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## Pakistan Unveils New Watchdog to Regulate Digital Assets Amid Push for Regional Crypto Dominance

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In a bid to reposition itself as a leader in Asia's digital economy, Pakistan has created a new federal body tasked with regulating the country's expanding virtual asset sector. The Pakistan Virtual Asset Regulatory Authority (PVARA) was announced this week following presidential approval of the Virtual Assets Ordinance, 2025, a measure enacted without parliamentary debate, raising eyebrows among democratic observers.

The establishment of PVARA follows months of swift government maneuvering. Earlier this year, officials launched the Pakistan Crypto Council to advocate for the digital asset

industry's interests, followed by the conceptual framework for the Pakistan Digital Asset Authority (PDAA). Now formalized, PVARA will oversee Virtual Asset Service Providers (VASPs), ensuring they operate within local laws while aligning with global financial standards set by the Financial Action Task Force (FATF), the International Monetary Fund (IMF), and the World Bank.

According to a statement from the Ministry of Finance, PVARA's responsibilities will include licensing VASPs, developing technical standards, and supervising industry participants. The ordinance defines PVARA as an "autonomous federal body," though its creation through an executive ordinance raises doubts about its independence in practice.

Notably, this new regulatory framework introduces a licensing model, requiring any digital asset firm looking to serve Pakistani investors to obtain a permit from the authority. PVARA is also expected to define the operational benchmarks firms must meet, including compliance and reporting requirements. A regulatory sandbox provision, designed to encourage innovation, will allow firms to test emerging technologies under government oversight.

While regulatory sandboxes have been praised in other markets for fostering responsible innovation, the Pakistani version will exist alongside an already established sandbox by the State Bank of Pakistan. The central bank's version applies to all financial services, whereas PVARA's sandbox will be specific to digital assets.

The broader political context cannot be ignored. This latest move was greenlit by President Asif Ali Zardari through an ordinance, an executive tool that bypasses Parliament and remains valid for only four months unless ratified. While legal under Pakistan's constitution, the use of ordinances for significant financial policy raises legitimate concerns about executive overreach and the lack of robust legislative scrutiny.