

Cryptocurrencies

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Abstract:

Cryptocurrencies are digital currencies traded online. They rely on cryptography and blockchain technology to secure and record transactions. They are usually not issued by a central bank, but operate in a decentralized manner. The most famous examples are Bitcoin and Ethereum.

They are characterized by fast transfers and easy global trading, but they also involve significant risks due to their price volatility and the possibility of being used in illegal activities such as money laundering and tax evasion. For this reason, countries differ in their positions toward them, ranging from recognition and regulation to restriction or prohibition.

Therefore, cryptocurrencies represent an important development in the financial field, but they require a clear legal framework to protect users and limit their risks.

Keywords: Cryptocurrencies, Blockchain, Digital Assets, Legal Regulation, Money Laundering.

Introduction

The rapid development of information and communication technologies has led to the emergence of new forms of financial transactions that are no longer linked to traditional mechanisms based on legal tender and banking institutions. Among the most significant of these forms are cryptocurrencies, which have become a modern financial and legal phenomenon that has imposed itself in practice and has generated wide-ranging debate concerning their legality, legal nature, and the consequences arising from their circulation.

Cryptocurrencies operate through an encrypted digital system, often based on blockchain technology, and are traded in a decentralized manner without direct intervention by a monetary authority or an official banking institution. This distinguishes them from legal tender, which is issued by the State and enjoys legal discharge power, and also differentiates them from electronic money, which is usually linked to an official currency and subject to the supervision of licensed institutions. Accordingly, a legal controversy has arisen regarding their classification: should they be regarded as money in the legal sense, digital assets, intangible movable property, or merely a private means of exchange that does not amount to legal currency?

This ambiguity surrounding the legal nature of cryptocurrencies has been reflected in the positions adopted by States, international organizations, and the judiciary. At the international level, many bodies have tended to warn against the risks associated with cryptocurrencies, particularly those relating to money laundering, terrorist financing, tax evasion, and investor protection, while calling for the establishment of regulatory frameworks capable of governing their use without disregarding their economic reality. At the judicial level, courts have faced difficulties in determining the appropriate legal characterization of these currencies. In some cases, they have been treated as financial assets, while in others they have been regarded as property capable of ownership, seizure, or compensation, depending on the nature of the dispute brought before the court.

In the Arab world, legislative positions have generally been marked by caution and reservation. Some States have moved towards prohibiting or restricting transactions involving cryptocurrencies in order to protect the financial system and the national economy, while others have begun to adopt a more flexible regulatory approach based on subjecting such currencies or digital assets to licensing and supervisory rules. This divergence reveals the absence of a unified Arab position and highlights the need for a precise legal treatment that balances the benefits of financial technological development with the protection of financial and economic public order.

Hence, the importance of studying the legal nature of cryptocurrencies becomes apparent, since determining such nature constitutes the essential starting point for identifying the legal regime applicable to them, whether in terms of ownership, circulation, liability, supervision, or judicial protection. Moreover, examining international, judicial, and Arab positions helps to understand the different approaches adopted towards this phenomenon and to determine whether existing legal rules are sufficient to accommodate it, or whether specific legislative intervention is required.

Accordingly, the central research problem of this study may be formulated as follows:

What is the legal nature of cryptocurrencies, and to what extent have international, judicial, and Arab positions succeeded in establishing a balanced legal framework capable of accommodating these digital assets and protecting the legal positions of those dealing with them, without undermining the monetary sovereignty of States?

In order to answer this research problem, we have deemed it appropriate to adopt the following plan:

First Section: The Concept of Cryptocurrencies and Their Legal Nature

Second Section: The Legal and Judicial Regulation of Cryptocurrency Transactions

Section One: The Concept of Cryptocurrencies and Their Legal Nature

Digital development has led to the emergence of cryptocurrencies as a modern means of conducting financial transactions. However, due to their distinctive characteristics and their divergence from traditional money, cryptocurrencies have raised several legal questions. This requires an examination of the definition of cryptocurrencies, their essential features, and subsequently their legal nature.

Subsection One: The Concept of Cryptocurrencies

The importance of defining cryptocurrencies lies in their increasing use in electronic transactions and the consequent rise in the number of persons dealing with them worldwide. The significance of such a definition is also reflected in the need to distinguish cryptocurrencies from similar concepts, such as traditional fiat currencies and digital currencies, and to identify their legal and technical characteristics. This ultimately allows for determining their precise meaning in light of the diversity of electronic currencies currently in circulation.

First Branch: Definition of Cryptocurrencies

Cryptocurrencies are defined as virtual currencies that rely on cryptographic algorithms and are based on blockchain technology, which ensures the integrity and traceability of financial transactions. They may also be stored in digital wallets protected by codes and private secret keys belonging to their owner.

These currencies are traded and transferred through the use of private and public cryptographic keys, which enable the transfer of value from one person to another in a secure manner. Cryptography is therefore used in all transfer and trading operations relating to such currencies¹. Cryptocurrencies are also regarded as a type of digital currency. They may be defined as digital assets used as a medium of exchange, created and circulated through advanced electronic systems based on digital cryptographic technologies. They may also be viewed as digital money operating within a specific electronic payment system, whether supported by a governmental authority or through an intermediary financial institution.^[2]

They are further defined as one of the modern forms of digital currencies based on encrypted assets, characterized by their capacity for transfer and electronic storage, without being issued by a central bank or an official monetary institution, while being capable of acceptance as a means of payment in certain transactions³

The European Central Bank has defined cryptocurrencies as a digital representation of value that may be bought or sold in exchange for legal tender currencies, without being issued by a public authority or a central bank. They are stored electronically and enable their holder to use them in payment and financial exchange operations. They may also be compared to traditional currencies in terms of their economic function, while differing fundamentally in that they are digital currencies with no physical existence and are traded exclusively through the Internet⁴

¹ Bilal Mahmoud Othman Abdullah, Cryptocurrencies as a Tool for Money Laundering and Terrorism Financing, Arab Researcher Journal, Arab Center for Legal and Judicial Research, Council of Arab Ministers of Justice, League of Arab States, Vol., No., 2021, p. 7.

² Yasser Hussein Ali, The International Financial Risks of Dealing in Cryptocurrencies: Bitcoin as a Model, Journal of the Faculty of Law, Al-Nahrain University, Vol. 24, No. 2, 2022, p. 163.

³ Iman Kazem Abbas and Nagham Hamid Abdul Khudhair, Cryptocurrencies: Challenges, Risks and Means of Confrontation, Journal of Administration and Human Sciences, Vol., Issue 3, 2022, p. 4.

⁴ Joseph Bonneau and Edward Felten, Bitcoin and Cryptocurrency Technologies, Princeton and Oxford: Princeton University Press, USA, 2016, p. 3.

Cryptocurrencies represent a virtual financial value traded via the Internet through specialized electronic platforms, most notably Binance, KuCoin, and OKX. Buying, selling, and trading operations are carried out through such digital platforms. Accordingly, a person who deals in a cryptocurrency such as Bitcoin in exchange for the purchase of goods or services cannot benefit from its actual officially recognized monetary value unless it is converted or sold through one of these platforms. In return, the person obtains a stable digital monetary value, such as USDT, which is pegged to the value of the United States dollar and through which access may be gained to the actual monetary value of the goods or services subject to the transaction.⁵

Virtual or cryptocurrencies are divided into two main categories. The first consists of non-convertible currencies, namely currencies that cannot be exchanged for official money and whose use is confined to the virtual environment for which they were created. The second category consists of convertible currencies, namely those that may be acquired in exchange for traditional money or exchanged for such money according to the prevailing exchange rate at the time of conversion. This grants them a financial value equivalent to that of such money and enables their use in purchasing goods and services, whether in the digital environment or in real life⁶

Based on the foregoing, it becomes clear that cryptocurrencies differ fundamentally from electronic money, as the latter is defined as monetary value stored and managed by electronic means and used as a means of electronic payment. Electronic money represents an electronic store of monetary value held on a medium or technical device specifically designated for that purpose. Although it differs from paper money in terms of the means of storage and circulation, it does not differ from it in terms of the financial value it represents, since it is fully equivalent thereto. Moreover, its issuance takes place only against an existing real monetary value and is subject to precise legal and economic regulation, as well as to the supervision of the competent monetary authority in terms of issuance and circulation, in a manner that ensures its conformity with the monetary policy adopted in the State concerned⁷.

Based on the foregoing, it is evident that cryptocurrencies constitute virtual digital values capable of being traded and exchanged through electronic media. However, they are not founded upon a unified legal framework or a centralized financial system governing their issuance and circulation. Nor do they enjoy any guarantee or recognition by a trusted central monetary authority. Rather, these currencies derive their function and value from the mutual acceptance of their users within the digital communities in which they are used, which distinguishes them from centralized electronic currencies that are subject to the control and supervision of a specific authority.

In centralized electronic currencies, there is a third party responsible for managing and supervising the system, with the authority to issue the currency, determine the rules governing its use, and regulate its circulation, in addition to possessing the necessary powers to withdraw

⁵ Chris Dannen, *Introducing Ethereum and Solidity*, Springer Science, Brooklyn, New York, USA, 2017, p. 13.

⁶ Adnan Farhan Al-Jawarin and Ali Talib Shihab, *The Economics of Digital Currencies: The Theoretical and Conceptual Framework and Future Prospects*, Gulf Economics Journal, University of Basra, No. 47, 2021, p. 72.

⁷ Ali Abdul Mohammed and Lubna Mohammed Tawfiq, *The Central Bank of Iraq in the Era of Digital Currencies*, Al-Riyada Journal for Finance and Business, Vol. 3, No. 3, 2022, p. 154.

or redeem it where required. By contrast, decentralized currencies, or cryptocurrencies, which are the subject of this study, are virtual currencies that are not backed by any monetary balance held by a central authority. Their creation and circulation rely on open-source software, while payment and transfer operations are carried out through a peer-to-peer system, without the need for a financial intermediary or a central supervisory authority. The technical protection of these currencies is achieved through advanced cryptographic systems that secure transactions and ensure their integrity, in addition to the fact that they are not subject to any centralized system of management or control⁸

They have been described as “cryptocurrencies” due to their reliance on cryptographic technologies and complex computational processes in their creation and circulation, unlike electronic money, which essentially represents the digital equivalent of official paper currency and is mainly used to carry out electronic transactions. Cryptocurrencies are also characterized by a set of legal, technical, and economic features that distinguish them from traditional electronic money circulated within the digital environment.

Second Branch: Characteristics of Cryptocurrencies

Cryptocurrencies are characterized by a set of features that distinguish them from other forms of virtual currencies, as well as from electronic money and traditional paper currencies. These characteristics are primarily grounded in their technical and decentralized nature, and in their reliance on modern digital systems that enable them to perform both a financial function and the function of a means of payment, outside the traditional model based on trust in financial and banking institutions, which usually undertake the keeping of records and the management of trading operations.

The reliance of cryptocurrencies on modern technologies has led them to go beyond the usual limits of virtual transactions conducted via the Internet, as they have begun to attract an increasing number of users wishing to engage in electronic trading. This has also contributed to the emergence of specialized electronic platforms for the exchange of such currencies, thereby giving them a financial and economic character that distinguishes them from traditional means of payment. Accordingly, the most prominent characteristics of cryptocurrencies may be set out as follows:

First: They are decentralized currencies

Decentralization is one of the most important fundamental characteristics of cryptocurrencies; indeed, it constitutes the technical foundation upon which such currencies are based. Through this system, cryptocurrencies have become both an instrument with financial value and a means of payment. This stands in contrast to the traditional financial system, which is based on trust in financial and banking institutions that maintain centralized records through which they monopolize the management and verification of financial transactions. This position has granted banks and financial institutions broad powers and authorities, in addition to enabling them to achieve substantial gains and profits by performing the role of financial intermediary

⁸ Neir Maher Ahmed, Blockchain Technology and Its Impact on the Islamic Finance Sector, Journal of Research and Applications in Islamic Finance, Vol. 3, No. 2, 2019, p. 129.

between transacting parties, thereby making them an influential economic force at the global level.⁹

In this regard, Satoshi Nakamoto, the founder of Bitcoin, proposed dispensing with central authorities and relying instead on a decentralized system based on cryptography rather than trust in a third party. He called for the establishment of an electronic payment system based on cryptographic proof, allowing the seller and the buyer to carry out financial transfers directly between themselves without the need for a trusted intermediary. Thus, the cryptocurrency system excluded the role of the third party and transferred the authority to manage records to the totality of participants in the network. The ledger therefore became public, distributed, and non-confidential, relying on peer-to-peer technology and benefiting from modern cryptographic techniques to ensure the integrity and security of transactions¹⁰.

Second: The issuance system through mining

The system for issuing cryptocurrencies differs fundamentally from the system for issuing traditional currencies. In the latter case, central monetary authorities, represented by central banks, are responsible for issuing national currencies and regulating their circulation, as is the case with the Algerian dinar or the Iraqi dinar. Cryptocurrencies, however, are not subject to any central authority responsible for their issuance or supervision. Rather, they rely on a decentralized network based on the peer-to-peer system, which makes their issuance subject to their own specific technical mechanisms¹¹.

Mining is the basic and exclusive means of issuing many cryptocurrencies. This process is based on competition among a group of miners to solve complex mathematical problems and equations while processing financial transactions and verifying their validity. Any person who possesses computer equipment with suitable processing capacity may participate in the mining process by running the cryptocurrency protocol, which grants that person the status of a “miner” and enables him or her to contribute to the verification and authentication of transactions within the network.

As a result, all participants in the network are enabled to verify the integrity of transactions and the existence of a sufficient balance on the part of the sender to complete the financial operation. When one of the miners succeeds in solving the required computational problem, a new block is created containing the verified transactions and is added to the blockchain. This block does not acquire validity unless the members of the network verify the correctness of the solution and its conformity with the rules of the chain to which it belongs. This mechanism is known as “Proof of Work”, which ensures the integrity of transactions and makes them difficult to manipulate. At the end of this process, the miner who has successfully solved the problem is

⁹ Sahm Hazem Najib, The Extent of the Impact of Big Data on Social Media Applications in the Investment of Digital Currencies, Journal of the University of Anbar for Economic and Administrative Sciences, Vol., No., 2022, p. 570.

¹⁰ Marbelline Ordikian, Cryptocurrencies as a New Criminal Phenomenon in the Legal and Criminological Field, Master's Thesis, Faculty of Law and Political Science, Lebanese University, 2020, p. 1223.

¹¹ Abhinav Singh and Vamsi Krishna, New Investment Opportunity: Bitcoin and Ethereum Cryptocurrency, International Journal of Scientific Research Engineering and Management, Vol. 6, Issue 10, 2022, p. 11.

granted a reward consisting of new units of the cryptocurrency, which constitutes the mechanism for its issuance and circulation within the network.

Third: Public ledgers

Public ledgers are among the most prominent characteristics distinguishing traditional banking systems subject to the supervision of central monetary authorities. In such systems, all data and financial transactions relating to customers are documented in official records, which make it possible to trace operations and verify their validity. This contributes to strengthening confidence in banking institutions, ensuring the integrity of financial transactions, and protecting customers' rights¹².

By contrast, cryptocurrencies have excluded the concept of traditional centralized records and have relied instead on blockchain technology, which is based on recording transactions through a digital system that uses complex mathematical algorithms and advanced cryptographic mechanisms. Under this technology, all operations carried out on the network are recorded permanently and cannot be altered or deleted after being verified and added to the chain. This is achieved on the basis of electronic signature techniques and the Proof of Work mechanism.¹³ Cryptocurrencies are also characterized by their reliance on an open system that allows any person to download the currency protocol and participate in mining operations or in the verification of transactions. This embodies the decentralized nature of this financial system and limits the monopoly of a single entity over the authority to manage records and data. These characteristics are viewed as a factor that enhances trust, given the impossibility of manipulating transactions or modifying them unilaterally. This is unlike centralized systems, in which the authority to manage records is concentrated in the hands of one entity, which may raise concerns regarding the possibility of alteration or falsification of financial data. Accordingly, the feature of immutability enjoyed by blockchain technology constitutes one of the most important technical guarantees upon which cryptocurrencies rely in achieving security and transparency in digital transactions.¹⁴

Fourth: Blockchain Technology

Blockchain technology is one of the most significant features of cryptocurrencies; indeed, it constitutes the technical foundation upon which such currencies are based. It is hardly conceivable that cryptocurrencies could exist or be traded in the absence of this technology. Blockchain may be understood as a system for continuously recording information and data in the form of interconnected blocks arranged in chronological sequence, thereby ensuring their protection against any unlawful alteration or tampering. It also provides a digital infrastructure that enables information to be stored and exchanged transparently and securely through

¹² Ahmed Khalaf Hussein, Cryptocurrencies between Criminalization and Regulation, *Al-Bahith Journal for Legal Sciences*, College of Arts, University of Fallujah, Vol. 1, No. 1, 2020, p. 312.

¹³ Saifedean Ammous, *The Bitcoin Standard: The Decentralized Alternative to Central Banking*, 1st ed., no publisher, 2019, p. 33.

¹⁴ Bilal Mahmoud Othman Abdullah, *op. cit.*, p. 17.

decentralized systems based on open-source software and not subject to the control of any particular central authority.¹⁵

Accordingly, blockchain constitutes a decentralized database comprising all transactions relating to cryptocurrencies, as well as the data and information associated therewith. It is characterized by the fact that, once recorded, its contents cannot be modified or falsified, thereby facilitating the transfer of digital assets and the proof of ownership without the need for the intervention of a third-party intermediary.¹⁶ In this context, blockchain may be likened to public records or ledgers used in traditional banking systems, insofar as it documents all transactions, verifies their validity, and records them in successive and continuous lists. However, it is distinguished by its reliance on cryptographic techniques, which prevent any alteration of its contents except through highly complex technical procedures.

This is due to the fact that blockchain technology relies on the mechanism of distributed ledgers and peer-to-peer technology, whereby a network of interconnected computers maintains identical copies of the ledger and continuously updates them whenever new transactions are conducted. Such transactions are recorded in the form of new blocks, which are added to the preceding blocks after their integrity and validity have been verified through complex computational and cryptographic processes. This process is known as mining, as previously explained.¹⁷

It should also be noted that blockchain serves as the historical memory of encrypted transactions, since it preserves a permanent chronological record that is not susceptible to alteration or modification. This makes it possible to trace and verify all operations from the very first block created within the network. The credibility of this technology derives from the computational impossibility of tampering with, or reversing, recorded transactions, which enhances the levels of trust and security in cryptocurrency dealings.

Second Subsection: The Legal Nature of Encrypted Virtual Currencies

The emergence of encrypted virtual currencies and the expansion of their use in various financial and commercial transactions, in addition to their adoption as a means of exchange and their convertibility into legal tender in certain States, have given rise to extensive doctrinal and legal debate regarding the determination of their legal nature. This debate is particularly acute in States that do not officially recognize such currencies, do not issue them, and may even criminalize dealing in them.

In this regard, legal scholarship has divided into several divergent approaches concerning their legal characterization. Nevertheless, these approaches share a fundamental point of controversy, namely the question of whether encrypted virtual currencies possess a monetary character. While one school of thought denies them such a character and subjects them to other legal classifications, another tends to regard them as money.

¹⁵ Maysar Hassan Jassim, Smart Contracts and Their Application to Virtual Currency, University of Kirkuk Journal of the College of Law for Legal and Political Sciences, Vol. 10, No. 39, 2021, p. 362

¹⁶ Ahmed Qasim Farah, Virtual Currencies in the United Arab Emirates, University of Sharjah Journal of Legal Sciences, Vol. 16, No. 2, 2019, p. 23.

¹⁷ Mustafa Mohammed Al-Hasban, The Legal Regime of Blockchain Technology in Electronic Commerce Legislation, Journal of Law and Human Sciences, Vol. 12, No. 2, 2019, p. 45.

First Branch: The Non-Recognition of Encrypted Virtual Currencies as Money

A segment of legal scholarship¹⁸ argues that encrypted virtual currencies cannot be characterized as money, given their lack of the essential elements required for such a legal qualification. This view is based on several considerations, the most important of which are the following:

- They are not issued by a monetary authority or by a recognized central entity that may be held accountable or required to guarantee their value or ensure their acceptance at nominal value.
- Their value is directly subject to fluctuations in supply and demand, which results in significant price volatility in the absence of stable objective standards or controls determining their value.
- They may, in certain cases, be used as a means of conducting unlawful transactions or concealing the identity of the parties involved, thereby raising numerous legal and security concerns.
- They cannot be converted into legal tender or used as a recognized means of payment in States that do not acknowledge their legality or that prohibit dealings in them.

Some scholars therefore maintain that encrypted virtual currencies are not money, but rather fall within the category of movable property or digital assets, and may be characterized as commodities or goods. This approach is based on the premise that the economic concept of a commodity includes everything that provides economic utility and may be owned and disposed of. This applies to virtual currencies, since they possess financial value and are capable of being traded and acquired.

Proponents of this view also compare encrypted virtual currencies to gold, particularly in terms of their limited supply, their independence from governmental or central-bank supervision, and the fact that they are not produced in a tangible physical form. This, in turn, justifies subjecting them to the general rules governing property rights over movable assets¹⁹.

Another view, however, considers that encrypted virtual currencies are neither money nor movable assets, but rather a form of intellectual property, in view of their technical nature, which is based on programs and digital codes created and processed through complex information protocols. According to this approach, the financial value of such currencies cannot be separated from their software structure. Moreover, they are stored and managed in electronic wallets within the digital environment, which makes them closer to technological innovations requiring protection under legislation governing intellectual property and related rights.²⁰

¹⁸ Bunjaku, F., Trajkovska, O. G., & Kacarski, E. M., "Cryptocurrencies: Advantages and Disadvantages", *Journal of Economics*, Vol. 2, No. 1, 2017, p. 36.

¹⁹ Atheer Salah Ibrahim Ibrahim, *The Legal Regulation of Digital Currencies*, Master's Thesis in Public Law, Faculty of Law, Middle East University, 2021, p. 78.

²⁰ Fadi Tawakkol, "The Legal Regulation of Cryptocurrencies (Bitcoin): An Analytical Study of the German and American Systems", *Journal of Economic and Legal Sciences*, No. 2, Faculty of Law, British University in Egypt, July 2019, pp. 2312–2319.

Second Branch: The Legal Characterization of Cryptographic Virtual Currencies as Electronic Money

Electronic money is defined as a monetary value stored on an electronic medium, prepaid, not linked to a specific bank account, accepted by the public, and used as a means of payment for the settlement of multiple transactions²¹

The European Commission has defined electronic money as a monetary value electronically stored on an electronic device, such as smart cards or computer memory, and accepted as a means of payment by undertakings other than the issuer. Such money is made available to users as a substitute for coins and banknotes, with the purpose of carrying out electronic payment transactions of a specified value²²

Electronic money is characterized by the existence of a clear legal framework governing its issuance and circulation, as reflected in the European Directive of 2000, as well as the French Law of 2013 adapting national legislation to European directives in economic and financial matters. This regulatory framework identifies the entities authorized to issue electronic money and requires that such money be backed by a value convertible into official currency. Accordingly, electronic money derives its value from legal tender, unlike virtual currencies, whose issuer is not precisely determined and which are not necessarily linked to any official currency. This prevents virtual currencies from being legally classified as electronic money²³. Electronic money is stored through two main mechanisms. The first consists of smart cards, where the monetary value is stored on an electronic chip embedded in the card, a mechanism widely used in everyday transactions. The second consists of electronic money software. There are also systems that combine both mechanisms, through the use of a smart card connected to the user's personal computer. These mechanisms enable the user to prove possession of electronic money, unlike traditional money, which remains under the custody of the bank, even when represented in electronic form²⁴.

On this basis, the distinction between virtual currencies and electronic money becomes clearly apparent in terms of both legal nature and economic function. Electronic money represents a real monetary value issued in the form of electronic data; it is prepaid and stored on an electronic medium, without necessarily being linked to a bank account. It is therefore an electronic form of traditional legal money. By contrast, a virtual currency is a digital representation of value that may be transferred, stored, or traded electronically. However, it is not issued by a central

²¹ Muhammad Ibrahim Al-Shafi'i, *The Economic and Financial Effects of Electronic Money*, Conference on Electronic Banking between Sharia and Law, United Arab Emirates University and Dubai Chamber of Commerce and Industry, p. 134.

²² European Commission, "Proposal for European Parliament and Council Directives on the Taking Up, the Pursuit and the Prudential Supervision of the Business of Electronic Money Institutions," Brussels, 1998, COM(98)727, p. 72.

²³ Muhammad Al-Hadi Al-Maknazi, "The Difficulty of Determining the Legal Nature of Virtual Currencies: A Study in Light of French and European Legislation," paper presented at the 15th International Conference of the College of Sharia and Islamic Studies, University of Sharjah, *Virtual Currencies in the Balance*, held on 16–17 April 2019, Sharjah, United Arab Emirates, pp. 541–542.

²⁴ Sharif Muhammad Ghannam, *The Electronic Money Wallet: A Future Perspective*, Dar Al-Nahda Al-Arabiyya, Cairo, 2003, p. 15.

bank or an official monetary authority, nor is it necessarily linked to a legal currency. Rather, it may be accepted as a means of payment among persons who agree to deal with it²⁵.

Virtual currencies also differ from electronic money in terms of recognition and supervision. Electronic money is issued within a legal and regulatory framework and is subject to oversight by the competent authorities. Virtual currencies, by contrast, are generally not recognized by central banks, nor are they issued by them. Decentralization is one of the most prominent features of virtual currencies, since they are not subject to any central authority responsible for their issuance or for supervising their circulation, unlike legal money and electronic money, which are subject to the supervision of monetary and financial authorities.

Furthermore, electronic money is not, in principle, based on speculation. It is primarily used as a means of payment reflecting an official monetary value stored electronically. By contrast, dealings in virtual currencies are often associated with speculation and market volatility. This reinforces the distinction between virtual currencies and electronic money and confirms that virtual currencies cannot be regarded as electronic money in the strict legal sense.

Section Two: The Legal and Judicial Regulation of Crypto Transactions

The positions adopted by States and legal systems with regard to cryptocurrencies have varied between recognition and regulation, on the one hand, and prohibition or reservation, on the other, depending on the differences in financial and economic policies and the degree of concern regarding their impact on monetary sovereignty and financial stability. Likewise, the Arab position has not been uniform: some States have moved towards regulating dealings in such currencies, whereas others have opted either to prohibit them or to warn against their risks. At the judicial level, courts in certain comparative legal systems have begun to deal with these currencies as assets possessing financial value and capable of being the subject of legal protection.

Accordingly, we shall address the international position on cryptocurrencies in the First Subsection, the Arab position on cryptocurrencies in the Second Subsection, and the judicial position in the Third Subsection.

First Subsection: The International Position on Cryptocurrencies

The positions of States towards virtual currencies have varied between recognition, regulation, and supervision. However, certain States moved early towards adopting a clear legal approach in relation to them. Germany is considered among the first States to have recognised Bitcoin, treating it as a form of electronic money consistent with modern financial developments, and classifying it as a “unit of account” and a “financial instrument”. As a consequence of this classification, profits realised by companies from dealing in Bitcoin became subject to taxation,

²⁵ International Cooperation and Studies Unit, Anti-Money Laundering and Counter-Terrorist Financing Commission, “Virtual Money,” accessed 15 January 2024, p. 2.

whereas certain individual transactions remained exempt from tax in accordance with the applicable conditions. Other States have adopted different classifications: Sweden has regarded virtual currencies as a financial asset, while Canada has classified them under the category of “crypto-assets”.²⁶

Some experts consider that Germany’s recognition of Bitcoin was not merely a legal acceptance of this currency, but rather formed part of an effort to subject it to regulatory oversight and prevent those dealing in it from operating outside the State’s legal and financial control. This prompted Germany to adopt regulatory measures aimed at controlling transactions involving Bitcoin.²⁷

Among the States that have also permitted dealings in virtual currencies is Mexico, where the Mexican House of Representatives approved a bill concerning the regulation of digital financial services. This legislation aims to subject the trading of virtual currencies to the supervision of the Central Bank and the competent regulatory authorities, with a view to limiting their use in unlawful activities such as drug trafficking, tax evasion, and terrorism financing. Virtual currencies in Mexico have been regarded as commodities, according to statements made by the Governor of the Central Bank of Mexico.²⁸

South Korea, for its part, moved towards allowing dealings in virtual currencies after encountering practical difficulties in halting their circulation, in addition to concerns that capital might shift beyond the scope of official supervision, with potential adverse effects on the national currency and financial stability. Consequently, the Korean financial authorities took steps to subject transactions involving such currencies to the supervision and control of the competent authorities, particularly within the framework of combating money laundering and tax evasion.

In this context, the Financial Services Commission of South Korea, in December 2017, prohibited trading platforms from opening new trading accounts. It also announced its intention to close certain platforms that failed to comply with legal and regulatory requirements, stressing that it would take strict measures against unlawful activities associated with the trading of these digital instruments.

By contrast, certain States have adopted a more restrictive position towards virtual currencies, refusing to recognise them or expressly prohibiting dealings in them, as is the case with China and Russia. Some legislations have regarded such currencies as false or unlawful instruments and have imposed penalties for dealing in them.

In China, after the country had been among the most influential actors in the virtual currency market, particularly in relation to Bitcoin, the authorities began, as of 2014, to impose increasing restrictions on this market. This approach culminated in 2017, when China prohibited initial coin offerings and began banning trading platforms. Several governmental bodies also issued instructions aimed at halting digital currency mining activities towards the end of the same year.

²⁶ Ibrahim bin Ahmed bin Mohammed Yahya, previously cited, p. 9.

²⁷ Abdel Bari Mishal, *Encrypted Digital Money: Challenges of Reality and Future Prospects*, previously cited, p. 62.

²⁸ <https://www.cryptoarabe.com/2018/03/05/mexicos-approves-cryptocurrency-crowdfunding-regulations>

As for Russia, it expressed a cautious position regarding the recognition of Bitcoin. The official spokesperson of the Kremlin stated that Russia was not prepared to recognise this currency, considering that equating virtual currencies with official money could undermine the State's financial and economic systems.²⁹

In France, the legislature did not adopt an absolute prohibition of virtual currencies. Nevertheless, it subjected platforms dealing in such currencies to the legal provisions governing payment services and financial supervision. The European Central Bank, for its part, did not regard virtual currencies as legal money, but rather viewed them as a means of exchange and not as a means of payment in the strict legal sense. In the same direction, the European Commission worked to strengthen supervision over actors operating in this field by expanding the scope of anti-money laundering and counter-terrorism financing rules to include virtual currency exchange platforms, in a manner similar to the controls imposed on traditional banking and financial institutions.

In contrast to these cautious or restrictive positions, El Salvador adopted a more open approach. In September 2021, it recognised Bitcoin as official legal tender and authorised its use as a lawful means of payment as of 7 September 2021, thereby becoming one of the first States to grant Bitcoin such legal status.³⁰

Second Subsection: The Arab Position on Virtual Currencies

The Arab position on virtual currencies, as reflected by legislative authorities, monetary institutions, and competent regulatory bodies, is generally characterised by caution and lack of decisiveness. In most Arab legislations, this position has not tended towards an express and direct prohibition of dealings in such currencies; at the same time, it has not reached the stage of full legal recognition or comprehensive regulation.

In the United Arab Emirates, no official position was initially issued that expressly accepted or absolutely prohibited virtual currencies. However, this legislative neutrality did not prevent security, legal, and banking authorities from drawing attention to the risks associated with them. This was reflected in the participation of a number of security, legal, and banking experts in a panel discussion entitled “Anticipating the Future of Digital Currencies and Their Security Dimensions”, held under the patronage of the Deputy Chief of Police and Public Security in Dubai. During this discussion, warnings were issued concerning the multiple risks resulting from the widening circulation of digital currencies, particularly in the absence of a clear legal framework regulating their issuance, circulation, and supervision.

The panel discussion concluded with a number of important recommendations, most notably the call for the issuance of an Emirati digital currency based on blockchain technology and the establishment of a legal framework regulating the circulation of digital currencies. It also recommended amending legislation relating to the combating of money laundering and

²⁹ <https://arabic.rt.com/business/1270565>

³⁰ BBC News, <https://www.bbc.com>.

terrorism financing by incorporating legal provisions prohibiting the use of digital currencies as a means of financing such crimes or concealing them.³¹

In the same context, the Governor of the Central Bank of the United Arab Emirates, on the sidelines of the meetings of the Islamic Financial Services Board Summit held in Abu Dhabi, warned against dealing in virtual currencies, foremost among them Bitcoin and other similar currencies. He further affirmed that the Central Bank had not granted any licence to any company within the State to carry out activities relating to dealings in virtual currencies or to raise funds for the purpose of investing in them. This cautious position is attributable to the anonymous nature of these currencies and to the fact that, in many instances, they fall outside the scope of official financial supervision and control.³²

On the other hand, the Financial Services Regulatory Authority of Abu Dhabi Global Market, the international financial centre in Abu Dhabi, announced that it was reviewing the laws and regulations relating to dealings in virtual currencies. It also clarified that it was working in coordination with competent authorities, experts, and relevant stakeholders to develop a comprehensive regulatory framework based on a risk-mitigation approach, with a view to regulating and supervising brokerage activities and dealings in digital currencies within Abu Dhabi Global Market.

Abu Dhabi Global Market had issued, in October 2017, guidance on the regulatory treatment of initial coin offerings, tokens, and digital currencies within the framework of the financial services and markets regulations applicable in the market. This guidance included a number of clarifications and regulatory details concerning initial coin offering transactions, both for entities seeking to obtain financing and for investors wishing to enter this field. Such transactions include the acquisition of digital tokens reflecting certain investment characteristics, where they are carried out within the regulatory framework established by the Financial Services Regulatory Authority of Abu Dhabi Global Market.

The guidance further indicated that virtual currencies are treated, from an economic perspective, in the same manner as commodities. It also directed a warning to investors seeking to realise high profits through dealings in such currencies, urging them to exercise caution in view of the sharp and continuous price volatility characterising these instruments. The guidance also noted that initial coin offering transactions and virtual currencies may not always be compatible with existing financial laws and regulations.³³

Within the framework of warning against the unlawful uses of digital currencies, the Dubai Electronic Security Center issued a warning concerning one of the virtual currencies promoted under the name “Dubai Coin”. The Center clarified that this currency was not officially approved in the United Arab Emirates, and that the website promoting it was unlicensed and aimed at obtaining individuals’ email data and personal information through electronic forms.

³¹ Mohammed Fouda, “Experts Call for a Legal Umbrella for Trading Digital Currencies in the State”, Emarat Al Youm, Dubai, United Arab Emirates, www.emaratalyoum.com, published on 17 September 2018, accessed on 2 February 2024.

³² Amal Al-Manshawi, “The Central Bank Warns Against Dealing in Encrypted Digital Currencies at Present”, Emarat Al Youm, Dubai, United Arab Emirates, published on 24 October 2017, accessed on 2 February 2019.

³³ Abu Dhabi Global Market, press release published on the Market’s official website, www.adgm.com, accessed on 20 March 2024.

The Center further affirmed that its warning was based on the fact that the said currency constituted a fraudulent scheme, stressing that the Emirate of Dubai did not have any official digital currency as at the date of issuance of that statement.³⁴

In light of the foregoing, it becomes clear that the Emirati position, as a model of the Arab position, is based neither on absolute recognition of virtual currencies nor on their comprehensive prohibition. Rather, it is directed towards caution and the highlighting of risks, while gradually seeking to establish regulatory frameworks capable of controlling this field, particularly with regard to investor protection, the prevention of money laundering, the combating of terrorism financing, and the reduction of forms of electronic fraud associated with these currencies.

As regards the extent to which trading in virtual currencies is subject to the supervision of the competent authorities in the United Arab Emirates, the definition adopted by the Emirati legislator for securities refers to shares, bonds, and financial notes issued by joint-stock companies, as well as bonds and notes issued by the Federal Government, local governments, public authorities, and public institutions in the State, in addition to any other financial instruments, whether domestic or foreign, accepted by the Authority.

On the basis of this definition, virtual currencies do not fall within the concept of securities in the strict legal sense. Consequently, they are not directly subject to the supervision of the Securities and Commodities Authority. This, however, does not preclude a person licensed by the Authority from being subject to supervision in respect of all of his transactions, even where such transactions include dealings in digital currencies. Nevertheless, the basis of such supervision does not lie in the nature of virtual currencies themselves, but rather in the status of that person as a licensee of the Authority.

The same applies to institutions subject to the supervision and oversight of the Central Bank of the United Arab Emirates. There is no express legislative provision establishing that the trading of virtual currencies is subject to the supervision of the Central Bank. Nevertheless, the Central Bank has issued a number of instructions addressed to financial institutions subject to its control, particularly with regard to electronic means of payment. In certain cases, the trading of virtual currencies or speculation in them may also be subject to the supervision of the Ministry of Economy, where certain dealers promote such currencies without obtaining a licence from the Ministry of Economy or from the competent local authorities responsible for granting licences to carry out economic activities.

Turning to the position of the official authorities in Iraq towards virtual currencies in general, and Bitcoin in particular, the Central Bank of Iraq has considered Bitcoin to be an electronic virtual currency traded solely through the Internet and lacking any tangible physical existence. This currency is used in certain online purchase transactions, supports payment through Bitcoin cards, and may sometimes be converted into cash currencies.

However, the Central Bank of Iraq warned that dealing in such currencies entails a number of risks, including cyber piracy and fraud. Although these instruments are not widely circulated

³⁴ Alhurra website, <http://www.alhurra.com>, published on 29 May 2024.

within Iraq, the Central Bank affirmed the necessity of issuing a circular prohibiting their use, while subjecting those dealing in them to the provisions of Anti-Money Laundering Law No. 39 of 2015, in addition to other relevant laws.³⁵

The Algerian legislator has adopted a clear and strict position towards cryptocurrencies, based on prohibition rather than regulation. Algeria has not recognised them as legal tender, as a lawful means of payment, or as a licensed investment instrument. This approach first appeared through the Finance Law for 2018,³⁶ which prohibited the purchase, sale, use, and possession of virtual currency, on the grounds that it is a currency traded through the Internet without any physical medium and without supervision by the monetary authority. This position was subsequently reinforced by Law No. 25-10 relating to the prevention and combating of money laundering and terrorism financing,³⁷ whereby the legislator expanded the scope of prohibition to include the issuance, purchase, sale, use, possession, and promotion of virtual assets, as well as the creation or operation of platforms for their exchange, whether used as a means of payment or as an investment instrument. The law also included cryptocurrency mining among the prohibited acts. It follows that Algeria views cryptocurrencies as a threat to the financial and monetary system and as a potential field for money laundering, terrorism financing, and evasion of regulatory supervision. Accordingly, it has adopted both a preventive and punitive policy, based on prohibiting dealings in such currencies and imposing penalties for violation of that prohibition.

In the State of Kuwait, the Central Bank of Kuwait instructed local banks and companies not to deal in the digital currency “Bitcoin” or any other similar digital currencies, and not to enter into direct or indirect investments in them. Although there is no express legal provision criminalising investment in virtual currencies in Kuwait, the regulatory authorities, foremost among them the Central Bank of Kuwait and the Capital Markets Authority, have issued direct instructions to companies and banks not to invest in such currencies.³⁸

Proceeding from the Central Bank of Kuwait’s concern to promote financial literacy and raise awareness among the various segments of Kuwaiti society, and within the framework of its directives aimed at expanding the role of the Kuwaiti banking sector in the field of social responsibility, the Bank issued a press statement explaining that virtual assets, such as Bitcoin and other similar currencies, cannot be compared with the traditional cash currencies approved in the State. The statement further indicated that dealing in virtual assets issued by unidentified persons and traded under pseudonymous or false names opens the door to risks of unlawful use,

³⁵ Yaqin News Agency website, <https://yaqinnews.net/economy/331456>

³⁶ Law No. 17-11 dated 8 Rabie Al-Thani 1439 corresponding to 27 December 2017, containing the Finance Law for 2018, Official Gazette of the People’s Democratic Republic of Algeria, No. 76, issued on 28 December 2017.

³⁷ Law No. 25-10 dated 28 Muharram 1447 corresponding to 24 July 2025, amending and supplementing Law No. 05-01 dated 27 Dhu al-Hijjah 1425 corresponding to 6 February 2005, relating to the prevention and combating of money laundering and terrorism financing, Official Gazette of the People’s Democratic Republic of Algeria, No. 48, issued on 24 July 2025.

³⁸ Al Arabiya.net, article entitled “The Kuwaiti Central Bank Tightens the Noose on Bitcoin”, 21 February 2021, Al Arabiya, Dubai, United Arab Emirates, <https://www.alarabiya.net/aswaq/economy/21>, accessed on 5 June 2024.

illegal transactions, and money laundering operations. This is due to the fact that such assets are not subject to any central authority or guaranteeing regulatory body. The statement also referred to other risks, including cyberattacks and electronic breaches, in addition to the high energy consumption resulting from mining operations, which means that these currencies not only raise financial risks but may also give rise to environmental risks. [9]³⁹

In the State of Qatar, the Qatar Central Bank issued, in February 2018, a circular addressed to all Qatari banks, prohibiting dealings in virtual currencies in any form whatsoever. This prohibition included exchanging them for any other currency, opening accounts for dealing in them, or sending or receiving transfers for the purpose of purchasing or selling such currencies. The Bank also warned that penalties would be imposed on violating entities in accordance with the provisions of the law. [10]⁴⁰

In the Kingdom of Bahrain, the position has been more inclined towards regulation and containment. The Central Bank of Bahrain clarified, in a statement issued by it, that virtual currencies based on blockchain systems had attracted wide interest at the global level, and that the Bank's directives aimed to bring activities related to crypto-assets within the regulatory framework and subject them to comprehensive regulatory and supervisory measures.⁴¹ This indicates that the position of the Central Bank of Bahrain was not directed towards absolute prohibition, but rather towards containing dealings in such currencies through a specific regulatory framework.

In the Arab Republic of Egypt, the Central Bank prohibited, in January 2018, dealings in virtual currencies and considered such dealings to be contrary to the law. It also decided to pursue and penalise any financial institution trading or dealing in such currencies.⁴² In the Hashemite Kingdom of Jordan, the Central Bank of Jordan, pursuant to a circular issued on 20 February 2014, warned against the use of virtual currencies, which it referred to as "cryptocurrencies", particularly Bitcoin. The Bank considered that investment in such currencies involved significant risks due to the severe fluctuations in their value and the surrounding possibilities of financial crimes and cyber piracy. It also referred to the risk of loss resulting from the absence of any guarantor for such currencies or any real assets backing them. The Central Bank of Jordan subsequently issued another circular confirming the continued prohibition of dealings in all such instruments, foremost among them Bitcoin.⁴³

In Palestine, the Palestine Monetary Authority, at the end of 2017, in its capacity as the supreme authority competent to regulate the banking sector, issued warnings concerning dealings in all types of virtual currencies. This warning was based on the very high risks associated with such instruments, given that they are not guaranteed by any entity and are characterised by substantial fluctuations in value, which may result in serious financial losses for those dealing

³⁹ Central Bank of Kuwait, press statement concerning virtual assets and their risks, State of Kuwait, 21 May 2021, <https://www.cbk.gov.kw/ar/cbk-news>, accessed on 30 May 2024.

⁴⁰ Secretariat of the Council of Arab Central Banks and Monetary Authorities Governors, previously cited, p. 18

⁴¹ Secretariat of the Council of Arab Central Banks and Monetary Authorities Governors, previously cited, p. 17

⁴² Ahmed Hassan Omar, "Bitcoin: A Lawful or Fraudulent Currency?", *Journal of Economics and Accounting*, Issue 667, January 2018.

⁴³ Secretariat of the Council of Arab Central Banks and Monetary Authorities Governors, previously cited, p. 16.

in them. Moreover, the entities and parties issuing or dealing in such currencies are, in most cases, not subject to any licensing or supervision by a competent regulatory authority.⁴⁴

As for the Kingdom of Saudi Arabia, the Saudi Arabian Monetary Authority warned, in a statement published through its official Twitter account on 4 July 2017, against dealing in Bitcoin, in view of the multiple adverse effects that may arise for those dealing in it or accepting it as a means of payment. This warning is attributable to the fact that such currencies operate outside the scope of the regulatory framework adopted in the Kingdom of Saudi Arabia.⁴⁵

A governmental committee comprising a number of regulatory authorities in the Kingdom also issued a statement concerning the trading of virtual currencies, in which it considered such trading to be an unlawful activity. The committee based its position on the adverse effects and significant risks associated with these currencies for traders, since they are not subject to government supervision. It further affirmed that these currencies are not approved as official currencies in the Kingdom, and that no entity or individual is licensed to conduct activities relating to them.⁴⁶

As for the Arab Monetary Fund, it has not issued a clear and decisive position on virtual currencies or on dealings in them. In our view, this hesitation may be attributable to the difficulty of adopting a specific position at this stage, whether by expressly permitting dealings in such currencies or by prohibiting them, given the novelty of these instruments and the complexity of their legal, economic, and regulatory implications.⁴⁷

Third Requirement: The Judiciary's Position on Virtual Currencies

In view of the increasing number of disputes arising from transactions involving virtual currencies, courts in several jurisdictions have sought to determine the legal nature of these newly developed financial instruments, which remain the subject of extensive doctrinal and legal debate. The absence of a unified legislative conception thereof, together with the keenness of tax authorities in various countries to collect revenues arising from transactions related to such currencies, has contributed to a multiplicity of judicial interpretations and approaches, both at the international level and within the European sphere.

With regard to the European judiciary, the Court of Justice of the European Union was called upon to interpret certain provisions of Council Directive 2006/112/EC on the common system of value added tax, particularly Article 2 and Article 135 thereof. Article 2 provides that a number of transactions are subject to value added tax, including the supply of goods for consideration within the territory of a Member State by a taxable person. Article 135 of the same Directive, however, provides for the exemption of certain transactions from such tax, including insurance and reinsurance transactions, related services performed by insurance

⁴⁴Panorama Al-Borsa, specialised electronic bulletin, article entitled "Encrypted Digital Currencies: Their Risks and Mechanism of Operation — Palestine and Its Position on Dealing in Encrypted Digital Currencies", Issue 17, Palestine, June 2018, p. 34.

⁴⁵Yasser bin Abdulrahman Al Abdulsalam, previously cited, p. 7.

⁴⁶Secretariat of the Council of Arab Central Banks and Monetary Authorities Governors, previously cited, p. 17

⁴⁷Thaer Mohammed Al-Ani and Aya Abdul Majeed Diaa Al-Din, previously cited, p. 45.

brokers and agents, as well as the granting, negotiation, and management of credit by the person granting it.⁴⁸

The purpose of requesting an interpretation of the aforementioned provisions was to determine whether Bitcoin falls within the concept of goods or services, thereby rendering the proceeds generated from its trading subject to value added tax, or whether it does not fall within such classification and may therefore benefit from the exemptions granted to financial transactions under the European Union Directive.

The Court of Justice of the European Union concluded that the exemptions provided for under the said Directive primarily concern financial transactions and also extend to services related to money transfers. In adjudicating the dispute before it, the Court held that the parties' acceptance of a virtual currency as a means of exchange is sufficient for it to be recognized as a contractual means of payment. Consequently, such transactions fall within the legal regime applicable to financial transactions exempt from value added tax. The Court further held, in its preliminary ruling, that the exchange of legal currency for virtual currency, or vice versa, although constituting a service, is nevertheless a financial service exempt from value added tax. Accordingly, the Court of Justice of the European Union acknowledged that Bitcoin, in particular, may serve as a means of payment exempt from such tax.

It may be inferred from this judgment that the Court of Justice of the European Union implicitly recognized the notion of contractual money, which may be applicable to virtual currencies. It also acknowledged the capacity of such currencies to function as a means of payment, without classifying them as goods subject to value added tax, particularly with regard to Bitcoin.⁴⁹

As for the United States of America, one federal judge considered Bitcoin to be a currency and a form of money, thereby allowing it to be subjected to governmental regulatory oversight. Nevertheless, the United States Federal Government has not, despite this, gone so far as to officially recognize any virtual currency. Furthermore, in 2017, the United States Securities and Exchange Commission issued a clear warning regarding investment in such instruments, platforms, and electronic markets promoting them, in light of the fraudulent practices and market manipulation witnessed in transactions connected thereto.⁵⁰

Conclusion

Through our study of this subject, we have reached a number of findings, which may be summarized as follows:

1. Virtual currencies are digital units generated through specialized computer systems. They rely on cryptographic technologies and may be used as a means of payment for goods or services, provided that they are accepted by the contracting party.
2. Virtual currencies are generally acquired via the Internet, through digital wallets used on computers or smartphones. Certain companies and commercial entities in a number of countries

⁴⁸ Council Directive 2006/112/EC of 28 November 2006.

⁴⁹ Atheer Salah Ibrahim, previously cited reference, pp. 194–196.

⁵⁰ Tony Rizk, "The Position of Major States on Virtual Currencies," *Al-Joumhouria Lebanese Newspaper*, issue dated 13 August 2018, available at: <https://www.aljoumhouria.com/ar/news/430537>, accessed on 1 September 2025.

have begun accepting them in transactions. They may also be traded between individuals and institutions, or used as an investment and speculative instrument in digital markets.

3. Virtual currencies are characterized by the absence of any tangible physical existence, as they are traded through electronic platforms between individuals and institutions. They further rely on encryption systems and databases that allow the transfer of monetary value rapidly and with a considerable degree of confidentiality, outside the direct supervision of traditional central banks.

4. Virtual currencies operate on a decentralized system, as they are not issued by an official monetary authority and are generally not subject to the supervision of governmental bodies or central banks. Furthermore, they do not bear serial numbers like traditional cash currencies, which distinguishes them from paper money and regulated electronic money.

5. Cryptographic virtual currencies differ from electronic money in terms of their legal and technical nature. Electronic money represents a real monetary value denominated in an official and legally recognized currency, although it is stored and used through electronic means such as cards, applications, or digital accounts. By contrast, cryptographic virtual currencies are generally not linked to any official currency and are not issued by a central bank; rather, they are based on an independent digital system that relies on trust between its users.

6. Cryptographic virtual currencies rely on complex technologies, beginning with their creation process, commonly referred to as mining, and continuing with their circulation over the Internet according to the peer-to-peer principle, without the need for a central intermediary. This is achieved through cryptographic techniques and blockchain technology, which enables transactions to be recorded and verified through a distributed digital system that is difficult to manipulate.

7. Many legal systems, including the Algerian legal system, still do not recognize cryptographic virtual currencies as legal tender, due to the legal and regulatory concerns they raise in relation to financial supervision, user protection, anti-money laundering, and counter-terrorism financing.

Recommendations

On the basis of this study, we have reached a number of recommendations, which may be set out as follows:

1. It is necessary to establish a clear and comprehensive legal framework regulating dealings in virtual currencies, in order to prevent this field from remaining subject to ambiguity or fragmented interpretations, particularly in light of the increasing spread of such currencies through the Internet.

2. A precise distinction should be made between electronic money and cryptographic virtual currencies, since confusion between them makes it difficult to determine the legal nature of each. Electronic money is linked to an officially recognized currency, whereas cryptographic currencies are based on an independent and decentralized digital system.

3. Supervision over electronic platforms dealing with virtual assets should be strengthened, particularly with regard to user identity verification and the monitoring of suspicious transactions, in order to reduce the risks of money laundering, terrorist financing, and electronic fraud.

4. Individuals and investors should be made aware of the risks associated with cryptographic currencies, especially those relating to the volatility of their value, the potential loss of funds as a result of hacking or fraud, and the absence of sufficient legal protection in certain jurisdictions.
5. National legislation should keep pace with modern technological developments, particularly blockchain technology. The regulation of cryptographic currencies should not be limited solely to prohibition or restriction; rather, it should also involve a proper understanding of the technical aspects on which such currencies are based.
6. International and Arab cooperation in combating the unlawful use of virtual currencies should be strengthened, given that such currencies are transnational in nature and that no State can effectively address their risks in isolation.
7. The Algerian legislator is called upon to continue developing legal provisions relating to virtual assets, while taking into account the need to strike a balance between protecting the national financial system from risks and benefiting from modern technological developments in the financial and digital sectors.
8. The role of the judiciary should be supported in developing clear jurisprudence concerning disputes related to virtual currencies, particularly those involving seizure, compensation, ownership, and civil or criminal liability arising from dealings in such currencies.
9. The subject of virtual currencies should be incorporated into legal and financial training programs, so that judges, lawyers, researchers, and financial officials may be better equipped to understand their nature, risks, and legal implications.

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