arrangements with domestic and foreign regulators and law enforcement agencies to facilitate information sharing and coordinated action, including mutual recognition of Regulations and licenses;
- (m) conduct public education and awareness initiatives to promote informed participation in the Virtual Asset ecosystem; and

- (n) constitute as many committees as deemed necessary to conduct its functions under this Act.

10. Delegation of powers. — The Authority may delegate any of its powers and functions to the Managing Director, subject to such terms, conditions, and limitations as it may deem appropriate.

11. Appointment and Functions of Chairperson. - (1) The Chairperson of the Authority shall be appointed by the Federal Government on such terms and conditions as it may deem fit. The Chairperson shall have demonstrable expertise in digital finance or technology and a minimum of three years' relevant professional experience, and shall be eligible for re-appointment for maximum two terms on such term or terms as the Federal Government may determine.

(2) The Chairperson shall provide overall guidance, direction, and oversight of the Authority.

(3) The Chairperson shall only be removed prior to the expiry of the term for gross misconduct or incapacity following a show cause notice and opportunity to be heard.

(4) The Chairperson may resign by writing to the Prime Minister.

12. Appointment and Functions of Managing Director.- (1) The Authority shall appoint a Managing Director for a term of three years, extendable for a further maximum of two term of three years only.

(2) The Managing Director shall be a person of proven integrity and competence, and shall meet such qualifications, criteria, and requirements as may be prescribed by Regulations.

(3) The Managing Director shall act as Secretary of the Authority for its proceedings but shall not have voting rights unless specifically authorized.

13. Appointment of Officers, Staff, Consultants, Advisors and other personnel. - (1) The Authority may, from time to time, create and sanction such posts, prescribe required qualifications and experience, and determine terms of service through Regulations as required.

(2) The Authority may, through a transparent and competitive process prescribed by Regulations, appoint such employees, officers, consultants, and technical or professional advisers as are necessary for the performance of its functions and the exercise of its powers under this Act.

(3) The Authority may, as prescribed by Regulations, request any Ministry, Division, public authority, public entity or autonomous or regulatory body to assign an official with requisite expertise to the Authority for such period as may be mutually agreed.

14. **Pakistan Virtual Asset Regulatory Authority Fund.** —(1) There shall be established a lapsable fund, vested in and administered and controlled by the Authority, to be known as the Pakistan Virtual Asset Regulatory Authority Fund, for meeting expenditures in connection with the performance of the functions and operations of the Authority under this Act.

(2) Subject to the provisions of the Public Finance Management Act, 2019 (V of 2019), the Fund shall consist of—

- (a) funds provided by the Federal Government for salaries, infrastructure, administrative, operational, and other expenses, including the day-to-day functioning of the Authority;
- (b) loans or funds obtained from the Federal Government, any Provincial Government, a local authority or any other entity with the approval of the Authority;
- (c) grants made by the Federal Government;
- (d) aids, grants, donations, or loans raised or obtained by the Authority from domestic and international agencies, in consultation with the Division to which the business of finance stands allocated and other relevant Divisions;
- (e) contributions from multilateral organisations, international agencies, and philanthropic organisations for purposes consistent with the objectives of the Authority, to be managed in accordance with regulations ensuring transparency and good governance;
- (f) all sums or property which may in any manner become payable to or vested in the Authority in connection with the exercise of its powers or performance of its functions;
- (g) income from investments and assets of the Authority;
- (h) NOC, licensing, supervision, renewal or other fees received by the Authority;
- (i) penalties, fines, settlements, and other recoveries imposed or realized under this Act or any Rules or Regulations made thereunder;
- (j) charges for services rendered by the Authority, including sandbox participation and other prescribed services; and
- (k) any other source as may be prescribed.

(3) The Fund shall be managed and operated in such manner as may be prescribed by Regulations.

(4) The Fund shall be maintained in such manner and with such institutions as the Authority may determine, subject to any requirements prescribed by Regulations.

(5) The Pakistan Virtual Asset Regulatory Authority Fund may be expended for—

- (a) paying any expenditure lawfully incurred by the Authority;
- (b) payment of salaries and other remunerations payable to the chairperson, Managing Director, Officers, employees, consultants, and advisers of the Authority;
- (c) paying any other expenses, costs or expenditures properly incurred or approved by the Authority in the performance of its functions or the exercise of its powers under this Act;
- (d) purchasing or hiring equipment, machinery and other materials, acquiring land and constructing buildings, and carrying out any other work or undertakings in connection with the performance of its functions or the exercise of its powers under this Act;
- (e) repayment of any loans or advances obtained under this Act, together with any associated interest, charges or fees;
- (f) meeting any financial obligations or liabilities that arising out of the performance of the functions of the Authority under this Act;
- (g) funding strategic and enabling projects or initiatives necessary to support the objective of this Act or to enhance the operational capabilities of the Authority and its stakeholders;
- (h) meeting expenses relating to investigations, inspections, enforcement actions, legal proceedings, arbitration, mediation, and dispute resolution, including court fees, expert fees, and legal costs; and
- (i) capacity-building, research, training, certification, and international cooperation activities, including participation in regional or international regulatory forums.

15. **Budget, Finance and Audit.** — (1) The Authority shall, in respect of each financial year, prepare and approve its budget in accordance with the procedure prescribed through Rules.

(2) The budget statement shall specifically state the estimated receipts and expenditure and the sums which are to be required from the Federal Government during the next financial year.

(3) The Authority shall maintain complete and accurate books of accounts of its receipts of funds and expenditure.

(4) At the end of each financial year, the accounts of the Authority shall be audited by the Auditor General of Pakistan and by a firm of Chartered Accountants nominated by the Auditor General of Pakistan.

(5) The Authority shall produce such accounts, books and documents and furnish such explanations and information as the auditors may require for the purpose of audit.

(6) Copies of the auditor's report on the accounts shall be provided to the Authority.

(7) The Authority shall submit an annual report of the fund under this section to the Prime Minister through the concerned Division within ninety days of the close of each financial year, including audited financial statements and performance against approved objectives, and such other matters as the Authority may consider necessary for transparency and accountability.

16. Code of conduct.— (1) The Chairperson, Members of the Authority including ex-officio Members, Managing Director, officers and employees of the Authority, shall, in the performance of their functions, act with integrity, impartiality, confidentiality and in good faith, and shall avoid any conflict of interest, whether direct or indirect.

(2) The Authority shall prescribe, by Regulations, a Code of Conduct applicable to the Chairperson, Members of the Authority, Managing Director, officers and employees of the Authority, including provisions relating to disclosure of interests, conflict management, restrictions on personal trading in Virtual Assets, confidentiality, and post-tenure obligations.

(3) Any violation of the provisions of this section or the Code of Conduct prescribed thereunder shall constitute misconduct and shall result in removal from office or service, as the case may be, and the initiation of disciplinary proceedings.

17. Inter-agency cooperation and information-sharing.— (1) For the effective regulation and supervision of Virtual Assets and Virtual Asset Service Providers, and to prevent their misuse, the Authority shall cooperate and share supervisory and enforcement information, in a timely and secure manner, with the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Financial Monitoring Unit, the Federal Investigation Agency, the Federal Board of Revenue, and any other competent regulatory or law-enforcement agencies or bodies.

(2) The Authority may, with the prior approval of the Federal Government, enter into cooperation arrangements or information-sharing arrangements with foreign regulatory or supervisory authorities for cross-border supervision, enforcement and mutual assistance relating to Virtual Assets and Virtual Assets Service Providers.

(3) The Authority may establish one or more inter-agency coordination mechanisms, including a regulatory coordination committee, comprising representatives of relevant

public authorities, to facilitate policy coordination, information-sharing, supervision, enforcement, and risk mitigation in relation to Virtual Assets and Virtual Asset Service Providers.

Chapter 3

LICENSING OF VIRTUAL ASSET SERVICE PROVIDERS AND ISSUANCE OF VIRTUAL ASSETS

18. Categories of virtual asset services.— The following constitute Virtual Asset Services and shall be subject to licensing and regulation under this Act:

- (a) all services as specified in Schedule I; and
- (b) any other service as may be notified by the Federal Government and subsequently included in Schedule I of this Act.

19. Application for License. — (1) Any Person intending to incorporate a company, under the Companies Act, 2017 (XIX of 2017) or any other law for the time being in force, with the primary objective of engaging in Virtual Asset Services shall first apply to the Authority for a No-Objection Certificate before commencing the process of such incorporation.

(2) An application for a No-Objection Certificate under sub-section (1) shall be made in such form and manner, accompanied by such information and fee as may be prescribed by the Authority.

(3) Upon review of an application for No-Objection Certificate, the Authority may, having regard to the objects of this Act and the need to ensure the integrity of the Virtual Asset market, grant the approval or certificate, subject to any conditions, or refuse the application, providing written reasons for refusal.

(4) An application for a license, following incorporation of the company, shall be made to the Authority in such form and manner as may be prescribed. It shall be accompanied by—

- (a) the prescribed fee, which shall be non-refundable unless otherwise determined by the Authority; and
- (b) such information and documents as may be prescribed or required by the Authority.

20. Fit-and-proper criteria.— (1) The Authority shall determine whether a Controller, Sponsor, Chief Executive Officer and Director is fit and proper in accordance with criteria prescribed by Regulations.

(2) The fit-and-proper criteria shall apply to all Key Individuals. It shall be the responsibility of the applicant for a license or the licensee to assess and maintain the fitness

and propriety of other key individuals not mentioned in sub-section (1), and to submit a written undertaking to the Authority confirming compliance and ongoing maintenance thereof.

(3) The Authority may refuse, suspend or revoke a license where any Controller, Sponsor or Key Individual fails to meet the prescribed fit-and-proper criteria.

(4) Fit-and-proper criteria shall be continuing in nature, and any person subject to such criteria shall notify the Authority of any matter that may affect their fitness and propriety.

(5) The Authority shall prescribe additional requirements for corporate Controllers, including assessment of the corporate behaviour, integrity and track record of Controller and ultimate beneficial owners.

(6) Every Licensee shall maintain a registered office in Pakistan and ensure that at least one Key Individual ordinarily resident in Pakistan is vested with operational and decision-making authority subject to conditions prescribed.

21. Grant, refusal and terms of license. — (1) Subject to this Act and any Rules or Regulations made thereunder, the Authority may —

- (a) grant a license, subject to such terms and conditions as it may deem appropriate; or
- (b) refuse the application, providing the applicant with written reasons for such refusal.

(2) The Authority may, on a case-by-case basis, grant a provisional or a limited-scope licence to an applicant, subject to such terms and conditions as may be prescribed.

(3) A license granted to a Virtual Asset Service Providers shall specify the Virtual Asset Services that is permitted to undertake and shall remain in force unless suspended or revoked.

(4) The Authority shall maintain and publish an up-to-date register of Licensees on its official website. The register shall include, at a minimum, the name, license number, permitted services and current regulatory status of each Licensee.

22. Ongoing obligations of licensees. — A Licensee shall, at all times—

- (a) maintain the prescribed minimum paid-up capital and financial resources;
- (b) comply with this Act and all Rules, Regulations, directives and guidelines issued by the Authority;
- (c) submit such periodic returns, reports and audited financial statements as may be prescribed;

- (d) obtain the prior approval of the Authority for any material change in control or business, in the manner prescribed;
- (e) maintain risk-management, compliance and cybersecurity systems in accordance with applicable legal and regulatory requirements including adherence to data privacy standards; and
- (f) pay such supervision, renewal or other fees as may be prescribed.

23. Variation, suspension and revocation of license. — (1) The Authority may, by way of written notice and after providing an opportunity of being heard, vary, suspend or revoke a license if it is found that—

- (a) the Licensee has contravened any provisions of this Act or any other applicable laws, or any terms or condition of its license;
- (b) the Licensee is insolvent or no longer satisfies the fit-and-proper criteria;
- (c) the Licensee has ceased to carry on the Virtual Asset Service for which it is licensed; or
- (d) such action is necessary or expedient in the public interest, including for the protection of consumers, the integrity of the market, or financial stability; or
- (e) the license was obtained by fraud, misrepresentation, or concealment of material facts.

(2) Where a license is revoked, the Licensee shall immediately cease the provision of Virtual Asset Services, and the Authority may notify the Securities and Exchange Commission of Pakistan to initiate winding-up or dissolution proceedings in accordance with the Companies Act, 2017 (XIX of 2017) and any Regulations that may be prescribed under this Act.

(3) The Authority may, by Regulations prescribe further procedures, timelines, and safeguards for variation, suspension, or revocation under this section.

Chapter 4

PRUDENTIAL REQUIREMENTS, SAFEGUARDING AND CUSTODY

24. Segregation of customer assets. — (1) A Licensee shall, at all times, hold Customer Assets in segregated accounts separate from its own assets, in the manner prescribed by Regulations.

(2) Notwithstanding anything to the contrary contained in any other law for the time being in force, Customer Assets held by a Licensee shall not form part of the Licensee's estate in the event of its insolvency or liquidation.

(3) Licensee owes a fiduciary duty to its customers and shall at all times act honestly, fairly, and in the best interests of its customers when dealing with Customer Assets.

(4) A Licensee shall not rehypothecate, lend, pledge, or otherwise encumber Customer Assets, whether Virtual Assets or fiat balances, without the customer's explicit, informed, and revocable written consent.

25. Minimum financial resource requirements. — (1) A Licensee shall, at all times, maintain such minimum paid-up capital, liquid assets and financial resources not less than such amounts as may be prescribed.

(2) The Authority may, having regard to the category, size, complexity, or risk profile of a Licensee, prescribe higher financial-resource requirements.

(3) The Authority may, by Regulations, prescribe additional liquidity, margin, risk-based capital or reserve requirements having regard to the risks posed by the Licensee's activities.

(4) The Authority may, in the manner prescribed by Regulations, grant conditional or risk-based exemptions from requirements under this section for limited-scope or low-risk Licensees.

26. Custody standards and key-management controls. — (1) A Licensee providing custody services for Virtual Assets shall:

(a) ensure the secure custody and protection of Virtual Assets against unauthorized access, loss, or misuse; and

(b) maintain operational resilience, including robust disaster-recovery and business-continuity arrangements.

(2) The Authority shall prescribe detailed technical standards, operational requirements, and audit procedures to ensure that Licensees meet the obligations under this clause, including but not limited to, standards for key management, custody mechanisms, and verification or assurance processes.

27. Proof-of-reserves and audit obligations. — (1) A Licensee shall furnish to the Authority, at such intervals as may be Prescribed by Regulations, cryptographic proof-of-reserves reconciled against its liabilities to customers.

(2) A Licensee shall cause its operations to be audited annually by a firm of Chartered Accountants approved by the Division concerned. Such audit shall include a verification of the segregation of Customer Assets as required under section 24.

28. Reserve custodians. — A custodian of reserve assets shall comply with such requirements, oversight and inspection standards as may be prescribed by Regulations.

29. Customer safeguard or compensation mechanism. — The Authority may, establish a customer-compensation or safeguard mechanism for losses arising from custodial failure, in such manner as may be prescribed by Regulations.

Chapter 5

FIAT-REFERENCED AND ASSET-REFERENCED TOKENS

30. Initial Virtual Asset Offerings.— (1) Only legal entities, as registered in Pakistan and meeting the eligibility criteria prescribed by Regulations shall be permitted to conduct an Initial Virtual Asset Offering.

(2) The Authority may prescribe, by Regulations, the conditions, disclosure requirements, approval processes and ongoing obligations applicable to Initial Virtual Asset Offerings.

31. Issuance Requirements for Fiat-Referenced Tokens. — (1) Any Issuer intending to issue a Fiat-Referenced Token in Pakistan shall comply with following requirements:

- (a) Hundred percent reserve backing, with High-Quality Liquid Assets (HQLA) or other assets as prescribed for fiat referenced token, held as a segregated reserve;
- (b) mechanisms for redemption at par value without undue delay;
- (c) audited reserve disclosures as prescribed by the Authority;
- (d) robust AML, CFT, CPF and sanctions compliance programs;
- (e) prioritized holder protections in insolvency; and
- (f) any other requirement prescribed by the Authority.

(2) The Authority may prescribe differentiated requirements based on the size, scope, complexity, or risk profile of the Issuer, including but not limited to, expedited approval, stress testing, ongoing supervision, and consultation with the State Bank of Pakistan on reserve arrangements.

32. Issuance Requirements for Asset-Referenced Tokens. — (1) Any Issuer intending to issue Asset-Referenced Token in Pakistan shall comply with following requirements:

- (a) a reserve of the underlying assets, as prescribed, for Assets-referenced token held in custody in accordance with Regulations;
- (b) audited reserve disclosures as prescribed by the Authority;

- (c) robust AML, CFT, CPF and sanctions compliance programs;
- (d) prioritized holder protections in insolvency; and
- (e) any other requirement prescribed by the Authority.

(2) An Asset-Referenced Token shall at all times be fully backed by the underlying assets and may reference tangible or intangible assets, including but not limited to commodities, real estate, real-world assets, securities, financial assets, or a combination of official currencies, but shall not be backed or derive its value from other Virtual Assets.

(3) The Authority may prescribe differentiated requirements based on the size, scope, complexity, or risk profile of the Issuer, including, but not limited to, expedited approval, stress testing, ongoing supervision, and consultation with the State Bank of Pakistan on reserve arrangements. The Authority may prescribe eligible categories of underlying assets and may restrict or prohibit types of assets for the issuance of Asset-Referenced Token.

33. Significant issuers. — (1) An Issuer shall be deemed a Significant Issuer if it meets the thresholds and criteria prescribed by Regulations, having regard to size, scale, systemic importance, market impact, number of holders, and cross-border activity.

(2) Significant Issuers shall be registered with the Authority and shall comply with enhanced requirements, including reporting, disclosure, governance, and risk management, as prescribed in Regulations.

Chapter 6

CYBERSECURITY, SANDBOX AND INNOVATION

34. Cybersecurity and operational resilience.— Licensees shall comply with cybersecurity and operational-resilience requirements prescribed by the Authority or under any other applicable laws, including, but not limited to, technical standards, security controls, and reporting mechanisms.

35. Regulatory sandbox.— (1) The Authority may establish a regulatory sandbox to facilitate controlled testing of innovative Virtual Asset products or services, in the manner prescribed by Regulations.

(2) Eligibility, application procedures, supervisory arrangements, risk limits, duration and exit requirements shall be prescribed by Regulations.

(3) The Authority may issue guidance, no-objection statements or no-action communications in accordance with Regulations.

36. Oversight of blockchain technology adoption. — (1) The Authority shall issue Regulations, standards, directives, and guidelines on the adoption, deployment, and use of blockchain or distributed-ledger technology.

(2) The Authority shall consult with relevant regulators and ministries to ensure harmonization of blockchain adoption across Pakistan.

37. Regulation of Virtual Asset Mining Activities. — (1) The Authority may, in consultation with relevant government entities, issue Regulations, standards, and guidelines for mining activities.

(2) Pure mining, by itself, does not constitute a Virtual Asset Service requiring license under section 18 and Schedule I. Mining operations involving customer assets or funds, however, shall be treated as Virtual Asset Services and require licensing.

(3) The Authority may establish a registration or declaration framework for mining operators exceeding thresholds of scale, energy use, or hash rate, as set by Regulations.

38. Establishment of Strategic Digital Wallet Company.— (1) The Federal Government may establish or designate, under the Companies Act, 2017 (XIX of 2017), a wholly owned company to be known as the Strategic Digital Wallet Company (SDWC) to perform custody and administration services, and to design, develop, operate and secure wallet infrastructure that enables the Government of Pakistan or other designated public bodies or institutions to manage, transfer and record Virtual Assets in furtherance of the Company's strategic reserve objectives.

(2) The Company shall operate exclusively on behalf of the Government of Pakistan and designated public bodies and shall not provide services to the private persons.

39. Data localization framework.— (1) A Licensee may store or process data outside Pakistan, subject to compliance with applicable laws relating to data protection, cybersecurity, and cross-border data transfers, and subject to such safeguards as shall be prescribed by Regulations.

(2) Nothing in this section shall prevent the Authority from requiring immediate localization or restricted cross-border transfer of specific datasets where necessary in the interest of national security, financial stability, consumer protection, or enforcement effectiveness.

40. Data segregation and protection of sensitive information.— (1) Every Licensee shall implement appropriate technical, organisational, and governance measures to ensure the segregation of sensitive information from other operational data, in such manner as may be prescribed by Regulations.

(2) For the purposes of this section, "sensitive information" shall include, but not be limited to—

- (a) customer identification and due-diligence records;
- (b) transaction-level data capable of identifying a customer;
- (c) private keys, cryptographic credentials, or wallet authentication data;
- (d) proprietary trading data and risk-management systems; and
- (e) any other category of information designated as sensitive by the Authority.

(3) A Licensee shall ensure that—

- (a) sensitive information is logically and technically segregated from non-sensitive data;
- (b) access to sensitive information is strictly controlled on a need-to-know basis;
- (c) encryption, tokenization, and secure key-management protocols are implemented in accordance with internationally recognised standards; and
- (d) appropriate audit trails and monitoring mechanisms are maintained.

(4) The Authority may prescribe, by Regulations, minimum technical standards, cybersecurity controls, storage architectures, encryption requirements, and data-governance frameworks to give effect to this section.

Chapter 7

MARKET CONDUCT, CONSUMER PROTECTION

41. Duty of integrity and fair dealing. — (1) A Licensee shall conduct its business honestly, fairly and professionally and in accordance with the best interests of its customers and in a manner that upholds the integrity of the market.

(2) The Authority may prescribe, by Regulations, detailed requirements relating to market conduct, including standards of fair dealing, professional behaviour, and customer treatment.

42. Obligations of issuers of Virtual Assets. — (1) An Issuer offering a Virtual Asset to the public shall publish a whitepaper in such form and manner as may be prescribed by Regulations.

(2) Issuers shall make ongoing disclosures of material information including reserve attestations in the manner and frequency prescribed by Regulations.

(3) The Authority may exempt categories of Issuers or offerings from requirements under this section, subject to appropriate safeguards.

(4) The Authority shall prescribe, by Regulations, mandatory risk disclosures, periodic reporting requirements and disclosure templates applicable to Issuers and Licensees.

43. **Marketing and conduct restrictions.** — (1) No person shall advertise or market a Virtual Asset unless the Issuer holds a valid license or registration under this Act.

(2) All marketing materials shall contain risk disclosures and shall comply with such conditions, standards and limitations, in such form and manner, as may be prescribed by the Authority.

44. **Conflict-of-interest management.** — A Licensee shall identify, manage, and disclose conflicts of interest and shall not place its own interests above those of its customers, in accordance with detailed requirements on policies, disclosure, and management as may be prescribed by the Authority by Regulations.

45. **Complaint-handling and dispute resolution.** — (1) Licensees shall establish and maintain internal complaint-handling procedures in accordance with the requirements prescribed by Regulations.

(2) Notwithstanding anything contained in any other law for the time being in force, the Authority may establish or recognize an independent dispute-resolution scheme for claims below a prescribed monetary threshold.

Chapter 8

ANTI-MONEY LAUNDERING, COUNTERING OF TERRORISM FINANCING AND COUNTERING OF PROLIFERATION FINANCING

46. **Application of Anti-Money Laundering Act, 2010.** — (1) For the purposes of the Anti-Money Laundering Act, 2010 (VII of 2010), Virtual Asset Service Providers licensed under this Act shall be deemed to be financial institutions, and shall comply with all obligations thereunder.

(2) Without prejudice to sub-section (1), every Virtual Asset Service Provider and Issuer shall—

- (a) report suspicious transactions to the Financial Monitoring Unit (FMU) in accordance with Anti-Money Laundering Act, 2010 (VII of 2010) and any rules, regulations or guidelines issued thereunder;
- (b) maintain records of customer due diligence, transactions and other relevant information for the period prescribed under Anti-Money Laundering Act, 2010 (VII of 2010); and
- (c) establish and maintain internal controls and compliance programmes to prevent money laundering and terrorist financing, including the appointment of an AML, CFT or CPF compliance officer.

(3) The Authority shall, through AML, CFT or CPF Regulations, align its supervisory framework with the standards of the Financial Action Task Force (FATF) and may issue additional guidance, consistent with FMU's mandate, to address risks specific to Virtual Assets.

47. Travel rule and record-keeping obligations. — (1) A Licensee shall obtain, hold and transmit originator and beneficiary information in any transfer of Virtual Assets meeting or exceeding the threshold prescribed by the Authority, in a manner consistent with Recommendations of Financial Action Task Force, as updated from time to time.

(2) Such obligations shall be implemented in compliance with applicable data protection, data governance, and cybersecurity laws, ensuring the confidentiality, integrity, and security of the information.

(3) The Authority may prescribe detailed procedures, standards, and formats for record-keeping, reporting, and transmission of information through Regulations.

(4) A Licensee shall maintain records of transactions, customer due-diligence data and risk assessments for a period prescribed by Regulations, which shall not be less than the period required under the Anti-Money Laundering Act, 2010 (VII of 2010).

48. Real-time data access and reporting. — (1) Licensees shall establish secure reporting channels, and where required secure automated interfaces, enabling the Authority and such other agencies as notified to access prescribed data for supervisory and enforcement purposes.

(2) The Authority shall prescribe, by Regulations, the technical standards, security requirements and data specifications for the reporting and interfaces referred to in sub-section (1).

49. Data Privacy Obligations for Licensed entities.- Each licensee shall implement strict limits on the collection, use, and sharing of customer data, requiring explicit, informed, and revocable consent for any non-essential data processing.

Chapter-9

Prohibitions

50. Prohibition of unlicensed Virtual Asset services. — (1) No Person shall, by way of business, engage in, or represent themselves as engaging in, any Virtual Asset Services in or from Pakistan, unless that Person:-

- (a) is a company incorporated under the Companies Act, 2017 or any other law for the time being in force in Pakistan governing the incorporation of companies; and

(b) holds a valid license granted by the Authority under this Act.

51. Prohibition on Initial Virtual Asset Offerings. — No Person shall conduct or purport to conduct an Initial Virtual Asset Offering, in or from Pakistan, except in accordance with this Act and the Rules or Regulations made thereunder.

52. Prohibition of market manipulation and insider trading. — (1) No person shall engage in market manipulation or Market abuse in relation to virtual assets.

(2) No person shall:

(a) use inside information to trade virtual assets for themselves or others;

(b) recommend or induce trading based on inside information; or

(c) unlawfully disclose inside information.

(3) The Authority shall issue guidelines and regulations specifying the type of manipulative behaviour.

53. Prohibition on Algorithmic tokens. — No Person shall issue, offer, or market a Virtual Asset whose primary mechanism for maintaining value is algorithmic and not fully or adequately collateralized, unless specifically permitted by Regulations and subject to the safeguards prescribed therein.

Chapter-10

ENFORCEMENT, OFFENCES AND PENALTIES

54. Criminal offences.— (1) Whoever, willfully, provides an unlicensed Virtual Asset Service shall be punishable with imprisonment for a term up to five years, or with fine up to fifty million Rupees, or with both.

(2) Whoever conducts an Initial Virtual Asset Offering in contravention of this Act, Rules and Regulations shall be punishable with imprisonment for a term up to three years, or with fine up to twenty-five million Rupees or with both.

(3) Whoever, willfully, contravenes section 52 shall be punishable:

(a) in the case of natural person, with imprisonment for a term up to three years or with fine up to twenty-five million Rupees or with both.

(b) in the case of a legal person, with fine or three times the amount of any profit gained or loss avoided as a result of the contravention. If the amount of profit gained or loss avoided cannot be determined, a fine not exceeding 15% of the total annual turnover of the body corporate in the preceding financial year.

(4) Whoever, knowingly, makes any false or misleading statement in any application, return or document submitted to the Authority shall be punishable with imprisonment for a term up to three years, or with fine up to twenty million Pakistani Rupees, or with both.

(5) Whoever, obstructs an officer of the Authority in the exercise of powers under this Act shall be punishable with imprisonment for a term up to two years, or with fine up to ten million Pakistani Rupees, or with both.

(6) Whoever, willfully, fails to comply with any order or decision of the Authority shall be punishable with imprisonment up to one year, or with fine up to twenty-five million Pakistani Rupees and the Authority may also impose administrative penalties prescribed in this Act.

(7) All offences punishable under this Act shall be investigated, tried, and punished in accordance with the provisions of the Code of Criminal Procedure, 1898 (Act V of 1898) and the Qanun-e-Shahadat Order, 1984 (Order X of 1984), unless otherwise provided in this Act.

(8) The Federal Government may, by notification in the Official Gazette, designate one or more Special Courts to exercise jurisdiction over offences committed under this Act.

55. Liability of officers of bodies corporate.— Where an offence under this Act is committed by a body corporate with the consent, connivance or neglect of any director, manager, secretary or similar officer, such Person shall be deemed to have committed the offence.

56. Power to Investigate. — Only an authorized officer of the Authority shall have the power to investigate offences under this Act.

57. Powers of Authorized Officer.— (1) For the purpose of investigation of offences under this Act, an authorised officer shall obtain a warrant for search and seizure of evidence of an offence from a court of competent jurisdiction.

(2) The powers specified in sub-section (1), the authorized officer shall, for the purposes of investigation, inquiry, search, seizure, arrest, attachment, confiscation, and other criminal proceedings under this Act, exercise all powers conferred upon an officer incharge of a police station or an investigating officer under the Code of Criminal Procedure, 1898 (Act V of 1898), subject to the provisions of this Act.

(3) Any person who, wilfully, refuses to provide information required by the Authorized Officer under sub-section (1) shall be punishable with imprisonment for a term up to one year or with fine up to one million rupees or with both.

(4) No Court shall take cognizance of any offence under this Act except on a report in writing submitted by an authorized officer of the Authority.

58. Prosecution of offences. — (1) All prosecutions under this Act shall be conducted by a special public prosecutor appointed by the Federal Government. The special

public prosecutor, or advocates appointed by the Division concerned, may institute or defend cases, appeals, petitions, applications, and all other matters before any court, including the High Court and Supreme Court, arising from proceedings under this Act.

(2) The personal attendance of any officer authorized by the Authority to file a complaint shall not be required during trial in the presence of the special public prosecutor referred to in sub-section (1).

(3) The court shall, in a manner not inconsistent with this Act, follow the procedure provided under Chapter XXII-A of the Code of Criminal Procedure, 1898 (Act V of 1898), and all prosecutions shall be disposed of and judgments pronounced as expeditiously as possible.

(4) Hearings shall not be adjourned except for sufficient cause to be recorded, and for no more than fourteen days at a time. The court may impose such costs as it deems fit.

59. Administrative sanctions.— (1) Where the Authority is satisfied that a Person has contravened any provision of this Act, or any Rules, Regulations, directions, circulars, or other regulatory requirements made thereunder, it may, impose one or more of the following sanctions—

- (a) issue a written reprimand or public censure;
- (b) issue a directive requiring the Person to cease or remedy the contravention;
- (c) impose a financial penalty up to the maximum amount prescribed by the Rules;
- (d) suspend or revoke any license issued under this Act; or
- (e) disqualify any Person from holding any office or position of responsibility in a Licensee.

(2) Where the Authority is satisfied that an Issuer has contravened this Act or any Regulations made thereunder, it may impose sanctions under sub-section (1), with such modifications as are appropriate, upon Issuers.

(3) Without prejudice to sub-sections (1) and (2), where a Virtual Asset Service Provider or Issuer contravenes any other law applicable in Pakistan, the Authority may, in accordance with Regulations, impose administrative sanctions as it deems appropriate.

(4) The Authority may impose a fine up to twenty-five million rupees for any contravention of the provisions of this Act.

(5) The court may order restitution, disgorgement of profits or such other relief as it deems appropriate.

60. Emergency intervention powers. — In the event of a systemic threat, market manipulation, fraud, or cybersecurity breach, or other serious risk to customers or market integrity, the Authority may issue an order temporarily suspending specified Virtual Asset Services or freezing related assets for a period not exceeding thirty days.

61. Power to prevent access to unlicensed virtual asset services. — (1) The Authority may remove, block, or direct the removal or blocking of any online material (e.g., websites, apps, ads, payment links) if, on reasonable grounds, it promotes, operates, or relates to an unlicensed Virtual Asset Service or contravenes this Act, its Rules, or Regulations.

(2) Such directions may be issued to telecommunication authorities, Virtual Asset Service Providers, intermediaries, hosting providers, app stores, search engines, advertising networks, registrars, payment providers, or any person facilitating such material.

(3) All orders or directions shall be in writing, stating reasons and statutory basis, and communicated to the affected person.

(4) The Authority may require preservation of copies, logs, or transactional data for evidentiary purposes.

(5) A person aggrieved by an order may submit a representation within ten days; the Authority shall respond in writing within fifteen days.

Chapter- 11

APPEALS

62. Establishment of the virtual assets appellate tribunal. - (1) A Virtual Assets Appellate Tribunal shall be established and no court shall take cognizance of a legal dispute under this Act or the Rules or Regulations made thereunder to which the jurisdiction of the Virtual Assets Appellate Tribunal extends.

(2) The Virtual Assets Appellate Tribunal shall consist of a presiding officer, who shall be a person who is a retired Judge of a High Court, or an advocate having not less than ten years' practice and experience in the relevant field, and two members, one being a technical expert and the other being a financial expert, who shall be Persons of ability, integrity, and have special knowledge and professional experience of not less than ten years in the fields of law, technology, finance, or economics.

(3) The presiding officer and members of the Virtual Assets Appellate Tribunal shall be appointed by the Federal Government, in the manner Prescribed, and hold office for a period of three years and shall be eligible for re-appointment for a similar term or terms and shall cease to hold office on attaining the age of sixty years or the expiry of the term, whichever is earlier.

(4) The terms, conditions, and appointment of the Virtual Assets Appellate Tribunal presiding officer and other members shall be in the manner Prescribed by the Federal Government.

63. Jurisdiction.- Any Virtual Asset Service Provider, Licensee, or any other Person aggrieved by an order of the Authority may prefer an appeal before the Virtual Assets Appellate Tribunal within thirty days of the date on which the order was communicated, in accordance with the Prescribed Rules.

64. Appeal.- (1) An appeal to the Virtual Assets Appellate Tribunal shall be filed within thirty days from the date of such order in such form, contain such particulars, and be accompanied by such documents and fees as may be prescribed under this Act.

(2) The Virtual Assets Appellate Tribunal shall decide an appeal expeditiously but not later than three months of its presentation to the Tribunal.

(3) The Virtual Assets Appellate Tribunal shall, for the purpose of deciding an appeal, be deemed to be a civil court and shall have the same powers as are vested in such court under the Code of Civil Procedure, 1908 (Act V of 1908), including the powers of —

- (a) enforcing the attendance of any Person and examining him on oath;
- (b) compelling the production of documents; and
- (c) issuing commissions for the examination of witnesses and documents.

(4) It shall be sufficient for the Virtual Assets Appellate Tribunal to establish, or to be satisfied as to any matter on the standard of proof applicable to civil proceedings in a summary manner in a court of law.

(5) The Virtual Assets Appellate Tribunal's determinations or decisions under this Act shall be deemed to be the decrees of a civil court under the Code of Civil Procedure, 1908 (Act V of 1908).

65. Appeal to Supreme Court. — Any Person aggrieved by an order of the Virtual Assets Appellate Tribunal may file an appeal to the Supreme Court of Pakistan within thirty days from the date of such order and in such manner as may be prescribed.

Chapter-12

MISCELLANEOUS

66. Tax Compliance. — Every Virtual Asset Service Provider licensed under this Act shall comply with the obligations imposed under the Income Tax Act, 2001 and any Rules or Regulations issued by the Federal Board of Revenue.

67. Power to make Rules. — The Federal Government may by notification in the official Gazette, make Rules, as deemed necessary for the implementation of and to carry out the purposes of this Act.

68. Powers to make regulations. — The Authority may make Regulations in the consultation with Division concerned as deemed necessary for the implementation of and for carrying out the purposes of this Act.

69. Officers to be Public Servants. — The Chairperson, Managing Director, members, staff, experts; consultants, advisers, other officers and employees of the Authority shall be deemed to be public servants within the meaning of section 21 of the Pakistan Penal Code; 1860 (XLV of 1860).

70. Transitional provisions.— (1) Any Person providing Virtual Asset Services immediately before the commencement of this Act shall, within six months of such commencement, apply to the Authority for a license under this Act or shall cease to provide such services.

(2) After the commencement of this Act, within six months, a Person who has submitted a complete application as per sub-section (1) may continue to provide existing Virtual Asset Services:

Provided that such Person fully complies with any interim directives issued by the Authority and continues to adhere to the core obligations of this Act, particularly regarding customer asset protection under AML, CFT and CPF.

71. Power of the Federal Government to issue policy directives.— The Federal Government may, by notification in the official Gazette, give policy directives to the Authority to align its actions with national policies, priorities and interests consistent with the objectives and framework established under this Act. Such policy directives shall not impede the Authority's operational autonomy.

72. Annual and special reports of the Authority.— (1) The Authority shall prepare an annual report at the end of the financial year and may at any time prepare special reports on any matter which in its opinion is of particular urgency or importance.

(2) The Division concerned shall cause the annual report and the special reports to be laid before the Majlis-e-Shoora (Parliament) within ninety days.

(3) The report shall be placed on the website of the Authority immediately after its lying before the Majlis-e-Shoora (Parliament) for information of general public.

73. Removal of difficulties.— If a procedural or operational difficulty arises in giving effect to any of the provisions of this Act, the Federal Government may, within six months of the commencement of this Act, make such order not inconsistent with the

provisions of this Act, as may appear to it to be necessary or expedient for removing such difficulty.

74. **Savings.**— Notwithstanding the lapse of the Virtual Assets Ordinance, 2025 (VII of 2025), anything done, action taken, appointment made, notification or order issued, or right, privilege, obligation or liability accrued under the said Ordinance shall be deemed to have been validly done, taken, made, issued or accrued under the corresponding provisions of this Act.

SCHEDULE I

(See section 18)

CATEGORIES OF VIRTUAL ASSET SERVICES

The list below shall constitute the types of Virtual Asset Services and their description.

Sr. No	Service Category	Description
(1)	(2)	(3)
1.	Advisory Services	<p>means the provision of personalised recommendations, on professional basis, to a customer, either upon request or at the initiative of Virtual Asset Service Providers, relating to one or more actions or transactions involving Virtual Assets.</p> <p>The term "personalised" refers to recommendations that are addressed to a specific customer and take into account (or are presented as taking into account) that customer's individual circumstances, objectives, risk profile or financial situation. General market information, research reports or non-individualised suggestions do not constitute personalised recommendations.</p>

2.

Broker-Dealer Services

means any of the following:

- (a) arranging or facilitating orders for the purchase and sale of Virtual Assets between two parties;
- (b) soliciting or accepting orders and receiving consideration in fiat currency or Virtual Assets;
- (c) trading Virtual Assets on the Virtual Asset Service Provider's own account;

Exemption: A Person that deals solely on its own account, does not execute orders on behalf of customers, and does not hold or control Customer Assets is not regarded as carrying on 'broker-dealer services' for the purposes of this Act

- (d) market-making using Customer Assets; or
- (e) providing placement or distribution services for Issuers acting as intermediaries.

3.

Custody and Administration Services

means the safekeeping or administration, on behalf of customers and pursuant to their instructions, of:

- (a) Virtual Assets; or
- (b) private cryptographic keys or other means of access that allow the customer to transfer or dispose of Virtual Assets independently,

4.	Exchange Services	<p>but excludes the mere provision of software, hardware or infrastructure that enables a customer to retain exclusive control over their own private keys.</p> <p>means any of the following:</p> <ul style="list-style-type: none"> (a) exchanging Virtual Assets for fiat currency; (b) exchanging one or more types of Virtual Assets; (c) matching orders between buyers and sellers and executing conversions as described in (a) and (b); or (d) maintaining an order book for the above purposes.
5.	Lending and Borrowing Services	<p>means the facilitation, arrangement, intermediation or direct provision (as principal) of lending or borrowing arrangements involving Virtual Assets, where one or more lenders transfer, lend or make available Virtual Assets (or rights thereto) to one or more borrowers, subject to a contractual obligation for the borrower to return equivalent Virtual Assets (together with any agreed interest, fees or rewards) at a specified time or upon demand.</p>
6.	Virtual Asset Derivatives Services	<p>means the offering, facilitation, execution, clearing, trading or arranging of transactions in derivatives (including futures, options, swaps, contracts for difference or other similar</p>

7.	Virtual Asset Management and Investment Services	<p>instruments) that have a Virtual Asset (or a basket or index of Virtual Assets) as their underlying reference asset.</p> <p>means acting in a fiduciary or agency capacity for the purpose of managing or administering another Person's Virtual Assets, including:</p> <p>(a) portfolio or discretionary investment management involving Virtual Assets; and</p> <p>(b) responsibility for staking on behalf of customers to earn validator or network rewards, provided that such staking is performed on a discretionary basis or forms part of a broader investment management mandate.</p>
8.	Virtual Asset Transfer and Settlement Services	<p>includes transfer, transmission, or settlement of Virtual Assets between parties, or from one wallet, address, or location to another, on behalf of customers excluding exchange execution.</p>
9.	Virtual Assets Issuance Services	<p>Creation, issuance, initial offering, administration, and ongoing management of Virtual Assets, including supply control, reserve management (if any), redemption, governance, and required disclosures.</p>
10.	Mining-related Virtual Asset Services	<p>Includes activities where mining operations provide services to third parties involving customer virtual assets or funds. Pure mining for own account is excluded. Licensing and regulatory obligations apply only</p>

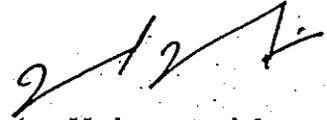
		if the service involves customer assets or funds, as per the Authority's Regulations.
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STATEMENT OF OBJECTS AND REASONS

Virtual Assets being an evolving component of the modern financial ecosystem, necessitate a dedicated regulatory authority for licensing and supervision of virtual asset service providers, with the aim to ensure investor protection, transparency and market integrity. The Authority will ensure investor protection, foster innovation, and promote transparency in the Virtual Asset Market. This authority will create an enabling environment for safe trading, prevent illegal activities like money laundering and fraud, and enhance global competitiveness.

2. Therefore, a corresponding legal framework, empowering the Authority, is also required to combat money laundering, terrorist financing, and other illicit activities while promoting innovation, financial inclusion, economic growth and development of Shariah compliant virtual asset services aligned with international standards.

3. The Virtual Assets Ordinance, 2025 is designed to achieve the aforementioned purposes.



Senator Muhammad Aurangzeb
Minister for Finance and Revenue