

The Legal Regulations of Digital Currencies in Saudi Law (Cryptocurrencies as Model) (Descriptive and Analytical Study)

Dr. Hussin Naser Agil Al-ibrahim

College of Sharia and Law, Jarzan University, Kingdom of Saudi Arabia

haqil@jazanu.edu.sa

Abstract

This study examines the legal and regulatory matters of adopting digital banking, cryptocurrencies, and fintech services in Saudi Arabia. The research problem focuses on the evolving legal landscape and the need for clear regulatory regulations to manage these financial innovations to ensure consumer protection, security, and economic growth. A qualitative methodology is utilized based on the analysis of legislative documents, regulatory instructions from the Saudi Central Bank (SAMA), and comparative models of global financial markets. The primary findings indicate that while Saudi Arabia has taken significant strides in the adoption of fintech, regulatory uncertainty continues to remain a stumbling block for its broader application, particularly for legalizing cryptocurrency and establishing comprehensive data protection regulations. The practical significance of this research highlights the need to refine regulatory systems for encouraging fintech innovation while protecting financial stability, investor confidence, and adherence to Vision 2030 goals.

Keywords: Regulatory framework; cryptocurrency legislation; CBDC; financial risk management; AML.

Received: 25/02/2025

Revised: 31/03/2025

Accepted: 16/04/2025

التنظيمات القانونية للعملات الرقمية في القانون السعودي (العملات المشفرة كنموذج) (دراسة وصفية وتحليلية)

الدكتور حسين ناصر عقيل الإبراهيم

كلية الشريعة والقانون، جامعة جازان، المملكة العربية السعودية

haqil@jazanu.edu.sa

الملخص :

تُعنى هذه الدراسة بتحليل الجوانب القانونية والتنظيمية المرتبطة بتبني الخدمات المصرفية الرقمية والعملات المشفرة في المملكة العربية السعودية. وتكمن إشكالية البحث في التغير المستمر للمشهد القانوني والحاجة وحلول التكنولوجيا المالية الماسّة إلى وضع أطر تنظيمية واضحة ومحكمة، بما يضمن حماية المستهلك وتعزيز الأمان المالي ودعم النمو الاقتصادي المستدام. وتعتمد الدراسة على منهجية نوعية تركز على تحليل النصوص التشريعية والتعليمات التنظيمية الصادرة عن البنك المركزي السعودي (ساما)، إلى جانب الاستفادة من نماذج مقارنة لأسواق المال العالمية. وتُظهر النتائج الرئيسية أن المملكة العربية السعودية قد أحرزت تقدماً ملموساً في مجال تبني التكنولوجيا المالية، غير أن غياب الوضوح التنظيمي لا يزال يشكل عقبة أمام توسيع نطاق التطبيق، لاسيّما فيما يتعلق بتقنين العملات المشفرة ووضع إطار شامل لحماية البيانات. وتتمثل الأهمية العملية لهذه الدراسة في إبراز الحاجة إلى تحسين الأطر التنظيمية بما يُسهم في تحفيز الابتكار في قطاع التكنولوجيا المالية، مع ضمان الحفاظ على الاستقرار المالي وتعزيز ثقة المستثمرين وتحقيق التوافق مع مستهدفات رؤية المملكة 2030.

الكلمات المفتاحية: الإطار التنظيمي؛ تشريعات العملات المشفرة؛ العملة الرقمية للبنك المركزي؛ إدارة المخاطر المالية؛ مكافحة غسل الأموال

Introduction

The increase in the use of digital currencies worldwide has created a new dimension that calls for enhanced regulatory frameworks to strengthen legal requirements, especially in the Kingdom of Saudi Arabia (KSA) (Aljudaibi & Amuda, 2024; Wardhani, 2023). Due to the growing incorporation of electronic currencies into global monetary systems, which is promising yet volatile, legal structures defining their usage are highly influential. Saudi Arabia still presents a developing sector with regulatory uncertainties for cryptocurrencies, which indicates a knowledge gap in both legal scholarship and practical law (Makhlouf, 2023). Consequently, the study aims to fill this gap by conceptualizing the contemporary legal frameworks governing digital currencies, especially cryptocurrencies, and exploring how they have been implemented and enforced in the Saudi jurisdiction. The paper assumes significance owing to the dynamic economic and technological environment across Saudi Arabia and the Kingdom's prospects of becoming a leader in the digital currency sphere within the Middle East. The study contributes to understanding how traditional legal systems can adapt to digital finance environments in Saudi Arabia. However, for more reliable authentication, interviews have been conducted to reach the study's outcomes.

The study explores the legal status and definition of digital currencies in Saudi Arabia, the absence of laws directly addressing Bitcoin and Ethereum, and the banking sector's reluctance towards cryptocurrencies, focusing on existing types and state frameworks.

Furthermore, the paper discusses the legal restraints necessitating the restricted use of cryptocurrencies in Saudi Arabia and measures that impede Saudi incorporation into the system. Finally, the paper analyzes the readiness of the Saudi economic and legal environment for adopting digital currencies, bearing in mind that the subject of digital finance is still dynamic globally. Moreover, Saudi Arabia has an ambitious plan to develop its economy by 2030, known as Vision 2030. In this case, primary data will be collected from legal documents and interviews with financial technology industry professionals in Saudi Arabia to realize a deeper understanding of the current state of regulation of digital currency, and secondary data from journals and reports will also be used to complement that data for the general public. The research fills a significant gap in understanding how traditional legal systems can address the challenges and opportunities of the digital finance revolution.

The increase in the use of digital currencies worldwide has created a new dimension that calls for enhanced regulatory frameworks to strengthen legal requirements, especially in the Kingdom of Saudi Arabia (KSA) (Aljudaibi & Amuda, 2024; Wardhani, 2023). Due to the growing incorporation of electronic currencies into global monetary systems, which is promising yet volatile, legal structures defining their usage are highly influential. Saudi Arabia still presents a developing sector with regulatory uncertainties for cryptocurrencies, which indicates a knowledge gap in both legal scholarship and practical law (Makhlouf, 2023). Consequently,

the study aims to fill this gap by conceptualizing the contemporary legal frameworks governing digital currencies, especially cryptocurrencies, and exploring how they have been implemented and enforced in the Saudi jurisdiction. The paper assumes significance owing to the dynamic economic and technological environment across Saudi Arabia and the Kingdom's prospects of becoming a leader in the digital currency sphere within the Middle East. The study contributes to understanding how traditional legal systems can adapt to digital finance environments in Saudi Arabia. However, for more reliable authentication, interviews have been conducted to reach the study's outcomes.

The study explores the legal status and definition of digital currencies in Saudi Arabia, the absence of laws directly addressing Bitcoin and Ethereum, and the banking sector's reluctance towards cryptocurrencies, focusing on existing types and state frameworks.

Furthermore, the paper discusses the legal restraints necessitating the restricted use of cryptocurrencies in Saudi Arabia and measures that impede Saudi incorporation into the system. Finally, the paper analyzes the readiness of the Saudi economic and legal environment for adopting digital currencies, bearing in mind that the subject of digital finance is still dynamic globally. Moreover, Saudi Arabia has an ambitious plan to develop its economy by 2030, known as Vision 2030. In this case, primary data will be collected from legal documents and interviews with financial technology industry professionals in Saudi Arabia to realize a deeper understanding of the current state of regulation of digital currency, and secondary data from journals and reports will also be used to complement that data for the general public. The research fills a significant gap in understanding how traditional legal systems can address the challenges and opportunities of the digital finance revolution.

Literature Review

The increase in the use of digital currencies worldwide has created a new dimension that calls for enhanced regulatory frameworks to strengthen legal requirements, especially in the Kingdom of Saudi Arabia (KSA) (Aljudaibi & Amuda, 2024). This growing incorporation of electronic currencies into global monetary systems is both promising and risky, with legal structures defining their usage as highly influential (Albalawi & Ali, 2024). Saudi Arabia still presents uncharted territory for regulating cryptocurrencies, which indicates a knowledge gap in both legal scholarship and practical law (Ercanbrack, 2023). Organizations need to encourage innovation and learning to adapt and sustain themselves in a dynamic environment. However, in worst case scenarios, AI may endanger people's safety (Agarwal et al., 2021; Amirzadeh et al., 2022; Skaf, 2023).

Overview of digital currency and its different types

Electronic money, commonly known as digital currencies, is an all-embracing term for various forms of electronic money that are revolutionizing global and Saudi Arabian financial systems

(Ozili, 2022). These currencies can be classified primarily into cryptocurrencies and central bank digital currencies (CBDCs) (Belke & Beretta, 2020). Cryptocurrencies are virtual coins such as Bitcoin, Ethereum, and Ripple, which enable peer to peer transactions with minimal identification requirements and without the involvement of a central financial institution (Parsons, 2022). On the other hand, CBDCs are issued and regulated by a country's central bank and serve as digital equivalents of sovereign currency (Foster et al., 2021). This digital format suggests that payments may become more efficient while the government retains stronger control over the monetary system (Adrian & Mancini Griffoli, 2021).

Currently, the legal status of virtual currency in Saudi Arabia remains ambiguous and complicated. As a result, the Kingdom of Saudi Arabia does not accept cryptocurrencies as legal currency; this stance demonstrates the government's caution toward this unpredictable and largely unregulated market (Alam & Nazim, 2021; Ilinka & Tayachi, 2020). However, the absence of laws against trading digital assets creates a significant loophole, exposing individuals to fraud and cybercrimes due to the virtual environment and lack of legitimate regulation.

Despite these risks, the Saudi population—mainly youth and technologically inclined individuals—has shown growing interest in digital assets (Alnaeem, 2017; Alsaif, 2014). This emerging interest has prompted discussions within Saudi regulatory bodies about future frameworks to define and assimilate digital currencies into the Saudi financial system (Alaraifi, 2020). The Saudi Central Bank (SAMA) and the Capital Market Authority (CMA) are monitoring the evolution of these digital assets, suggesting that the Kingdom may adopt a more formal regulatory approach as the market develops and international norms evolve. Such developments could strengthen institutional arrangements for cryptocurrency regulation in Saudi Arabia, aligning them with global best practices.

Legal nature in Saudi law

The Saudi legal framework for digital assets, including cryptocurrencies, reflects regulators' cautious but progressive attitude. Emerging payment options such as Bitcoin and other digital currencies are not recognized as legal tender in the Kingdom. SAMA and the CMA have stated that while such assets are not prohibited, they remain outside the legal framework of conventional banking and financial institutions. The absence of formal legal categorization creates a grey area in which digital currency operations occur, making investors vulnerable to fraud and cyber threats. While individuals may purchase and trade cryptocurrencies, authorities consistently issue warnings that these instruments are hazardous and volatile.

Saudi law has not yet accepted cryptocurrencies as items of real value or recognized them as replaceable with traditional currencies. Two factors explain this stance: prudential regulatory measures and compliance with financial stability norms. Accordingly, SAMA and the CMA have refrained from issuing licenses to cryptocurrency exchanges through which digital assets could

be bought and sold domestically. This contrasts with other countries that have established legal structures for licensing crypto businesses and providing consumer protection. Saudi authorities retain an inclination toward conventional financial channels, yet fintech reforms continue to promote solutions that can be supervised within a controlled environment. The focus remains on electronic payments and blockchain innovations rather than endorsing cryptocurrencies.

Saudi Arabia is gradually shifting its stance on digital assets by showing interest in Central Bank Digital Currencies (CBDCs), allowing SAMA to regulate a digital Saudi Riyal while avoiding instability and legal ambiguity (Auer et al., 2022).

Furthermore, Saudi Arabia has accepted certain forms of digital assets by introducing a national NFT marketplace in 2021 (Makhlouf, 2023). Saudi regulators are adopting innovative financial technologies, including blockchain based tools, to reduce financial risks and maintain economic stability and security (Swaiss, 2024).

Saudi Arabia has begun to recognize decentralized cryptocurrencies conceptually, although they are not fully accepted or considered tangible assets under Saudi law (Swaiss, 2024). This evolving stance is influenced by regional and global trends, with countries such as the UAE and Bahrain developing advanced regulatory frameworks. The Kingdom remains in discussion about cryptocurrency regulation, reflecting a developing legal system for digital currencies.

As of today, Saudi Arabia has not issued laws or regulations that directly address digital currencies such as Bitcoin or Ethereum (Swaiss, 2024). Like other international financial institutions, SAMA and the CMA maintain a conservative stance toward cryptocurrencies. While SAMA does not prohibit cryptocurrency use, it emphasizes the high risks associated with digital assets, including lack of consumer protection, potential fraud, cybercrime, and market fluctuations (Hwang, 2023). This highlights the government's focus on financial stability.

Saudi law currently lacks regulatory provisions governing activities involving cryptocurrencies, as they are not recognized as property or currency. For example, in 2018, SAMA and the CMA banned banks from engaging in cryptocurrency related business, preventing financial institutions from participating in the crypto industry. Although individuals continue to use cryptocurrencies through personal accounts or international platforms, they cannot seek legal recourse for scams or related issues. The government's approach remains conservative, expecting financial innovations to align with broader regulatory policies.

Saudi authorities have shown controlled interest in digital asset instruments such as CBDCs. Unlike decentralized cryptocurrencies, CBDCs would allow SAMA to issue and manage a digital currency under state supervision. This interest aligns with regional trends, as the UAE and Bahrain have developed legislation to provide clarity for digital asset markets. Although Saudi enthusiasm is more measured, it signals a potential future for carefully regulated digital currencies.

Saudi banks' position on digital currencies

The Saudi banking sector avoids a liberal and open attitude toward digital currencies due to a conservative regulatory approach (Ilinka & Tayachi, 2020). Banks have no means of utilizing, acknowledging, or endorsing virtual currencies such as Bitcoin or Ethereum within the local financial system (Hossain, 2021). Cryptocurrencies, which operate outside traditional financial systems, pose challenges for regulators tasked with managing and supervising digital assets (Jovanić, 2020).

Commercial banks in Saudi Arabia, under SAMA and CMA regulations, cannot support cryptocurrency operations (Ramady, 2021). Bank customers cannot directly obtain digital currencies through local banks, reflecting the Kingdom's philosophy of prioritizing financial stability and customer protection over rapid adoption of new financial assets (Dahdal, 2024).

Legal penalties

Legal actions related to cryptocurrency trading in Saudi Arabia primarily involve regulatory restrictions and public warnings rather than direct penalties or criminal sanctions (Packin & Lev Aretz, 2023). While no laws prohibit individuals from owning or trading cryptocurrencies, SAMA's public statements emphasize that investors engaging with digital currencies do so at their own risk. These instruments are unregulated and inherently volatile (Ercanbrack, 2023). Although no explicit penalties exist for individuals trading virtual currencies, operating cryptocurrency exchanges or brokerage services within Saudi Arabia without authorization is considered unlawful.

Regulatory stance

The Saudi Central Bank (SAMA) has been keen on regulating digital currencies, especially cryptocurrencies. SAMA does not accept cryptocurrencies as legal tender or endorse their use in the national banking system (Ali et al., 2021). It issues cautionary statements regarding the lack of regulation, the risks of speculation, and the potential for fraud. However, SAMA has shown strong interest in fintech innovations, including ongoing research into CBDCs (Mathkur, 2024). Although decentralized cryptocurrencies differ from CBDCs, the latter would allow SAMA to issue and manage a digital Riyal while maintaining control over monetary policy (Bashayreh, 2022).

The CMA shares SAMA's cautious stance and has not authorized cryptocurrency trading within Saudi capital markets (Bett, 2024). The speculative nature of cryptocurrencies and the absence of licensed exchanges pose challenges for regulatory oversight (Alsalloum, 2023). The Ministry of Finance similarly supports a conservative approach, describing cryptocurrencies as speculative and unregulated, while urging public awareness regarding scams and volatility (Hossain, 2023).

Methodology

The study uses a qualitative content analysis method to explore the current status of regulation and acceptance in Saudi Arabia. The purpose of this paper is to determine how new realities and emerging technologies, such as cryptocurrencies and Central Bank Digital Currencies (CBDCs), fit into the Saudi Arabian financial context and what potential challenges they pose. The study involves a systematic review of legal documents, government reports, financial regulator reports, and academic studies related to digital currency regulations in Saudi Arabia and the GCC.

Data Collection

This analysis employed materials from scholarly sources, including articles in peer-reviewed journals on digital currencies, regulation, and financial technology. These sources were chosen based on their relevance to cryptocurrency regulations, financial policies, and legal discussions in Saudi Arabia and the wider GCC. The study also prioritized government reports, reports from international regulatory bodies, and peer-reviewed academic papers for credibility. Recent sources (2018–2024) were favored to capture the most recent regulatory developments.

Data Analysis

The selected sources were reviewed to identify common legal themes, including regulatory constraints, risk concerns, fintech development, and CBDC adoption. The study also compared Saudi Arabia's position with other GCC countries to identify regional regulatory tendencies. Documents were analyzed to identify potential policy implications and develop recommendations for further regulatory innovations.

Suitability of KSA for Cryptocurrencies

Saudi Arabia's stance on cryptocurrencies depends heavily on its legal framework and monetary policies. The country's emphasis on financial stability and consumer protection makes mass adoption of decentralized cryptocurrencies impractical (Hamadien, 2022). The lack of legal structures and prohibitive measures placed on financial institutions further complicate efforts to accommodate digital currencies (Bossu et al., 2020). Despite its interest in digital technology, Saudi Arabia's centralized governance model poses challenges for integrating decentralized cryptocurrencies.

Nonetheless, there are indications of future developments in cryptocurrency integration due to the evolving regulatory environment in Saudi Arabia. The Kingdom's Vision 2030 initiative, which prioritizes technological advancement and innovation, may eventually lead to more formal recognition of digital assets (Khan & Abdallah, 2022). Saudi Arabia also faces regional pressure to adopt cryptocurrency trading platforms and digital asset frameworks similar to those in the UAE and Bahrain, which are moving toward regulated digital asset ecosystems and CBDC experimentation (Mouaffak, 2021).

The cautious interest in digital currencies places Saudi Arabia in an intermediate position—balancing technological appeal with regulatory concern. KSA regulators must maintain equilibrium between financial stability, consumer protection, and innovation while assessing the potential of digital currencies. Although decentralized cryptocurrencies remain restricted, this approach allows the Kingdom to observe global trends and adapt gradually to emerging economic opportunities (Swaiss, 2024).

The Saudi banking sector continues to act cautiously, limiting involvement in digital currencies to avoid unforeseen consequences (Alrawashdeh et al., 2024). While individuals may use cryptocurrencies informally, there are no legal protections for market participants. However, discussions concerning regulated digital currency models, particularly CBDCs, align with the Kingdom's long-term vision of economic sustainability and growth.

Comparative Analysis of GCC Regulations for Digital Currencies

Saudi Arabia has adopted a conservative approach toward cryptocurrencies, whereas several other GCC nations have embraced more progressive regulatory frameworks.

The UAE has emerged as a regional hub for virtual assets and blockchain technology. Unlike Saudi Arabia, the UAE has established comprehensive regulatory structures for digital assets. The Dubai Virtual Assets Regulatory Authority (VARA), launched in 2022, oversees cryptocurrency operations, licenses exchanges, and facilitates fintech innovation under regulated conditions (Mrozinski et al., 2025).

Bahrain also maintains a forward-looking position on cryptocurrencies. The Central Bank of Bahrain (CBB) has implemented regulations enabling cryptocurrency exchanges, provided they comply with anti-money laundering (AML) and counterterrorism financing (CTF) laws. The CBB allows financial institutions to offer digital asset services, positioning Bahrain as a leader in regional digital finance (Sukhotskaia, 2025).

Kuwait, Oman, and Qatar, similar to Saudi Arabia, uphold conservative cryptocurrency policies. Kuwait has explicitly banned cryptocurrency exchanges and imposed sanctions on individuals using virtual asset services. Qatar's financial regulator prohibits cryptocurrency trading due to financial risk concerns. Oman has recently begun limited experimentation with digital asset regulation within a sandbox environment (LeanTech, 2024).

Saudi Arabia's cautious stance places it between strict prohibition (Kuwait and Qatar) and progressive adoption (UAE and Bahrain). While decentralized cryptocurrencies are not regulated, the Kingdom has pursued CBDC exploration as part of Vision 2030. This aligns with regional trends in blockchain adoption, although Saudi Arabia prioritizes economic stability over rapid digital asset integration.

Legal Limitations on Cryptocurrency Use in Saudi Arabia

Restrictions on cryptocurrency use in Saudi Arabia arise from the Kingdom's conservative regulatory approach to digital assets (Altamimi, 2024; Chiu, 2021). Although Saudi Arabia has no laws directly banning cryptocurrency ownership or use, the absence of legal regulation and insufficient legal protections effectively function as a barrier to adoption (Soprano, 2022). The government restricts central banks and financial institutions from participating in cryptocurrency activities due to potential risks, limited standardization, and the absence of infrastructure supporting digital asset integration (Belouafi, 2023).

One of the most significant legal restraints is the prohibition on banking institutions conducting cryptocurrency-related transactions (Kapetanic, 2018). Since 2018, SAMA and the CMA have issued repeated warnings highlighting the risks of volatility, fraud, and lack of investor protection associated with cryptocurrencies (Zhao, 2021). Similar to regulatory authorities in other countries, Saudi regulators remain cautious due to the potential for legal penalties and financial instability (Koriahina, 2024). These restrictive policies hinder the development of cryptocurrency markets, favoring traditional financial assets over emerging digital alternatives (Sanz-Bas et al., 2021).

Current Trends

Recent developments indicate a gradual shift in Saudi Arabia's regulatory perspective toward virtual assets. The Kingdom has expressed interest in distributed ledger technologies through pilot projects exploring CBDC adoption (Kangethe, 2022). In 2020, SAMA partnered with the UAE Central Bank to launch "Project Aber," a joint CBDC initiative testing crossborder settlements using blockchain technology (Hrnjic & Clarke, 2022). Although decentralized cryptocurrencies remain restricted, this initiative reflects Saudi Arabia's willingness to explore controlled forms of digital currency.

The shift in regulatory attitudes aligns with Saudi Vision 2030, which emphasizes economic diversification and technological development. The Kingdom supports fintech innovation and is considering blockchain applications for enhancing financial infrastructure (Alshareef & Tunio, 2022). However, openness to digital finance does not equate to acceptance of cryptocurrency trading, which is not legally recognized in Saudi Arabia. The adoption of blockchain for institutional purposes and interest in CBDCs suggest that while the Kingdom is not yet prepared for decentralized cryptocurrencies, it acknowledges the value of digital financial ecosystems (Foster et al., 2021).

Saudi Arabia's measured regulatory response leaves room for future policy adjustments. Depending on the economic benefits and associated risks, the Kingdom may consider stricter or more flexible cryptocurrency regulations.

Practical Implications

Saudi Arabia has begun developing legislation related to digital currencies, including legal timelines, licensing procedures, and consumer protection measures (Aljudaibi & Amuda, 2024). The country is also actively working to raise public financial literacy and engage citizens in discussions about the risks associated with cryptocurrency investments (Panos et al., 2020). Additionally, Saudi Arabia is promoting the growth of financial technology (fintech) firms and investing in research and development on digital currencies. International organizations are likewise informed of Saudi findings to encourage knowledge sharing and experimentation (A-Khateeb, 2020).

Maintaining a balanced regulatory approach is essential. Regulators must continuously monitor market developments to ensure that appropriate and updated rules are applied. The gradual introduction of Central Bank Digital Currencies (CBDCs) remains under discussion, reflecting the Kingdom's interest in controlled digital finance models. Furthermore, fraud prevention and cybersecurity enhancements continue to be strengthened to address persistent challenges in the financial ecosystem.

Policy Recommendations for Saudi Arabia's Digital Currency Regulation

As Saudi Arabia navigates the complexities of digital currency regulation, establishing a clear and comprehensive legal framework is crucial to balancing innovation, financial stability, and consumer protection. Saudi authorities—led by SAMA and CMA—should introduce dedicated cryptocurrency regulations defining the legal status of digital assets, establishing licensing conditions, and implementing robust anti-money laundering (AML) and counter-terrorism financing (CTF) measures.

A multi-tiered licensing system could differentiate between crypto exchanges, fintech startups, and institutional investors, allowing tailored market access within a regulated environment.

Following Bahrain's model, Saudi Arabia could adopt a regulatory sandbox framework enabling fintech companies to test cryptocurrency applications under close regulatory supervision. This approach would protect investors while supporting technological experimentation.

Given the risks of fraud and cybercrime, regulators must also enhance cybersecurity protocols for digital asset transactions. In this regard, cooperation with international regulatory bodies such as the Financial Action Task Force (FATF) would strengthen alignment with global security standards.

Although decentralized cryptocurrencies remain restricted, Saudi Arabia should encourage financial institutions to adopt blockchain-based tools for cross-border payments and smart contract applications. Additionally, expanding the CBDC pilot program (Aber) and assessing

stablecoin applications for regulated transactions could help bridge traditional banking systems with digital finance.

To further support risk management, authorities may increase public education initiatives addressing the opportunities and risks associated with digital currencies. Financial literacy efforts—supported through partnerships with educational institutions and fintech companies—will help consumers make informed financial decisions.

Conclusion

Saudi Arabia has adopted a conservative regulatory approach to digital currencies, particularly cryptocurrencies, prioritizing financial stability and risk mitigation. The Saudi Central Bank (SAMA) and the Capital Market Authority (CMA) have not recognized cryptocurrencies as legal tender, thereby preventing traditional financial institutions from engaging in cryptocurrency-related activities. Regulators have expressed concerns about risks such as fraud, volatility, and inadequate consumer protection, which continue to restrict individuals and businesses from investing in the absence of appropriate safeguards. However, the Kingdom has demonstrated strong interest in Central Bank Digital Currencies (CBDCs), reflecting a determination to leverage blockchain technology within a regulated framework to support economic growth and innovation under Vision 2030.

Saudi policymakers must develop a well-structured cryptocurrency regulatory framework that provides clear guidelines for cryptocurrency trading, taxation, and anti-money laundering compliance. Such a framework would enhance consumer protection, support legal clarity, and strengthen the Kingdom's financial regulatory landscape. Establishing structured licensing requirements for crypto-related entities, including exchanges and custodians, would reduce fraud risks and prevent market manipulation.

Expanding regulatory sandbox initiatives would allow for controlled experimentation with digital asset solutions, fostering innovation without compromising financial stability. Encouraging financial institutions to explore CBDC development under a defined legal framework would enable research and pilot studies to advance with regulatory oversight. Strengthening fraud prevention and cybersecurity measures—through improved legal provisions on data security, blockchain governance, and investor protection—will further support a secure digital financial ecosystem.

With these comprehensive measures, Saudi Arabia can effectively oversee emerging financial technologies while promoting innovation, enhancing consumer protection, and ensuring economic stability within its evolving digital asset marketplace.

References

Adrian, T., & Mancini-Griffoli, T. (2021). The rise of digital money. *Annual Review of Financial Economics*, 13(1), 57-77.

Agarwal, J., Agarwal, M., Agarwal, A., & Agarwal, Y. (2021). Economics of cryptocurrencies: Artificial intelligence, blockchain, and digital currency. In *Information for efficient decision making: big data, blockchain and relevance* (pp. 331-430). World Scientific.

Alam, N., & Nazim, S. (2021). *Fintech, digital currency and the future of Islamic finance*. Cham: Springer International Publishing, 257.

Alaraifi, A. (2020). Conceptualizing the Assimilation and Risk of Online Social Media in Saudi Arabia: An Empirical Study. *Eurasian Business Perspectives: Proceedings of the 26th and 27th Eurasia Business and Economics Society Conferences*,

Ali, A., Al-Sulaiman, F. A., Al-Duais, I. N., Irshad, K., Malik, M. Z., Shafiullah, M., Zahir, M. H., Ali, H. M., & Malik, S. A. (2021). Renewable portfolio standard development assessment in the Kingdom of Saudi Arabia from the perspective of policy networks theory. *Processes*, 9(7), 1123.

Aljudaibi, S. A., & Amuda, Y. J. (2024). Legal framework governing consumers' protection in digital banking in Saudi Arabia. *Journal of Infrastructure, Policy and Development*, 8(8), 5453.

Alnaeem, A. S. (2017). *The instability caused by oil dependency within the banking systems of the Gulf countries: the case of KSA and Qatar* [Manchester Metropolitan University].

Alrawashdeh, N., Alsmadi, A. A., Alsaaideh, M., Maaitah, D. A., Al-Okaily, M., & Al-Okaily, A. (2024). Embracing Cryptocurrency in the Financial Landscape: An Empirical Study. In *Artificial Intelligence and Economic Sustainability in the Era of Industrial Revolution 5.0* (pp. 721-733). Springer.

Alsaif, M. (2014). *Factors affecting citizens' adoption of e-government moderated by socio-cultural values in Saudi Arabia* [University of Birmingham].

Alsalloum, A. S. (2023). *The Impact of the Financial Reforms Influenced by Religious Financial Principles on the Stock Market in the Kingdom of Saudi Arabia* [Victoria University].

Alshareef, N., & Tunio, M. N. (2022). Role of leadership in adoption of blockchain technology in small and medium enterprises in Saudi Arabia. *Frontiers in psychology*, 13, 911432.

Altamimi, M. M. M. (2024). Social trust in property ownership: a study in the kingdom of Saudi Arabia [University of Southampton].

Amirzadeh, R., Nazari, A., & Thiruvady, D. (2022). Applying artificial intelligence in cryptocurrency markets: A survey. *Algorithms*, 15(11), 428.

Auer, R., Frost, J., Gambacorta, L., Monnet, C., Rice, T., & Shin, H. S. (2022). Central bank digital currencies: motives, economic implications, and the research frontier. *Annual review of economics*, 14(1), 697-721.

Bashayreh, M. (2022). The Authority of Judges under Shariah: Perspectives on Recent Legal Reforms in Saudi Arabia. *J. Int'l L. Islamic L.*, 18, 42.

Belke, A., & Beretta, E. (2020). From cash to central bank digital currencies and cryptocurrencies: a balancing act between modernity and monetary stability. *Journal of Economic Studies*, 47(4), 911-938.

Belouafi, A. (2023). Vital Issues for the Jurisprudential Adaptation of Cryptocurrencies. *Al Qasimia University Journal of Islamic Economics*, 3(2), 25-64.

Bett, S. K. (2024). Herding Behaviour and Individual Investor Decision-Making at the Nairobi Securities Exchange, Kenya [UOK].

Bossu, W., Itatani, M., Margulis, C., Rossi, A., Weenink, H., & Yoshinaga, A. (2020). Legal aspects of central bank digital currency: Central bank and monetary law considerations.

Chiu, I. H. (2021). *Regulating the Crypto Economy*.

Dahdal, A. (2024). *Digital Currencies and Public Law: History, Constitutionalism and the Revolutionary Nature of Money*. Taylor & Francis.

Ercanbrack, J. (2023). *Cryptos: Distinguishing Hype and Realities in Islamic Finance*.

Foster, K., Blakstad, S., Gazi, S., & Bos, M. (2021). Digital currencies and CBDC impacts on least developed countries (LDCs). *The Dialogue on Global Digital Finance Governance Paper Series*.

Hamadien, A. M. (2022). Understanding Factors Facilitating the Diffusion of Financial Technology (FinTech) A Case Study of the Gulf Cooperation Council University of Bradford].

Hossain, K. (2023). Cryptocurrency: Potential, Prospects, Market, Challenges, Future and Way Forwards.

Hossain, M. S. (2021). What do we know about cryptocurrency? Past, present, future. *China Finance Review International*, 11(4), 552-572.

Hrnjic, E., & Clarke, G. (2022). National study on central bank digital currency and stablecoin in the Maldives.

Hwang, S. (2023). Digital Frontlines: The Emerging Role of Cryptocurrencies in Hybrid Warfare & Geopolitics. *College Undergraduate Research Electronic Journal (CUREJ)*.

Ilinka, A., & TAYACHI, T. (2020). Managing Crypto-pegged Exchange Rates Risks in Islamic Banks in the Era of Digitalization Economy and Tokenization. *Journal of Islamic Finance*, 9(1), 046-060.

Jovanić, T. (2020). An overview of regulatory strategies on crypto-asset regulation- Challenges for financial regulators in the Western Balkans. Tatjana Jovanić, An Overview of Regulatory Strategies on Crypto-Asset Regulation-Challenges for Financial Regulators in the Western Balkans, in: *EU Financial Regulation and Markets-Beyond Fragmentation and Differentiation* (Eds. I. Bajakić, M. Božina Beroš), Conference Proceedings, Zagreb,

Kangethe, J. (2022). Digital Currencies: A Conceptual Framework for Its Regulation & Feasibility as Legal Tender. Available at SSRN 4704906.

Koriahina, I. (2024). Examining the Effects of Regulatory Measures on the Behaviour of Cryptocurrency Market: a Case Study on the Impact of Binance Ban as a Component of Anti-Russian Sanctions on the Local Crypto Community.

LeanTech (2024), Regulatory landscape of virtual assets in the GCC. <https://www.leanotech.sg/gccs-virtual-asset-odyssey-decoding-regulatory-terrain/Makhlouf>, A. (2023). Workshop Report: Cryptos: Distinguishing Hype and Realities in Islamic Finance.

Mouaffak, K. R. (2021). FinTech in the Middle East: Regulatory challenges and solutions [Lebanese American University].

Mrozinski, S., Margerison, G. & Krutilins, A. (2025), Law and Practice, Chambers and Partners. Ozili, P. K. (2022). Decentralized finance research and developments around the world. *Journal of Banking and Financial Technology*, 6(2), 117-133.

Packin, N. G., & Lev Aretz, Y. (2023). Crypto Native Credit Score: Between Financial Inclusion and Predatory Lending. *Cardozo Law Review*, Forthcoming.

Panos, G. A., Karkkainen, T., & Atkinson, A. (2020). Financial literacy and attitudes to cryptocurrencies.

Parsons, S. (2022). Developing a foundation for a globally coordinated approach to the taxation of crypto-asset transactions.

Ramady, M. A. (2021). Financial Regulation and Liberation: Saudi Arabia's Path Towards True Global Partnership. Springer Nature.

Sanz-Bas, D., del Rosal, C., Nández Alonso, S. L., & Echarte Fernández, M. Á. (2021). Cryptocurrencies and fraudulent transactions: Risks, practices, and legislation for their prevention in Europe and Spain. *Laws*, 10(3), 57.

Shihadeh, M. (2024). Polycentric Governance in Blockchain based applications: Transforming Government Services in the UAE University of Leicester].

Skaf, Y. (2023). Cryptocurrencies and blockchain technology applications. In *Artificial Intelligence for Capital Markets* (pp. 73-90). Chapman and Hall/CRC.

Soprano, R. (2022). Cryptocurrencies and Special Purpose Vehicles: The Role of International Law in Ensuring the Effectiveness of Economic and Financial Sanctions. In *Law and Sustainability: Reshaping the Socio-Economic Order Through Economic and Technological Innovation* (pp. 31-55). Springer.

Sukhotskaia, A. (2025), Central Bank of Bahrain develops rules for issuing stablecoins, FUTURA LAW. <https://www.futura.law/media-center/news/central-bank-bahrain-develops-rules-issuing-stablecoins-30b9d>

Swaiss, A. (2024). From Riyals to Crypto: Can Cryptocurrency Wages Accelerate Saudi Arabia's Digital Transformation in the Vision 2030 Era? Available at SSRN 4953190.

Wardhani, N. E. (2023). A Legal Perspective on the Antecedents of Consumer Protection in Digital Financial Services. *Shirkah: Journal of Economics and Business*, 9(1), 17-32.