

Legal Regulation of Digital Currencies and Their Impact on Corporate Activities

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Abstract:

The rise of digital currencies has introduced new dimensions to corporate finance, offering opportunities for faster transactions, reduced costs, and innovative business models. However, their integration into corporate activities remains deeply influenced by the legal and regulatory frameworks in place. In many jurisdictions, inconsistent or unclear regulations create uncertainty, affecting investment decisions, tax treatment, and compliance strategies. While some countries have embraced digital assets through comprehensive laws (like the EU's MiCA), others maintain restrictive or ambiguous positions, hindering corporate innovation. Legal challenges include AML/KYC compliance, asset classification, consumer protection, and cross-border legal conflicts. For companies, navigating these legal complexities is essential to safely adopting digital currencies.

Law not only constrains but also enables corporate adoption when it provides clarity, stability, and legal safeguards. In emerging markets such as Algeria, prohibitive laws limit the potential economic benefits of crypto integration. A balanced legal framework is thus key to unlocking the full potential of digital currencies in the corporate world.

Key words: Digital currencies, Cryptocurrency regulation, corporate finance.

ملخص:

أدى ظهور العملات الرقمية إلى إحداث تحوّل في عالم المال والأعمال، حيث وفرت فرصاً للمعاملات السريعة، وتقليل التكاليف، وابتكار نماذج تجارية جديدة. ومع ذلك، فإن دمج هذه العملات في الأنشطة المؤسسية يظل مرهوناً بشكل كبير بالأطر القانونية والتنظيمية المعتمدة. ففي العديد من الدول، تخلق القوانين غير الواضحة أو المتضاربة حالة من الغموض تؤثر على قرارات الاستثمار، ومعالجة الضرائب، واستراتيجيات الامتثال. وبينما تبنت بعض الأنظمة تشريعات شاملة لتنظيم الأصول الرقمية مثل لائحة MiCA في الاتحاد الأوروبي، لا تزال دول أخرى تعتمد مواقف متحفظة أو تقييدية تعيق الابتكار المؤسسي. وتشمل التحديات القانونية مسائل مثل الامتثال

لقوانين مكافحة غسل الأموال، وتحديد طبيعة الأصل الرقمي، وحماية المستهلك، وتضارب الاختصاصات الدولية. ومن الضروري للشركات فهم هذه التحديات لضمان استخدام آمن وفعال للعملات الرقمية.

فالقانون لا يعد عائقًا فقط، بل أداة تمكينية عندما يوفر الوضوح والاستقرار والحماية القانونية. وفي بلدان ناشئة مثل الجزائر، تمثل القوانين الصارمة عائقًا أمام الاستفادة من الفرص الاقتصادية التي توفرها العملات الرقمية. لذا، فإن وجود إطار قانوني متوازن يُعد مفتاحًا لتحقيق الاستفادة الكاملة من هذه التكنولوجيا في قطاع الأعمال.

الكلمات المفتاحية: العملات الرقمية، تنظيم العملات المشفرة، تمويل الشركات.

Introduction:

Over the past decade, the financial landscape has undergone a profound transformation driven by the emergence of digital currencies. These new forms of money—whether centralized or decentralized, regulated or not—have challenged conventional understandings of currency, value transfer, and financial governance. Bitcoin, Ethereum, and other cryptocurrencies have moved beyond niche technological experiments to become tools of mainstream finance and commerce. With this shift, digital currencies have increasingly begun to intersect with corporate activities in ways that are both innovative and disruptive.

Corporations today are engaging with digital currencies not merely as passive investors, but as active participants integrating these assets into their financial and operational frameworks. From using cryptocurrencies for cross-border payments to issuing tokenized securities and launching blockchain-based platforms, businesses are exploring new avenues for growth and competitiveness. Yet, this evolution has not come without legal and regulatory uncertainty. The decentralized nature of many digital currencies, coupled with their potential for anonymity and rapid value fluctuations, poses serious questions about compliance, taxation, consumer protection, and financial stability.

Governments and regulatory authorities worldwide are grappling with how to approach this evolving phenomenon. Some have embraced digital currencies through structured legal frameworks, while others have imposed strict restrictions or outright bans. In between lie jurisdictions with fragmented or inconsistent policies, leaving corporations to navigate a complex and often ambiguous regulatory terrain. These regulatory divergences do not only affect the viability of digital currency adoption, but also influence corporate risk management, legal strategy, and decision-making processes.

This paper seeks to analyze the current state of legal regulation concerning digital currencies and to examine their broader impact on corporate activities. It explores how

legal clarity—or the lack thereof—affects corporate behavior, market participation, and innovation. By comparing international approaches and highlighting key legal developments, the study aims to offer a nuanced understanding of the dynamic interplay between regulation and corporate engagement in the digital currency ecosystem.

Part One: Understanding Digital Currencies

Digital currencies represent a category of monetary assets that exist solely in electronic form and are designed to function as a medium of exchange, a unit of account, and a store of value. Unlike traditional fiat currencies issued and regulated by central banks, many digital currencies—particularly cryptocurrencies—are decentralized and operate on distributed ledger technologies such as blockchain. This decentralization removes the need for intermediaries like banks or financial institutions, allowing for peer-to-peer transactions that are recorded in a transparent and immutable manner¹.

Digital currencies can broadly be divided into two main categories: cryptocurrencies and central bank digital currencies (CBDCs). Cryptocurrencies, such as Bitcoin, Ethereum, and Litecoin, are typically created through cryptographic protocols and governed by decentralized networks of users and miners. These currencies offer advantages such as low transaction costs, fast cross-border payments, and enhanced privacy. However, they also present risks including high volatility, potential for illicit use, and lack of consumer protection².

On the other hand, CBDCs are digital forms of national currencies issued and backed by a country's central bank. Unlike cryptocurrencies, CBDCs aim to retain the regulatory oversight and stability associated with traditional monetary systems while offering the technological benefits of digital assets. Several countries, including China, Sweden, and the European Union, are actively exploring or piloting CBDC initiatives, which could reshape the global monetary order in the coming years³.

The growing ecosystem of digital currencies is also accompanied by the emergence of stablecoins—digital assets pegged to the value of traditional currencies or commodities. These aim to mitigate the price volatility typical of most cryptocurrencies, making them more attractive for everyday use and corporate transactions.

Understanding digital currencies thus requires not only a grasp of the underlying technologies but also an awareness of the economic, legal, and institutional contexts in which they operate. Their increasing integration into the financial and corporate sectors calls for careful analysis of their mechanisms, functions, and the regulatory challenges they pose to both national governments and global markets.⁴

Part Two: Legal Framework Governing Digital Currencies

The regulation of digital currencies presents a significant challenge for lawmakers and financial authorities around the world, primarily due to the novelty, complexity, and transnational nature of these technologies. Unlike traditional financial instruments, digital

currencies—especially decentralized cryptocurrencies like Bitcoin—often fall outside the scope of conventional legal definitions, prompting regulatory bodies to adapt or create new frameworks to govern their use. As a result, legal responses vary widely across jurisdictions, reflecting differing policy priorities, levels of technological development, and attitudes toward financial innovation.⁵

In the United States, for instance, multiple regulatory agencies have asserted jurisdiction over digital assets, leading to a fragmented and sometimes conflicting legal landscape. The Securities and Exchange Commission (SEC) treats certain digital tokens as securities, while the Commodity Futures Trading Commission (CFTC) classifies others as commodities. The Financial Crimes Enforcement Network (FinCEN) also imposes anti-money laundering (AML) requirements on digital asset exchanges and wallet providers. This overlapping jurisdiction has led to legal uncertainty, particularly for businesses operating across multiple regulatory domains.⁶

The European Union, by contrast, has adopted a more harmonized approach through the introduction of the Markets in Crypto-Assets Regulation (MiCA), which seeks to establish a comprehensive legal framework for crypto-assets, service providers, and issuers across member states. MiCA aims to protect investors, promote innovation, and ensure financial stability while combating illicit activities. It also introduces licensing requirements for crypto-asset service providers and specific obligations for stablecoin issuers⁷.

Meanwhile, other jurisdictions have opted for more restrictive or cautious approaches. China, for example, has banned all cryptocurrency transactions and mining activities, citing concerns about financial risk, capital flight, and environmental impact. In contrast, countries like Switzerland and Singapore have created clear regulatory environments that support innovation while maintaining compliance with international financial standards.

The lack of global regulatory consensus creates both opportunities and challenges for corporations. On the one hand, businesses can engage in regulatory arbitrage by operating in crypto-friendly jurisdictions. On the other hand, the absence of legal clarity in many countries can deter investment, complicate compliance, and expose firms to legal and reputational risks. As digital currencies continue to evolve, there is growing recognition of the need for international cooperation and harmonized standards to govern their use effectively and responsibly⁸.

Part three: Corporate Use of Digital Currencies

In the evolving landscape of global finance, corporations are increasingly turning to digital currencies as tools to enhance operational efficiency, expand financial inclusion, and drive innovation. The integration of digital assets into corporate activities takes multiple forms, ranging from accepting cryptocurrencies as payment for goods and services to investing in digital tokens as alternative assets or using blockchain platforms to streamline supply chain and contractual processes. These practices reflect a growing

recognition of the strategic value that digital currencies can bring to business models, especially in terms of transaction speed, cost reduction, and global reach⁹.

One of the most visible corporate uses of digital currencies is in the area of **payments and remittances**. Companies operating internationally often face delays and high fees when using traditional banking systems for cross-border transactions. Cryptocurrencies such as Bitcoin, Litecoin, or USDC (a stablecoin) offer faster, cheaper alternatives, especially in underbanked or high-inflation regions. Additionally, some businesses are beginning to pay vendors or even employees in digital assets, though this raises complex regulatory and tax implications¹⁰.

Another major trend is **treasury management and investment diversification**. Corporations such as Tesla and MicroStrategy have made headlines by adding Bitcoin to their balance sheets, viewing it as a hedge against inflation and currency devaluation. While this strategy remains controversial due to volatility risks, it signals a shift in corporate attitudes toward digital assets as legitimate financial instruments¹¹.

Beyond finance, blockchain-based digital currencies support **smart contracts and decentralized applications (dApps)**, which enable automated, transparent business processes. Companies in logistics, real estate, and insurance are experimenting with tokenized assets and decentralized finance (DeFi) platforms to reduce dependency on intermediaries and enhance security¹².

Despite these advancements, corporate adoption is not without challenges. Legal uncertainty, compliance with anti-money laundering (AML) and know-your-customer (KYC) regulations, cybersecurity threats, and accounting complexities all pose serious barriers. Moreover, fluctuations in asset value may affect financial reporting and investor perception.

As the regulatory environment matures and technological infrastructure improves, it is expected that corporate use of digital currencies will become more widespread and standardized. Companies that understand and strategically adapt to these innovations are likely to gain competitive advantages in an increasingly digitized economy¹³.

Part four : Legal Challenges Faced by Companies

a. Regulatory Uncertainty

Inconsistent laws across jurisdictions complicate compliance. Companies operating globally must navigate different tax regimes, registration requirements, and reporting duties.

b. Tax Implications

Many tax authorities treat cryptocurrencies as property, leading to capital gains taxation. Misreporting may expose companies to penalties or legal action.

c. AML and Compliance Issues

Know-your-customer (KYC) obligations require firms to establish compliance protocols when using or accepting crypto assets. Failure to do so risks sanctions and reputational damage¹⁴.

Part five: The Role of Law in Shaping the Future of Corporate Crypto Adoption

The trajectory of corporate adoption of digital currencies will be profoundly shaped by the legal and regulatory frameworks that emerge in the coming years. Law plays a critical role not only in defining the boundaries of permissible activity but also in fostering innovation, protecting stakeholders, and ensuring systemic stability. For corporations, clear, coherent, and forward-looking regulation provides the necessary legal certainty to confidently integrate digital currencies into financial and operational systems. Conversely, vague or restrictive legal environments can hinder innovation, deter investment, and increase the risks associated with digital asset adoption.

One of the key functions of law in this context is **establishing trust and reducing risk**. In an ecosystem often associated with volatility, fraud, and technological complexity, legal rules serve as stabilizing mechanisms that enable businesses to engage with digital currencies without compromising legal compliance or stakeholder confidence. Well-structured regulations can help standardize accounting practices, clarify tax obligations, and provide legal recourse in the event of disputes or security breaches. This legal infrastructure is especially vital in cross-border contexts, where jurisdictional inconsistencies can create regulatory arbitrage and legal uncertainty¹⁵.

Moreover, **law can serve as a catalyst for innovation**, particularly when it is adaptive and principles-based rather than prescriptive. Jurisdictions such as Switzerland, Singapore, and the United Arab Emirates have demonstrated that creating crypto-friendly legal ecosystems—characterized by regulatory sandboxes, licensing regimes, and public-private collaboration—can attract corporate investment and accelerate the responsible development of blockchain-based solutions.

At the same time, the role of law extends beyond risk mitigation to shaping ethical and inclusive digital finance. Regulatory frameworks that incorporate principles of consumer protection, environmental sustainability, and financial inclusion can help ensure that corporate crypto adoption contributes to broader social and economic goals. For instance, legal mechanisms that enforce transparency in token issuance, prevent discriminatory access to digital assets, and incentivize green mining practices are increasingly being viewed as essential components of future-ready regulation¹⁶.

As digital currencies become more intertwined with global corporate practices, **international legal harmonization** will also play a pivotal role. The absence of coordinated global standards risks creating a fragmented digital economy, in which

businesses must navigate conflicting obligations. Collaborative efforts led by international bodies such as the Financial Stability Board (FSB), the International Organization of Securities Commissions (IOSCO), and the Financial Action Task Force (FATF) are essential to shaping a consistent and predictable global regulatory environment.

Ultimately, the law is not merely a constraint but a powerful enabler. The future of corporate crypto adoption will depend not only on technological maturity or market demand, but on the ability of legal systems to evolve in ways that balance innovation with accountability, and enterprise with ethics.

Part six: The application of digital currencies and their impact on business activities in Algeria

Algeria presents a particularly cautious stance regarding digital currencies, marked by a strict regulatory environment and limited adoption across the corporate sector. According to the *Algerian Financial Law of 2018* (Article 117)¹⁷, the use, holding, or trading of cryptocurrencies is explicitly prohibited, rendering all transactions involving virtual currencies illegal. The government's position is largely influenced by concerns over money laundering, capital flight, lack of control over decentralized systems, and the absence of reliable consumer protection mechanisms. This legal prohibition creates a challenging landscape for Algerian businesses seeking to explore digital currency applications.¹⁸

Despite the restrictive regulatory framework, there is growing awareness in the Algerian private sector of the potential economic and technological benefits associated with digital currencies. These include the possibility of facilitating international trade, reducing dependence on traditional banking systems, and enhancing financial inclusion—particularly for small and medium enterprises (SMEs) that face barriers to accessing conventional financial services. However, the illegality of cryptocurrency use has so far prevented most businesses from experimenting with blockchain-based solutions or integrating crypto payments into their operations.¹⁹

Moreover, Algerian companies operating internationally are indirectly affected by global crypto trends. For example, import-export businesses may face competitive disadvantages in digital markets where suppliers or clients accept cryptocurrency payments. Additionally, the absence of legal clarity on tokenized fundraising or blockchain applications in corporate governance limits innovation and potential partnerships with foreign firms active in the digital finance ecosystem²⁰.

At a policy level, there have been limited signals of reform. The *Bank of Algeria* has occasionally acknowledged the need to monitor global developments in fintech and digital finance. Still, no concrete regulatory framework for legalizing or supervising digital currencies has been proposed to date. In contrast, neighboring countries such as Tunisia and Morocco have shown greater interest in exploring legal and experimental use

cases for digital assets, particularly in the context of central bank digital currencies (CBDCs).

For Algeria to harness the benefits of digital currencies in business, a more balanced regulatory approach is required—one that mitigates risks while creating legal pathways for innovation. Without such a shift, Algerian businesses risk remaining isolated from a rapidly transforming global financial landscape, which could limit growth, technological progress, and regional competitiveness in the years ahead²¹.

Conclusion:

The integration of digital currencies into corporate operations represents a significant evolution in modern business practices. As companies explore the use of cryptocurrencies for payments, investments, and innovation, the surrounding legal landscape remains a critical determinant of the scope and safety of such ventures.

From the analysis presented, several key findings emerge:

Key Findings:

1. **Digital currencies are reshaping corporate finance and strategy**, offering new avenues for value creation, efficiency, and decentralization.
2. **The legal regulation of digital currencies remains fragmented** globally, with different countries adopting divergent approaches—ranging from proactive regulation to outright bans.
3. **Regulatory uncertainty is a major barrier** for corporate adoption, especially in areas like tax treatment, financial reporting, and compliance with AML/KYC requirements.
4. **Companies engaging with digital assets face significant legal and operational risks**, including reputational, financial, and cybersecurity threats.
5. **A well-developed legal framework is essential** to ensure that corporate adoption of digital currencies is responsible, transparent, and aligned with national economic interests.

Recommendations:

Based on these findings, the following **policy and corporate recommendations** are proposed:

For Lawmakers and Regulators:

1. **Develop a comprehensive legal framework** that clearly defines the legal status of digital currencies and establishes rules for their use in commerce and corporate finance.
2. **Harmonize international regulatory standards**, particularly for anti-money laundering (AML) and consumer protection, to facilitate cross-border corporate transactions.

3. **Implement regulatory sandboxes** to allow businesses and startups to test digital currency applications under the supervision of financial authorities.
4. **Clarify tax policies** regarding the corporate use of digital assets to reduce legal uncertainty and ensure compliance.

For Corporations and Business Leaders:

1. **Integrate legal risk assessment** into any digital currency strategy, including due diligence on the regulatory environment in each operating jurisdiction.
2. **Invest in compliance systems** that meet AML/KYC obligations when handling digital assets.
3. **Establish internal governance policies** for digital currency use, including transparency in reporting and accountability frameworks.
4. **Engage with policymakers and industry associations** to contribute to the shaping of fair and innovation-friendly regulations.

conclusion, digital currencies offer compelling opportunities for corporate innovation and financial transformation. However, their successful adoption depends heavily on the legal environment in which they operate. With coherent regulation and responsible corporate practices, digital currencies can become a cornerstone of modern business while safeguarding economic stability and public trust.

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