



The Edge Economic Update

Cryptocurrencies Global Trends and GCC Developments

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Cryptocurrencies: Global Trends and GCC Developments

Introduction

Cryptocurrencies have moved from the fringes to mainstream awareness over the past few years. Global ownership of crypto assets has surged dramatically – from around 65 million people in 2020 to over 700 million by April 2025. Recent estimates indicate that roughly 861 million individuals worldwide use cryptocurrencies as of 2025, equivalent to about 11% of the global population. This explosive growth underscores a broadening acceptance of digital assets, driven by increased digital access, interest in decentralized finance, and new use cases. At the same time, virtual currencies (a broad term encompassing cryptocurrencies and similar digital tokens) remain a subject of significant volatility, regulatory debate, and technological evolution. This report provides an updated overview of the global cryptocurrency landscape and examines developments in the Gulf Cooperation Council (GCC) region, incorporating the most current data as of September 2025.

Virtual Currencies Overview

Not all digital currencies are the same. Virtual currency is a broad term for any digital representation of value that can be exchanged or transferred digitally, but that is *not* issued by a government as legal tender. Below we distinguish the major types of virtual currencies:

- **Cryptocurrencies:** Decentralized digital currencies secured by cryptography and typically operating on a blockchain network. They are not issued by any central authority and rely on distributed networks of computers to validate transactions. Bitcoin – launched in 2009 – was the first cryptocurrency, introducing a public ledger (blockchain) and a *proof-of-work* consensus mechanism where miners solve cryptographic puzzles to validate transactions. Other cryptocurrencies like Ethereum extended this by enabling *smart contracts* (self-executing code) on the blockchain, which opened the door to decentralized applications. Cryptocurrencies are known for price volatility and are not considered legal tender in most jurisdictions, but they can be traded or used as a medium of exchange among participants in their network.
- **Stablecoins:** A subset of cryptocurrencies designed to maintain a stable value by pegging their price to an external reference such as a fiat currency (e.g. USD) or a commodity. For example, a stablecoin may be backed 1:1 by U.S. dollar reserves or other collateral. The peg mechanism can be collateralized (backed by reserves held off-chain or on-chain) or algorithmic (using smart contracts and market incentives to hold a stable price). Stablecoins aim to combine the benefits of crypto (fast, borderless transactions) with price stability. However, they are not risk-free – failures have occurred, such as the collapse of the algorithmic stablecoin TerraUSD in 2022 which caused roughly \$60 billion in losses.



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- **Central Bank Digital Currencies (CBDCs):** CBDCs are digital versions of sovereign fiat currencies, issued and regulated by central banks. Unlike cryptocurrencies, a CBDC is a direct liability of the central bank (just like cash) and is backed by the state. CBDCs can be designed for retail use (by the general public) or for wholesale (bank-to-bank transfers). Dozens of central banks worldwide are researching or piloting CBDCs as a way to improve payment efficiency, financial inclusion, and to modernize the monetary system in an era of declining cash usage. A key distinction is that while cryptocurrencies operate on permissionless blockchains, a CBDC is typically implemented on a permissioned network under central bank control, giving authorities leverage over monetary policy and data – albeit raising questions about privacy.
- **Electronic Money (E-Money):** E-money refers to digitally stored fiat currency value, typically fully backed by fiat reserves and used for electronic payments. It is essentially a digital equivalent of cash pre-paid into an account or wallet. Common examples include money in online payment platforms or mobile wallet systems (for instance, M-Pesa in Kenya or AliPay/WeChat Pay in China). E-money is not decentralized – it’s issued by private companies or banks – but it is tightly linked to official currencies (often at a 1:1 peg). Some definitions of e-money overlap with stablecoins (when private companies issue tokens fully backed by fiat), so the terminology can blur. The IMF defines e-money broadly as any digital payment store of value backed by fiat and accepted as a means of payment. The stability comes from full backing and regulation, but users rely on the issuer’s integrity to redeem the value.
- **In-Game Currencies and Closed Virtual Currencies:** These are digital tokens used within specific online platforms or games. They have no official fiat backing and usually cannot be converted into real money (making them a form of *closed* virtual currency). Examples include gold coins in video games or reward points in a loyalty program. Such currencies are issued by private entities for use in a controlled ecosystem – for instance, spending *V-Bucks* in Fortnite or Linden Dollars in Second Life. They function as a medium of exchange *only* in their respective environment and typically are not legally recognized outside it]. If an in-game token can be traded or cashed out for real money on secondary markets, it would be considered an *open* virtual currency. Generally, in-game currencies are meant for entertainment or platform-specific utility, and while they may hold *perceived* value to users, they lack the broader acceptability of cryptocurrencies or e-money.

Relationship between these terms: In essence, all cryptocurrencies, stablecoins, and game tokens can be considered *virtual currencies*, but not all virtual currencies are cryptocurrencies. Cryptocurrencies are distinguished by their use of cryptographic blockchain protocols and decentralization. Stablecoins bridge crypto and traditional money by pegging value. CBDCs and e-money represent digital forms of *fiat* currency (public and private, respectively) and are typically excluded from the term “virtual currency” in a regulatory sense because they are official or regulated money. It’s important to note that these definitions continue to evolve as technology and regulations develop.



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Global Cryptocurrency Landscape

Widespread Adoption and Market Trends

Cryptocurrency adoption worldwide has expanded rapidly through 2023–2025, despite periods of market turbulence. By early 2025, the number of crypto owners globally reached unprecedented levels. Crypto.com research reported over 700 million global crypto owners in April 2025, reflecting a staggering 163% compound annual growth rate since 2020. Other analyses show a similar trend: Statista estimates about 861 million crypto users in 2025 (approximately 11% of the world's population), up from roughly 560 million in 2024. This growth has been fueled by greater digital infrastructure, interest in assets outside traditional finance, and increased institutional adoption. Notably, emerging markets have contributed significantly – for example, India alone now has over 100 million crypto users, the largest national user base.

In terms of market size, the global cryptocurrency market has rebounded from the 2022 “crypto winter.” The total market capitalization, which had fallen below \$1 trillion after late-2021 highs (near \$3 trillion), recovered to roughly \$1.1–1.2 trillion by mid-2025 (fluctuating with asset prices). More importantly, on-chain activity globally surged in late 2023 and early 2024. According to Chainalysis, by the first quarter of 2024 the total value of global crypto transactions had increased substantially, even exceeding the peaks of the 2021 bull market. This suggests that usage and liquidity in crypto markets have grown broader and more resilient. Part of the renewed momentum in 2023–2025 came as major financial institutions showed interest in crypto: for instance, several large asset managers filed for Bitcoin exchange-traded funds, and payment giants integrated stablecoins for settlements. Retail and institutional confidence gradually returned after the industry setbacks of 2022, aided by clearer regulatory signals in some jurisdictions. By 2025, cryptocurrencies are being used

not only for trading or speculation, but also in payments (e.g. lightning network Bitcoin payments adopted by some merchants), remittances, and decentralized applications, indicating an evolving market maturity.

Volatility, however, remains an inherent feature of crypto markets. Bitcoin, the largest cryptocurrency, continues to exhibit higher price volatility than most traditional assets – about 3.6 times more volatile than gold and 5.1 times more volatile than broad equities as of mid-2025. Large price swings and periodic drawdowns (50% or more) have occurred regularly in Bitcoin's history, and other cryptocurrencies can be even more erratic. Nonetheless, volatility has moderated somewhat over time: industry analysis shows Bitcoin's price fluctuations have been gradually declining as the market matures and liquidity deepens. In fact, during certain periods in late 2023, Bitcoin's short-term volatility dropped below that of dozens of S&P 500 stocks, illustrating how it is slowly integrating



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into the spectrum of accepted financial risks. Still, the asset class is far from stable – sharp corrections (e.g. the 2022 collapse of some crypto firms and assets) highlight ongoing instability. Investors and economists remain wary that rapid shifts in crypto markets could have spillover effects, especially if traditional financial institutions gain more exposure.

Regulatory Developments and Institutional Stance

The regulatory landscape for cryptocurrencies globally between 2023 and 2025 has been characterized by significant activity, as lawmakers and international bodies respond to the sector's growth. Major economies have introduced comprehensive crypto regulations. Notably, the European Union finalized its Markets in Crypto-Assets (MiCA) law – a landmark framework that took effect in 2024–2025. MiCA establishes uniform rules for crypto-asset issuers and service providers across the EU, mandating transparency, disclosure, licensing, and consumer protection measures aimed at supporting market integrity and financial stability. It

is one of the first regulatory regimes of its kind and is expected to set standards that other jurisdictions may follow. The United Kingdom has likewise incorporated crypto-assets into its financial regulations (updating its Financial Services and Markets Act in 2023 to cover digital assets), and other countries such as Japan, Singapore, and Switzerland have continued refining their already-progressive crypto rules in 2025. The goal in many of these markets is to strike a balance between fostering innovation and mitigating risks, through licensing exchanges, enforcing anti-money-laundering (AML) standards, and supervising crypto products under securities or commodities laws.



The image symbolizes the intersection of law and digital currencies. It highlights how cryptocurrencies such as Bitcoin (BTC) and Dogecoin (DOGE) increasingly operate under the scrutiny of regulators and central banks worldwide. The gavel represents the legal frameworks and enforcement actions that shape the future of virtual assets. In several countries, cryptocurrencies are banned or heavily restricted due to risks such as volatility, money laundering, consumer protection gaps, and financial instability.

At the same time, several governments remain cautious or outright hostile toward cryptocurrency. Around 10 countries ban cryptocurrencies outright, and many others impose strict restrictions. For example, China maintains a blanket ban on crypto trading and mining (since 2021), and in the Middle East, Kuwait's regulators issued a wide-ranging prohibition in July 2023. Kuwait's Capital Markets Authority and central bank announced an “*absolute prohibition*” on virtually all crypto activities – including use of crypto for payments or investment, and barring local firms from offering crypto services. The authorities cited concerns over illicit finance and the fact that cryptocurrencies lack legal status or backing. This patchwork of approaches globally underscores a



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significant regulatory risk for the industry (explored further in *Key Risks*): businesses and users face uncertainty as rules differ dramatically by jurisdiction and can change rapidly. Indeed, the IMF (International Monetary Fund) in 2023 warned that the widespread adoption of crypto assets could threaten monetary stability and urged member countries to develop coordinated policies. The IMF's Executive Board explicitly recommended against granting cryptocurrencies legal tender status (a message aimed at countries like El Salvador) and advised that while outright bans are a last resort, they "should not be ruled out" if required for financial stability. Global standard-setters such as the Financial Stability Board (FSB) and the Bank for International Settlements (BIS) have echoed concerns about unregulated crypto, publishing guidelines in late 2023 and 2024 for how banks and financial institutions should manage crypto-asset exposures.

Central banks have concurrently accelerated work on Central Bank Digital Currencies (CBDCs) as a stable, regulated digital alternative. By September 2025,

around 130 countries are exploring or piloting CBDCs (either retail or wholesale), according to tracking by organizations like the Atlantic Council. In an influential June 2025 report, the BIS went so far as to argue that stablecoins (privately issued, fiat-pegged cryptocurrencies) do not satisfy foundational principles of "sound money" and carry systemic risks, urging central banks to "move rapidly" toward issuing their own digital currencies. The BIS warned that widely used stablecoins could undermine monetary sovereignty – for instance, if an emerging market's citizens adopt a US-dollar stablecoin en masse, it could facilitate capital flight and weaken the local currency. The U.S. and EU are accordingly crafting stricter stablecoin regulations (the U.S. had a draft law on dollar stablecoin oversight by mid-2025, and the EU's MiCA imposes reserve and supervision requirements on stablecoin issuers). These regulatory moves reflect a broader institutional acceptance of blockchain technology's potential (for faster payments, tokenized financial assets, etc.) paired with caution about letting privately issued currencies proliferate unchecked.

In summary, globally we see a bifurcation: many governments are integrating crypto into existing financial frameworks (through regulation, taxation, and even their own digital currencies), while others are cracking down or staying on the sidelines. International financial institutions (IMF, World Bank, BIS) uniformly call for robust oversight to address risks like consumer protection, money laundering, and systemic stability. This evolving regulatory patchwork is shaping the next phase of crypto's growth: industry players now operate in a more regulated environment in major markets, but also face uncertainty in regions where policy remains in flux or hostile. The impact is evident in market behavior – for example, announcements of potential ETF approvals or legal clarity have tended to boost crypto prices, whereas news of bans or enforcement actions (such as lawsuits against crypto exchanges in the US) have caused volatility. Overall, as of 2025, cryptocurrencies are "too significant to ignore," prompting governments worldwide to actively decide how to embrace or restrict this new asset class.



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Cryptocurrencies in the GCC Region

Regional Overview: The GCC countries (Kuwait, Bahrain, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) have diverse approaches to virtual assets, reflecting different economic strategies and risk perceptions. In global terms, the GCC’s crypto market is still relatively nascent but growing steadily. The total cryptocurrency market size in the GCC was about \$744 million in 2024, a small fraction of global volume, but is projected to reach roughly \$792 million by the end of 2025. User penetration in the GCC is comparatively high – an estimated 19.3% of the GCC population may have some exposure to crypto by 2025, which is above the global average (driven in part by youthful populations and high internet/smartphone usage in several member states). This indicates a paradox: despite strict regulations in some GCC countries, organic adoption has occurred (often through peer-to-peer use or overseas platforms), and the region shows strong interest in fintech innovation. Each GCC country’s stance ranges from

“crypto-friendly” and proactive to extremely restrictive, as detailed below. All six states are also exploring Central Bank Digital Currencies in some form, seeing potential to enhance financial infrastructure and reduce reliance on external payment systems.

Kuwait

Kuwait stands at the far conservative end of the spectrum regarding cryptocurrencies, having effectively outlawed almost all crypto-related activities. In mid-2023, Kuwait’s financial regulators took a decisive stance to reinforce a total ban on cryptocurrencies. In July 2023, the Capital Markets Authority (CMA), along with the Central Bank and Ministry of Commerce, issued circulars implementing an “absolute prohibition” on dealing in virtual assets. Under this policy, it is illegal in Kuwait to use crypto as a means of payment, to invest or trade in crypto assets, or to mine cryptocurrencies. The regulators also barred Kuwaiti authorities from licensing

any crypto businesses – meaning no exchanges, ATM providers, or firms can legally operate, and existing business licenses would not cover crypto activities. The CMA’s announcement explicitly warned that cryptocurrencies “have no legal status and are not supported by any government” and that their prices are driven by speculation, exposing users to sharp losses. Kuwait’s stance is rooted in concerns over scams, the use of crypto in money laundering, and the desire to comply with FATF Recommendation 15, which urges countries to mitigate risks from virtual assets. Indeed, Kuwait’s crypto ban was put in context of the country’s efforts to combat illicit finance and was aligned with recommendations from its National Anti-Money Laundering Committee.

Prior to this formalized ban, Kuwait had not been friendly to crypto – but people were unclear on the rules. The 2023 action removed any ambiguity: Kuwait now unequivocally prohibits crypto



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trading and investments for both individuals and institutions. Violations would presumably fall under existing anti-fraud or AML laws, which carry penalties. The only exception in the circular was that securities regulated by the Central Bank or CMA (like digitized bank products) are not considered “virtual assets” and thus not banned. This suggests that while something like Bitcoin is banned, a locally issued digital security token might be handled differently if it’s within the traditional regulatory perimeter (however, there’s no indication Kuwait is pursuing that either at this time).

As a result of this policy, Kuwait has essentially exited the crypto market. There are no licensed exchanges in Kuwait, and any Kuwaiti interested in crypto must do so in other jurisdictions (at their own risk, potentially violating Kuwaiti law if they are considered to be transacting while in Kuwait). The ban extends to crypto mining as well – important given that some Gulf countries with cheap electricity could be mining hubs, but Kuwait will not allow it. Advertising or promoting crypto is also likely banned under the broad prohibition

(which includes “solicitation” related to crypto).

Kuwait’s approach underscores a prioritization of financial security and regulatory caution over innovation in this domain. It’s worth noting Kuwait is in the midst of broader financial reforms and anti-corruption efforts, and it appears the authorities determined that crypto’s downsides outweigh potential benefits for now. The official line is that crypto assets do not align with Kuwait’s monetary and regulatory frameworks and pose unnecessary risks to the public.

Looking ahead, unless there is a significant shift, Kuwait may remain a no-crypto zone until and unless globally standardized regulations emerge that satisfy its concerns. The Central Bank of Kuwait has been quieter about CBDC compared to its neighbors, but it is studying digital currency options in the context of modernizing financial services. Should Kuwait ever introduce a digital dinar (CBDC), it would be tightly controlled by the state – and the current blanket ban on private crypto might actually smooth such a rollout by

eliminating competition or confusion with unofficial coins. For now, however, Kuwait’s position is one of the strictest globally: virtual currencies have no place in the Kuwaiti financial system, and the focus is on preventing their usage to safeguard consumers and prevent money laundering.

United Arab Emirates (UAE)

The UAE is widely regarded as the GCC’s crypto pioneer and hub. It has embraced digital assets as part of a national strategy to diversify the economy and become a global fintech center. Clear regulatory frameworks have been implemented to govern cryptocurrencies, setting the UAE apart regionally. At the federal level, the Securities and Commodities Authority (SCA) regulates crypto asset activities under a 2022 Cabinet Resolution, which requires licensing of virtual asset service providers (VASPs) and compliance with AML/CFT rules. To accommodate innovation, the UAE uses a multi-tiered regulatory approach: jurisdiction is split among federal authorities and the country’s financial free zones. In particular, Dubai established the Virtual



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Asset Regulatory Authority (VARA) in 2022, a dedicated regulator for virtual assets in the Emirate (outside the Dubai International Financial Centre). VARA issued comprehensive rulebooks in early 2023 covering licensing, custody, compliance, and investor protection. Abu Dhabi's free zone, the Abu Dhabi Global Market (ADGM), was actually one of the world's first jurisdictions to create tailored crypto regulations (since 2018) and continues to update its framework via the Financial Services Regulatory Authority. Meanwhile, the Central Bank of the UAE oversees aspects like stablecoins and stored-value digital payments nationally.

Crucially, coordination between UAE regulators has improved. In September 2024, the SCA (federal regulator) and VARA (Dubai's regulator) signed an agreement to unify licensing procedures across the country. Now, a crypto firm licensed by VARA in Dubai is automatically recognized by the SCA for operations in other Emirates (except the separate ADGM/DIFC zones), and firms outside Dubai can be licensed directly by SCA. This cooperation streamlines oversight and cements the UAE's

reputation as having one of the most robust regulatory environments for crypto. By 2025, numerous international crypto companies and exchanges have set up in the UAE under these regulations – for example, Binance, Kraken, and Crypto.com obtained licenses to operate in Dubai or ADGM, drawn by the clear rules and the UAE's fintech-friendly policies. The government actively courts blockchain and Web3 ventures as part of its "Dubai Metaverse Strategy" and wider innovation agenda.

Another area the UAE leads in is integration of crypto into mainstream finance. In late 2024, the UAE's central bank approved the country's first fully regulated stablecoin. Issued by a consortium of UAE institutions, the AE Coin is a dirham-backed stablecoin intended for use in domestic commerce and payments. AE Coin was introduced as legal, digital tender on a limited scale, highlighting the UAE's balanced approach – leveraging crypto technology under central bank oversight. Additionally, Abu Dhabi's government-related entities made headlines by investing in global crypto ventures (e.g. in

April 2025, Abu Dhabi's ADQ fund and partners announced a new dirham stablecoin and a local group invested \$2 billion in the Binance exchange as a strategic bet). These moves underscore the UAE's commitment to positioning itself as the regional hub for digital assets and blockchain finance.

From a policy perspective, the UAE views crypto and virtual assets as an opportunity, provided risks are managed. Authorities routinely issue guidance to banks on handling crypto clients (the central bank released extensive guidelines in 2023 on risk management for VASPs). Investor protection campaigns (such as the SCA's "Be Crypto Aware" initiative) educate the public on crypto risks. Enforcement actions have also been taken – VARA has the power to impose fines or suspend licenses for non-compliance. Thus, the UAE has adopted a "regulate to innovate" posture: it neither bans crypto nor gives it free rein, but instead integrates it into the financial system under careful supervision. This approach seems to be paying off; by 2025 the UAE is the Middle East's largest



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crypto market by volume and hosts a growing crypto ecosystem.

Finally, the UAE is forging ahead with state-backed digital currency plans. The Central Bank of UAE (CBUAE) announced that it will launch a digital “Digital Dirham” CBDC in late 2025, starting with a retail CBDC to be legal tender for consumers. The Digital Dirham project will also cover wholesale interbank uses and cross-border settlements, and is part of the UAE’s broader “Financial Infrastructure Transformation” program. By introducing a CBDC, the UAE aims to modernize payments while maintaining monetary sovereignty – a strategy aligned with the BIS and other central banks’ push for tokenized central bank money. The UAE’s participation in cross-border CBDC experiments (like Project mBridge with other Asian central banks) and its domestic Digital Dirham rollout will further cement the country’s leadership in digital currency innovation in the GCC.

In summary, the UAE has the region’s most advanced and welcoming environment for virtual assets, marrying

ambitious adoption targets with strong regulatory frameworks. Government support at the highest levels – exemplified by Dubai’s ruler stating the goal to make the UAE a global player in virtual assets – underpins this trajectory. The country sees blockchain and crypto as integral to its future economy (as evidenced by initiatives from smart city projects to tokenized trade finance), and it continues to refine laws to balance innovation with investor protection.

Saudi Arabia

Saudi Arabia has adopted a markedly cautious stance toward cryptocurrencies compared to the UAE, guided by both financial risk concerns and Islamic finance principles. As of 2025, there is no specific law in Saudi that legalizes or regulates cryptocurrency trading; at the same time, there is an *implicit ban* on certain crypto activities. The Saudi Central Bank (previously SAMA) and the Capital Market Authority have repeatedly warned since 2018 that cryptocurrencies are not recognized legal assets and that dealing in them is highly risky. In 2019, the Saudi Ministry of Finance issued an official statement advising the public

against investing or trading in crypto, noting these assets are outside official supervision and not considered legal tender. Saudi banks are prohibited from processing cryptocurrency transactions unless explicitly approved by regulators, which in practice means that local banks and financial institutions do not facilitate any crypto exchange or custodial services. In short, crypto trading is effectively not allowed within the regulated financial system in Saudi Arabia – there are no licensed exchanges operating in the country as of 2025, and any such services are unambiguously illegal for domestic companies to offer.

However, this does not mean zero crypto activity. Paradoxically, Saudi Arabia is estimated to be the region’s second-largest crypto market by user adoption (after the UAE). Strong grassroots interest – particularly among the youth demographic that makes up a majority of the population – has driven many Saudis to access crypto through peer-to-peer markets or offshore platforms. Chainalysis data indicate that Saudi Arabia showed high levels of crypto transaction volumes informally,



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suggesting that despite the official stance, many individuals trade or invest in crypto on their own. The government tacitly acknowledges this interest but has so far prioritized a conservative approach to avoid potential Shariah-compliance issues and consumer harm. In Islamic finance, there have been debates on whether cryptocurrencies are permissible; Saudi authorities have not outright declared them haram, but the uncertainty and speculative nature make regulators reluctant to endorse them.

Instead of public crypto adoption, Saudi Arabia's focus has been on blockchain technology and controlled digital assets. The Saudi Central Bank has actively explored Central Bank Digital Currency. In 2019, SAMA partnered with the UAE's central bank in Project Aber, which successfully tested a joint Saudi-UAE wholesale CBDC for cross-border bank settlements. More recently, in 2024, Saudi Arabia joined the BIS-led Project mBridge, a pilot involving multiple central banks (including China, UAE, Hong Kong) to use CBDCs for international payments. These projects signal that while Saudi Arabia disallows

private crypto trading, it is keen to harness distributed ledger technology for official monetary uses. The government also encourages blockchain development in non-currency contexts – for example, deploying blockchain for supply chain management, digital identities, or tokenization of assets. In the private sector, Saudi banks and corporations are investing in tokenization projects (the Carnegie report notes that institutions like Riyadh Bank and others have been working with international partners on tokenizing trade finance and bonds). Additionally, the Kingdom's Vision 2030 program, which emphasizes digital economy diversification, includes support for fintech sandboxes. The Fintech Saudi initiative and SAMA's regulatory sandbox have allowed limited testing of certain digital asset products (though not open cryptocurrency exchanges, which remain off-limits).

In summary, Saudi Arabia's current policy can be described as “cautious exploration.” Public cryptocurrency trading is officially discouraged or banned for now, due to concerns about fraud, volatility, and religion-compliance. But

the government is not ignoring the crypto revolution – it is studying and selectively adopting the underlying technologies in a controlled manner. Saudi regulators often reiterate that unlicensed crypto investing is against the law (to protect citizens from scams and losses), and there have been crackdowns on local marketing of crypto schemes. Yet simultaneously, Saudi Arabia is arguably preparing for a future where digital assets play a role: it is building fintech infrastructure, educating talent in blockchain (e.g. through the Saudi Digital Academy), and preparing the groundwork for a potential CBDC (a “digital riyal”) should the decision be made to launch one. Officials have indicated that a retail CBDC is under study, and any launch would be gradual and only happen if it adds value to the monetary system. As of 2025, no retail CBDC has been issued, but the intention is clearly to keep pace with global developments so that Saudi Arabia “will not be left behind” in digital finance, even as it maintains strict control. We may see Saudi Arabia introduce more formal crypto regulations in the coming years (draft laws have been rumored), but for now the stance is “wait and see, while



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building capacity”. Investors in the Kingdom typically access crypto markets abroad or through informal channels, which is a situation the government will likely address once a regulatory framework is eventually put in place.

Bahrain

Bahrain has taken a progressive and regulation-focused approach toward cryptocurrencies, aiming to become a fintech hub while ensuring robust oversight. In fact, Bahrain was one of the first GCC countries to establish a regulatory framework for crypto-assets: as early as 2019, the Central Bank of Bahrain (CBB) issued regulations on “crypto-asset services” and allowed crypto companies to operate within a regulatory sandbox. By 2022–2023, Bahrain had fully integrated crypto-assets into its financial regulations. The CBB classifies crypto-assets as a type of financial instrument and has amended its rulebooks to include licensing requirements for crypto exchanges, brokers, and custodians. In 2023, the CBB further updated its crypto-asset regulatory framework – classifying crypto assets explicitly as securities and

strengthening AML/CFT rules for crypto activities. This update aligned Bahrain’s rules with FATF standards and clarified that crypto businesses must follow the same compliance and reporting standards as other financial institutions. As a result, several cryptocurrency exchanges have been licensed in Bahrain, serving not just the local market but the broader Middle East under Bahrain’s supervision. For example, Rain Financial – one of the region’s first licensed crypto exchanges – has been regulated by the CBB since 2019. Bahrain’s relatively small size and proactive regulator have made it an attractive “test bed” for crypto innovation within a controlled environment.

From a market standpoint, Bahrain’s domestic crypto market is the smallest in the GCC (owing to its small population), but it punches above its weight in terms of regulatory advancements. The government’s attitude is that embracing fintech will support its role as a regional banking center. Bahrain already had a reputation for being financially liberal (it was an early adopter of open banking in the region, for instance), and crypto fits into that narrative. The CBB’s approach

has been to prioritize investor protection and infrastructure over rapid adoption. All crypto service providers must be licensed and are subject to supervision. There are rules around customer funds segregation, capital adequacy for exchanges, and cybersecurity requirements. In 2024, Bahrain even updated its crowdfunding and open finance regulations to incorporate tokenized securities, showcasing an effort to integrate traditional finance with digital asset technology.

Additionally, Bahrain has explored wholesale CBDC and payment innovation. It participated in the JP Morgan-led “Project Jasar” and other trials using JPM’s blockchain network for cross-border payments. According to Carnegie’s research, Bahrain has run several interoperability tests for cross-border transfers (for example, linking with JP Morgan’s blockchain for settlement) and is now in a piloting stage for its own CBDC or digital payment initiatives. Being a smaller economy, Bahrain likely sees participation in such pilots as crucial to staying technologically relevant.



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In summary, Bahrain’s strategy is “innovation with compliance.” It actively courts crypto businesses (for instance, Binance obtained a Category 4 license in Bahrain in 2022) under clear regulatory conditions. Bahrain’s example demonstrates that smaller states can leverage forward-thinking regulation to attract fintech investment. As of 2025, Bahrain has successfully positioned itself as a regulated haven for crypto in the Gulf, second only to the UAE. Its experience also provides a blueprint for how to implement crypto oversight (Bahrain’s regulations have influenced discussions in other countries). For users and investors, Bahrain offers the highest legal certainty in the region regarding crypto operations, backed by the CBB’s relatively stringent but enabling framework. Going forward, Bahrain is expected to continue updating its rules in line with global standards, ensuring that as the crypto market matures, the country remains a compliant yet competitive destination.

Oman

Oman’s approach to cryptocurrencies has evolved recently from near-prohibition to

measured openness under a new regulatory framework. Historically, Omani authorities were cautious – the Central Bank of Oman had warned in the past that cryptocurrencies were unregulated and not legal tender. However, recognizing the growing global trend, Oman has moved to create a legal structure for crypto-assets. In early 2023, Oman’s Capital Market Authority (now referred to as the Oman Financial Markets Authority, FMA) announced the preparation of a regulatory framework for virtual assets. By late 2023, Oman issued a “provisional regulatory framework” governing Virtual Asset Service Providers (VASPs). This framework outlined licensing requirements for any entity offering crypto exchange or custody services in Oman and set AML/CFT obligations for these entities in line with FATF guidance. Essentially, Oman decided to permit crypto activities but only under strict government oversight. As part of this initiative, Oman opened applications for VASP licenses – signaling that it is willing to allow exchanges or fintech firms to operate, subject to meeting security and compliance standards.

Though the regulations were initially provisional, they have already led to tangible progress. Notably, the Omani government has licensed at least two companies to establish cryptocurrency mining and data centers in the country. This is significant, as it suggests Oman sees opportunity in the crypto mining sector (perhaps leveraging Oman’s relatively low energy costs or excess energy capacity). By licensing mining operations, Oman is carving a niche in the infrastructure side of crypto, while still working on rules for trading and exchange services. It was reported in mid-2023 that Oman invited proposals for a national crypto exchange; as of 2025, an exchange has not launched yet, but groundwork is likely being laid under the new regulatory regime.

Oman’s cautious acceptance can be linked to its broader economic strategy. The Sultanate is aiming to become a technology-friendly investment destination. In doing so, it likely observed its neighbors (UAE, Bahrain) benefiting from fintech and didn’t want to be left behind. That said, Oman still emphasizes risk mitigation. The FMA’s statements



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stress that virtual assets are not legal tender in Oman and any permitted activity must not compromise financial stability or allow illicit finance. We can expect Oman to issue full-fledged legislation or royal decrees solidifying the crypto framework in the near future (the provisional guidelines are the first step). Oman's relatively late move into crypto regulation (compared to UAE/Bahrain) might actually allow it to incorporate best practices and standards that have since developed globally.

In conclusion, Oman is transitioning from a stance of implicit disapproval to one of controlled facilitation. By 2025, it is possible for crypto businesses to legally operate in Oman if they secure proper licenses – a change from a few years ago when no such pathway existed. The government's decision to license mining firms shows an interest in participating in the crypto economy's backend operations. As its framework matures, Oman could authorize exchanges or digital asset custodians domestically, which would enhance consumer protection for Omani crypto users (who previously had to rely on foreign

platforms). For now, Oman's approach can be summed up as “regulation-first, then adoption”, ensuring all necessary safeguards are in place as it cautiously opens the door to the crypto industry.

Qatar

Qatar has taken one of the most restrictive approaches to cryptocurrencies in the world, although there are recent signs of a slight softening in a specific context. Since 2018, the Qatar Central Bank (QCB) has effectively banned local banks and financial institutions from dealing in cryptocurrencies. An outright directive was issued stating that crypto trading is not allowed and that violators could face penalties. This policy stemmed from concerns about fraud, money laundering, and monetary sovereignty (and possibly considerations of Shariah compliance similar to Saudi Arabia's). As a result, cryptocurrency exchanges and businesses have not been permitted to operate openly in Qatar, and the use of crypto for payments is prohibited. Qatar notably did not allow any crypto promotions even during events like the 2022 FIFA World Cup; ATMs for

converting crypto were not available due to regulatory disapproval.

However, in the past year or two Qatar has started exploring the crypto space within controlled frameworks. The key development is through the Qatar Financial Centre (QFC) – a special business zone in Doha with its own legal and regulatory environment for financial services. The QFC Regulatory Authority in 2023 introduced a “Digital Assets Framework”, aimed at allowing certain virtual asset activities under QFC jurisdiction. This framework, which is expected to be finalized and implemented by mid-2025, covers aspects like tokenization of real-world assets, digital asset custody, and likely restricted cryptocurrency services for institutional clients. Importantly, the QFC's rules still exclude public trading of volatile cryptocurrencies – in fact, the QFC authority clarified that pure cryptocurrencies (like Bitcoin or Ether) and stablecoins are considered “excluded tokens” that are not permitted under the new framework. Instead, the focus is on permissible digital assets such as security tokens, digital representations of



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investments, and other blockchain-based financial instruments. Essentially, Qatar is distinguishing between speculative crypto and potential uses of tokenization. Under the QFC framework, a company could tokenize real estate or issue a digital bond, for instance, which the QFC would regulate. This is a cautious way to dip into digital assets without embracing cryptocurrency trading outright.

Additionally, Qatar established a “distinct regulatory zone for digital assets” – often interpreted as a special economic zone or sandbox – to foster fintech innovation. The Qatar Free Zone Authority has also been active in attracting blockchain startups, albeit under tight oversight. These steps indicate that Qatar recognizes the potential of blockchain and tokenization (especially for things like trade finance or digital securities), even if it remains deeply skeptical of cryptocurrency as a medium of exchange or investment for the public.

On the consumer side, the ban on crypto trading remains in effect countrywide (outside the QFC’s limited scope). Residents in Qatar theoretically cannot

legally buy or sell crypto through local channels. However, anecdotal evidence suggests some Qataris do participate in crypto markets via foreign accounts (as is common in restrictive jurisdictions). The government has not signaled any intent to lift the retail ban soon. Instead, Qatar’s next move might be in the realm of CBDC: Qatar Central Bank has been studying the feasibility of a digital Qatari riyal. By 2025, QCB announced it had developed the infrastructure for a wholesale CBDC pilot and is ready to trial a CBDC for interbank settlements. It might later expand to a retail CBDC if deemed beneficial. As with its neighbors, Qatar likely sees a state-issued digital currency as preferable to private crypto for meeting the demand for faster, cheaper payments.

In summary, Qatar continues to ban conventional cryptocurrency activities for its citizens and local firms, aligning with its stringent view that such assets are too risky and not Shariah-compliant. But through the QFC, Qatar is gingerly opening the door to select digital asset innovations (like tokenization and blockchain-based platforms) aimed at

professional markets. This two-track policy allows Qatar to maintain its conservative public stance while not entirely missing out on the fintech revolution. The legal status of crypto in Qatar proper remains “illegal” – for example, one cannot walk into a bank in Doha and exchange riyals for Bitcoin – and this is unlikely to change imminently. But within confined regulatory experiments, Qatar is learning and preparing. Should the global crypto environment stabilize and mature, Qatar might consider broader regulations, but only under the strictest conditions. For now, it remains one of the least crypto-friendly jurisdictions, even as it becomes slightly more involved behind the scenes.



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Key Risks of Cryptocurrencies

While cryptocurrencies and virtual assets have gained traction worldwide, they come with a range of risks that individuals, economies, and regulators must carefully consider. The following are key categories of risk associated with cryptocurrencies:

1. Economic Risks (Volatility and Instability): Cryptocurrencies are notorious for their price volatility. Sharp booms and busts are common – for example, Bitcoin’s price has seen multiple drawdowns of 50–80% historically. As of 2025, Bitcoin’s volatility remains about 4–5 times higher than that of gold or stock indices. Such extreme fluctuations pose risks to individual investors (the potential for large losses) and make crypto unsuitable as a stable store of value or unit of account. If a country’s citizens heavily adopt a volatile cryptocurrency, it could introduce instability into the economy – people’s wealth could swing wildly, affecting consumer spending and confidence. The IMF has warned that widespread crypto use could undermine monetary stability, especially in emerging

markets, by weakening the effectiveness of monetary policy and potentially fueling capital flight. For instance, if people start abandoning a local currency in favor of Bitcoin during high inflation, the central bank loses control over the money supply and interest rates, worsening instability. Additionally, crypto markets’ tendency for speculative bubbles (followed by crashes, as seen in 2018 and 2022) can erode savings and cause social fallout. Unlike regulated securities, there are no circuit breakers in crypto – crashes can happen within hours. Economic policymakers fear that if a significant portion of wealth resides in such unstable assets, a price collapse could have knock-on effects (e.g. reduced consumption or stressed investors). At a systemic level, major crypto market events (like a large stablecoin failing) could possibly strain financial stability if banks or institutions have exposure. Thus, volatility remains a top economic risk, and uncertainty in crypto valuations makes it a precarious foundation for an economy or personal financial planning^[71]. Until volatility is tamed, most economists consider crypto

assets high-risk, and no country (besides a couple of small ones) uses crypto as legal tender for this reason.

2. Regulatory and Legal Risks (Uncertainty and Evolving Policies): The regulatory status of cryptocurrencies is still evolving in many jurisdictions, leading to significant legal uncertainty. Crypto users and businesses face the risk that rules may change or governments may suddenly crack down. For example, countries like China and Kuwait have implemented outright bans on crypto trading and mining, which can instantly render crypto holdings illiquid or criminalize certain uses. Even in permissive environments, regulators are continually updating requirements (licensing, taxation, reporting). The lack of uniform global rules means a crypto exchange might be legal in Country A but blacklisted in Country B. This patchwork can trap users – funds could be frozen if one’s country bans withdrawals to exchanges, for instance. Regulatory risk also includes the possibility of stricter future controls: many governments are



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currently debating laws on crypto taxation, investor protection, and AML measures. Sudden policy changes (such as the U.S. SEC declaring certain tokens as securities, or a new tax law on crypto transactions) can significantly affect asset values and the ability to transact. Moreover, because crypto operates in a legal gray area in some places, users have limited legal recourse if things go wrong. For instance, if an exchange collapses, courts may not clearly recognize crypto as property, complicating recovery. There's also risk around compliance burdens: new regulations like the EU's MiCA or FATF's "Travel Rule" for crypto require extensive reporting – businesses that fail to comply could be shut down, affecting users. In short, the regulatory risk is that the ground under crypto is constantly shifting. Until regulatory regimes mature and harmonize, participants face uncertainty that can negatively impact investments. There is also the risk of regulatory arbitrage – companies may hop to lax jurisdictions, which might later face crackdowns, again impacting users. In summary, unclear or tightening regulations pose a major risk to the crypto ecosystem's stability and longevity, and

any engagement with crypto should keep an eye on the legal landscape.

3. Technological and Security Risks (Scalability, Hacks, and Vulnerabilities): Cryptocurrencies rely on complex technologies (blockchains, cryptographic protocols) that carry their own set of risks. One issue is scalability and performance: major networks like Bitcoin and Ethereum have faced congestion when usage spikes, leading to slow transactions and high fees. This limits their viability for high-volume or time-sensitive use cases. Although upgrades are in progress (Ethereum's shift to proof-of-stake and Layer-2 scaling solutions), many blockchain networks are still not as efficient or scalable as traditional payment systems – for example, Bitcoin processes only ~7 transactions per second and has experienced backlogs during peak demand. Another key risk is cybersecurity. The crypto sector has been plagued by hacks and exploits: hackers have stolen billions of dollars from exchanges, wallets, and DeFi (decentralized finance) smart contracts in recent years. Notable exchange hacks

(Mt. Gox in 2014, Coincheck in 2018, etc.) and protocol exploits (like the DAO hack or more recent DeFi breaches) show that technical vulnerabilities or poor security practices can lead to catastrophic losses for users. Unlike banks, stolen crypto often cannot be recovered and is not insured. Even individual users face risks like theft of private keys, phishing attacks, or losing access to wallets – if you lose your password or hardware wallet, your funds might be gone forever. Smart contract bugs are another risk: if there's a flaw in the code of a decentralized application (e.g. a lending protocol), attackers can drain funds (as happened with the Poly Network hack, among others). Technological immaturity also raises the risk of network outages or failures. For instance, newer blockchains could have undiscovered bugs that cause consensus failure. While the core Bitcoin and Ethereum networks have proven robust over years, smaller or newer blockchains have experienced downtime. Furthermore, quantum computing on the horizon is often cited as a potential risk to the cryptography that secures blockchains (though solutions are being researched). Lastly, user error is a persistent



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technological risk – the crypto ecosystem, being less user-friendly, leads to mistakes like sending funds to wrong addresses (irreversible) or falling for scams due to lack of safety nets. All these factors mean that engaging with crypto requires a higher degree of technical vigilance than traditional finance. Until the technology matures – with better security frameworks, insurance, and user protections – the risk of hacks and technical failures remains a critical concern in the crypto world.

4. Environmental Risks (Energy Consumption and Carbon Footprint):

A widely discussed downside of cryptocurrencies, especially proof-of-work based coins like Bitcoin, is their heavy energy consumption. Bitcoin mining involves intensive computations by globally distributed miners, which as of mid-2020s draws an estimated 130–150 terawatt-hours of electricity per year – comparable to the annual electricity usage of a medium-sized country (e.g. Poland or Malaysia). This translates to a significant carbon footprint, especially when mining operations use fossil fuel-based power. An IMF analysis in 2024 noted that crypto

mining (along with data centers) accounted for about 2% of global electricity use in 2022 and could reach 3.5% within a few years if trends continue. The environmental impact includes carbon emissions contributing to climate change – projections suggest crypto mining alone could produce 0.7% of global CO₂ emissions by 2027 if unabated. Furthermore, mining can strain local power grids and e-waste from rapidly obsolete mining hardware is another concern. These environmental costs have sparked backlash: some countries (e.g. China in 2021, and regions like New York State with moratoriums) have banned or limited crypto mining due to energy concerns. There's also reputational risk – companies associating with Bitcoin might face criticism for indirectly supporting a high-carbon activity (unless offsets or renewable energy are used). However, it's worth noting that not all cryptos are equally damaging. The industry is evolving with awareness: for example, Ethereum's switch from Proof-of-Work to Proof-of-Stake in 2022 slashed its energy usage by over 99.9%, drastically reducing its environmental impact. Newer

blockchains often use consensus mechanisms (PoS, proof-of-authority, etc.) that are far less energy-intensive. Additionally, an increasing share of Bitcoin mining is reportedly using renewable energy (estimates vary, but there's a trend towards cleaner mining operations). Despite these improvements, as of 2025 Bitcoin and a few other PoW coins remain major energy consumers, and the environmental risk is that their growth could impede climate goals or face regulatory crackdowns (e.g. carbon taxes on mining, or bans in certain jurisdictions). There's also an opportunity cost: energy used for mining could have powered other economic activities. In summary, the energy footprint of crypto mining presents an environmental sustainability challenge, making it a key risk until mitigated by either technological change (e.g. more networks moving to efficient consensus) or policy action (like incentives for green mining). Individuals and institutions mindful of ESG (Environmental, Social, Governance) factors must weigh this issue when engaging with proof-of-work cryptocurrencies.



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Conclusion

The evolving domain of virtual currencies – from Bitcoin to CBDCs – sits at the intersection of technology, finance, and policy. Globally, we see a dynamic push-pull between innovation and regulation. Cryptocurrencies offer new economic opportunities (investment, inclusion, efficiency), but also pose non-trivial risks (volatility, fraud, systemic concerns) that regulators and central banks are grappling to address. In response, some jurisdictions are integrating these digital assets into the regulatory perimeter (as the EU and Bahrain have), while others ban or restrict them to shield their economies (as seen in China and Kuwait).

For the GCC region specifically, virtual currency policies range from embrace (UAE, Bahrain) to prohibitive (Kuwait, Qatar), with others navigating a middle ground. These choices are influenced by each state's broader economic visions – whether to become a fintech hub or to prioritize conservative financial safeguards. It is noteworthy that even the more permissive GCC states have not given cryptocurrencies free rein; they have embedded them in a framework of licensing and oversight to mitigate abuse and volatility. Meanwhile, discussions around sovereign digital currencies (CBDCs) continue in the region (for example, Saudi Arabia and the UAE's joint pilot), indicating that governments are keen on the *transformative technology* of digital money, if not the unruly nature of public cryptocurrencies.

From a technological standpoint, rapid developments in blockchain and cryptography are making virtual currency systems more efficient and scalable. This maturation may gradually alleviate some concerns (for instance, energy waste or transaction speed) and could render crypto applications more practical in everyday finance. However, technology alone cannot address all public policy concerns – issues like consumer protection, monetary sovereignty, and financial crime require thoughtful governance.

In summary, virtual currencies are becoming an enduring feature of the world's financial landscape. Policymakers worldwide – including in the GCC – are learning and adapting in real time, seeking to reap the benefits of these innovations (such as improved payments and economic diversification) while containing the downsides. The primary challenge going forward will be striking a balance that encourages beneficial financial and technological innovation without compromising stability and security. Achieving this balance will likely involve continued international cooperation (through standard-setters like the FATF and IMF), updated laws and regulations that keep pace with tech advances, and ongoing dialogue between the crypto industry and regulators. For the general public and investors, a clear understanding of the different types of virtual currencies and the rules governing them is essential – as this report has outlined – to navigate the new digital financial era safely and effectively.



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