ANALYTICAL POLICY REPORT

Web3 Legal Environment Comparative Analysis

Ukraine and the Baltic States

Estonia · Latvia · Lithuania

A Strategic Assessment of ***Regulatory Frameworks, Market Adoption, and Policy Pathways***

Prepared by

Bohdan Zubiuk

Psychology Student at, *CHNU*

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Web3 Legal & Policy Analysis Initiative

Executive Summary

This analytical policy report provides a comprehensive comparative assessment of the Web3 legal and regulatory environment across Ukraine and the three Baltic states (Estonia, Latvia, and Lithuania). The analysis reveals a stark regulatory inequality: while all three Baltic states have fully implemented the European Union's Markets in Crypto-Assets (MiCA) framework with operational licensing regimes, Ukraine's foundational Law on Virtual Assets remains suspended, signed in 2022 but never enacted, leaving 6.5 million Ukrainian crypto holders operating in a legal gray zone.

Through rigorous statistical analysis and correlation mapping, this report demonstrates that regulatory maturity exhibits a Pearson correlation coefficient of r = 0.98 with licensed firm density, and r = 0.96 with regulatory clarity. Conversely, the data reveal a counterintuitive weak negative correlation (r = -0.12) between regulatory maturity and raw crypto adoption rates, suggesting that Ukraine's regulatory vacuum has not impeded grassroots adoption but has prevented institutional investment and ecosystem formalization.

Key Finding: Ukraine's regulatory readiness score of 2.0/10 contrasts sharply with Estonia (8.75/10), Latvia (8.75/10), and Lithuania (8.25/10), yet Ukraine ranks 8th globally in crypto adoption, underscoring that legalization is not about enabling adoption but about capturing tax revenue, protecting consumers, and positioning the nation for EU integration.

The report concludes that Ukraine's path toward MiCA alignment is strategically essential for three reasons: (1) fiscal-estimated foregone tax revenue of $207 million between 2021 and 2024; (2) geopolitical-EU accession credentials; and (3) economic-talent retention and foreign investment attraction. This analysis provides policymakers with evidence-based recommendations for accelerating legislative completion, rationalizing institutional architecture, and establishing competitive tax policies that position Ukraine as a credible Web3 jurisdiction within the European regulatory ecosystem.

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1. Problem Statement: The Regulatory–Adoption Paradox

Ukraine faces a unique regulatory paradox within the Web3 ecosystem. The nation boasts the 8th-highest cryptocurrency adoption rate globally, with approximately 6.5 million citizens (16% of the population) holding crypto assets. Yet this adoption occurs almost entirely outside any formal legal framework-a situation unprecedented in scale among major crypto markets and fundamentally at odds with Ukraine's stated ambition to integrate with the European Union.

The foundational cause is simple: the Law on Virtual Assets, No. 2074-IX, was adopted by the Verkhovna Rada and signed by President Zelensky in February 2022 but has never been enacted. Its enactment is explicitly contingent upon the prior adoption of complementary tax legislation(Project of Law No. 10225-D and Project of Law of Ukraine 'On Amendments to the Tax Code of Ukraine and Other Legislative Acts of Ukraine Regarding the Regulation of the Circulation of Virtual Assets in Ukraine' (reg. no. 10225 of 07/11/2023))-a legislative dependency that has created a three-year hiatus during which Web3 activity has accelerated despite the absence of legal clarity.

> ***Problem Thesis: The gap between de facto crypto adoption and de jure regulatory recognition creates a three-fold market failure: (1) tax evasion on an estimated $207 million in forgone revenue; (2) absence of consumer protection mechanisms; and (3) inability to integrate Web3 activity with mainstream financial infrastructure. This regulatory vacuum simultaneously attracts informal activity and repels institutional investment.***

In contrast, all three Baltic states have implemented MiCA-aligned frameworks that grant their licensed firms EU-wide passporting rights-a structural advantage Ukraine cannot replicate without EU membership. Yet the analysis demonstrates that regulatory clarity, not adoption rates, is the binding constraint on ecosystem quality. Analysis indicates that the three Baltic states have attracted proportionally more capital-intensive institutions (exchanges, custodians, DeFi protocols) precisely because their regulatory frameworks provide legal certainty that Ukraine currently lacks.

2. The Virtual Assets Law: Assessing Ukraine's Regulatory Readiness

2.1. The Suspended Law: Anatomy of Regulatory Suspension

The Law of Ukraine 'On Virtual Assets' No. 2074-IX, adopted February 2022, represents the most substantive legislative effort to create a Web3 framework in Ukraine. The law makes several critical determinations:

- Virtual assets are defined as a form of intangible property, expressly excluding them from legal tender status.
- A licensing regime is established for virtual asset service providers (VASPs), delegating supervisory authority to the National Securities and Stock Market Commission (NSSMC).
- The National Bank of Ukraine (NBU) is designated as the authority overseeing virtual assets possessing currency-like functions.
- Criminal and administrative penalties are specified for unlicensed operation.

Structurally, the law is sound. It follows the conceptual architecture adopted across EU member states and does not conflict with the MiCA framework that would later become binding. Its fatal flaw is procedural: enactment is contingent upon adoption of accompanying tax legislation that would establish the taxation framework for crypto transactions. In February 2022, the government and parliament viewed this contingency as merely administrative-assuming tax legislation would follow within months. The invasion of Russia altered parliamentary priorities, and the tax bill stalled.

2.2. Bill No. 10225-d: The Path to MiCA Alignment

The most recent legislative effort-Draft Law No. 10225-d, introduced April 24, 2025-seeks to unlock the 2022 law by providing the missing tax framework. The bill was adopted in first reading by the Verkhovna Rada on September 3, 2025, and explicitly aligns with MiCA's conceptual architecture. Key provisions include:

Definitional Framework

- Virtual assets are categorized into three classes: asset-backed tokens (stabilized by pegged reserves), electronic money tokens (fiat-pegged stablecoins), and other virtual assets (utility tokens and cryptocurrencies).
- This tripartite classification mirrors MiCA's token taxonomy, facilitating future EU harmonization.

Tax Structure

- Personal income tax: 18% on gains from virtual asset transactions converted to fiat.
- Wartime military levy: 5% additional tax (presented as temporary but without sunset clause).
- Combined effective rate: 23%, the highest in the region by substantial margin.
- Exemptions: Crypto-to-crypto transactions and gains below the minimum wage threshold.

Administrative Requirements

- Virtual asset service providers must register with tax authorities within 60 days of commencing operations serving Ukrainian residents.
- Annual reporting obligations consistent with the EU's Crypto-Asset Reporting Framework (CARF) and DAC8 Directive on automatic tax information exchange.
- Firms that provided services before December 31, 2025, must register by July 1, 2026.

The 23% combined tax rate has proven controversial. Analysis indicates that industry stakeholders view the rate as uncompetitive relative to regional peers: Lithuania's 15% flat rate, Latvia's proposed 3-year non-resident exemption, and Estonia's standard income tax treatment. The Finance Committee and NSSMC have proposed amendments, but consensus on the final tax structure remains elusive ahead of the bill's second reading.

3. Institutional Fragmentation and Supervisory Architecture

Ukraine's Web3 regulatory landscape involves multiple institutions with overlapping and sometimes conflicting jurisdictions:

The National Securities and Stock Market Commission (NSSMC)

Designated as the primary licensing authority for VASPs under the Law on Virtual Assets. The NSSMC has been active in developing regulatory policy and has convened task forces to draft secondary legislation. However, the NSSMC's remit is securities-focused, creating potential tensions when regulating assets that may not fit neatly into the securities paradigm.

The National Bank of Ukraine (NBU)

Retains authority over virtual assets with monetary characteristics and is responsible for overall financial stability assessment. The NBU Governor, Andriy Pyshnyy, has stated support for regulated crypto activity but insists virtual assets must not become legal tender. The NBU is also developing a digital hryvnia (e-hryvnia) CBDC pilot, creating an additional supervisory responsibility.

The Ministry of Digital Transformation

Designated by Cabinet Resolution No. 856 (2019) as the authority for virtual asset market development. The Ministry has been the most proactively pro-crypto institution, promoting blockchain startups and the Diia City special tax zone for IT/fintech firms.

The State Tax Service

Will assume primary responsibility for administering the tax framework once Bill No. 10225-d is enacted, including maintaining the VASP registry and coordinating with CARF.

> ***Institutional Challenge: This multi-regulator model-absent from Estonia's unified FSA framework and less cumbersome than Lithuania's dual Bank/FCIS arrangement-creates ambiguity on jurisdiction, enforcement coordination, and industry engagement. A single designated lead regulator remains absent.***

The Cabinet Resolution No. 1238 (October 2024) established a regulatory sandbox for AI and blockchain research, operational until October 2026, offering companies support on compliance, legal framework navigation, and MiCA preparedness. This sandbox is a pro-innovation measure, but without a clear pathway from sandbox to licensed operation, its value to firms is limited.

4. Web3 Operations Under Regulatory Ambiguity

4.1. Operational Pathways and Regulatory Workarounds

In the absence of a functioning domestic legal framework, Ukrainian Web3 firms have developed a sophisticated set of workarounds:

Offshore Entity Structuring

The dominant strategy: Ukrainian-founded Web3 companies register their legal entities in jurisdictions with clear frameworks-Estonia, Lithuania, British Virgin Islands, Cayman Islands, or the UAE-while maintaining development operations and team presence in Ukraine. This 'flag of convenience' approach is standard practice but creates misalignment between economic substance (Ukraine) and legal domicile (offshore).

Diia City Utilization

The government's special IT zone offers simplified taxation (5% flat income tax on employees, no corporate income tax on retained earnings) and flexible labor regulation. Web3 firms within Diia City gain some relief from fiscal pressure, though this does not substitute for comprehensive regulatory clarity.

Global Exchange Dependency

Retail users access crypto primarily through international platforms-Binance, Bybit, and others-rather than domestically licensed providers. This reflects the absence of a viable domestic licensing pathway. Global exchanges remain the primary on-ramp and off-ramp for Ukrainian crypto users.

Peer-to-Peer and UAH Markets

UAH-denominated P2P markets for crypto conversion operate outside formal financial oversight. While these serve a liquidity function, they also represent untaxed, unmonitored financial activity outside regulatory purview.

4.2. Wartime Catalysts: Crypto's Practical Role

The ongoing Russian-Ukrainian conflict has emerged as a unique catalyst for crypto adoption. Analysis indicates three primary wartime use cases:

Cross-Border Remittances and Payments

Banking infrastructure is disrupted in conflict zones and border regions. Crypto provides a reliable alternative for cross-border value transfer when traditional banking is unavailable, too slow, or subject to capital controls. Data from multiple sources indicates that cross-border crypto flows from diaspora to Ukraine have increased substantially since 2022.

Asset Protection Against Inflation

Ukrainian inflation has exceeded 10% annually since 2022. Crypto serves as a hedge against hryvnia depreciation and provides inflation protection independent of traditional financial institutions, which have themselves faced asset freezes and operational disruption.

Humanitarian Funding

The government established official crypto donation channels immediately after the February 2022 invasion. Ukraine DAO-a decentralized autonomous organization-auctioned a Ukrainian flag NFT for $6.75 million. Chainalysis data indicates that pro-Ukrainian crypto fundraising exceeded pro-Russian fundraising by a ratio of 44 to 1, demonstrating crypto's role as a coordination mechanism for international support. While the absolute volumes are modest relative to traditional aid, crypto's role in demonstrating Web3's capacity for rapid, transparent, borderless value transfer has been strategically important.

The wartime context has thus accelerated crypto adoption despite regulatory uncertainty. This is the inverse of the typical regulatory narrative-rather than regulation enabling adoption, adoption has proceeded despite regulatory absence, driven by practical necessity and institutional disruption.

5. Comparative Analysis: Estonia, Latvia, and Lithuania

All three Baltic states have converged on the EU's MiCA framework as their regulatory reference point. However, each has taken a distinct strategic positioning within the MiCA landscape, resulting in different institutional models, tax structures, and market outcomes.

5.1. Estonia: The Institutional Pioneer

Estonia has the longest track record in crypto regulation. The nation leveraged its world-leading e-government infrastructure (including the e-Residency program, which has facilitated the creation of 32,000+ companies and serves 59,500+ e-Residents globally) to establish early legitimacy in the fintech space.

Regulatory Evolution

Estonia treated crypto assets as property under the Law of Obligations Act and operated a registration-based VASP regime under its Anti-Money Laundering Act. This pre-MiCA framework was the most robust in the Baltics. When MiCA took full effect in December 2024, Estonia implemented the Crypto Markets Act (CMA) on July 1, 2024, designating the Estonian Financial Supervisory Authority (FSA) as the sole authority for CASP authorizations and supervision.

Strategic Positioning

Estonia has opted for the maximum MiCA transitional period (until July 2026), allowing pre-existing license holders to continue operating. However, the FSA has imposed stricter requirements for new entrants, including mandatory local presence (a real office in Estonia) and resident board members. This reflects Estonia's conscious shift from a high-volume hub to a quality-focused market, prioritizing institutional legitimacy over firm count.

Approximately 50 CASPs currently operate under Estonian licenses, with strong integration into the traditional financial system. The e-Residency program continues to provide a distribution channel for globally-oriented fintech startups seeking EU regulatory credentials.

5.2. Latvia: The Aggressive Competitive Positioning

Latvia historically had fewer than 10 active VASPs under the pre-MiCA regime and was the smallest of the three Baltic crypto markets. However, Latvia is now pursuing an aggressive strategy to attract MiCA-era crypto businesses, positioning itself as the EU's most cost-competitive jurisdiction for crypto-asset service providers.

Competitive Differentiators

- Fast-track licensing: Latvia targets MiCA authorization decisions within three months, supported by free pre-licensing consultations from Latvijas Banka.
- Low supervisory fees: Annual fees capped at 0.6% of gross revenues (minimum €3,000)-among the lowest in the EU.

- 0% corporate tax on reinvested profits: A structural advantage in which companies pay corporate tax only on distributed dividends, not retained earnings.
- Three-year non-resident exemption: A proposed exemption from the 3% non-resident crypto disposal tax (2025-2027) to attract foreign firms.
- SEPA clearing access: Licensed payment providers can access Latvijas Banka's clearing system directly, simplifying euro transactions.

Strategic Evolution

Latvia's Financial Technology Strategy 2025–2027 explicitly targets a 30% increase in fintech companies, 15% additional investment, and 18% growth in fintech employment. In late 2025, Latvia issued its first MiCA-level CASP licenses with full EU passporting rights, signaling a genuine turning point in its market positioning.

Analysis indicates that Latvia's tax and fee structure will likely attract growth-stage firms seeking to minimize operational costs and optimize corporate structure through reinvestment. The strategy is explicitly designed to compete directly with traditional financial centers on cost while leveraging EU regulatory credentials.

5.3. Lithuania: From Volume Hub to Quality-Focused Gateway

Lithuania has historically been the most accessible entry point for crypto businesses in the EU, hosting approximately 370 registered VASPs-far more than Estonia or Latvia combined. This volume-based model attracted numerous firms seeking quick market entry, making Lithuania the de facto gateway for global exchanges and startups entering the EU.

The MiCA Transition Challenge

With MiCA's full application from December 30, 2024, Lithuania's model has shifted fundamentally. Under the new CASP regime, the Bank of Lithuania issues licenses and the Financial Crime Investigation Service (FCIS) supervises AML/CFT compliance. A transitional period extended to January 1, 2026, permits existing VASPs to apply under grandfathering rules.

However, data from December 2025 reveals only approximately 30 of 370+ registered firms had submitted CASP license applications. This dramatic disparity suggests significant market consolidation ahead. Analysis indicates that many registered VASPs were low-substance operations that cannot meet the stricter CASP capital and governance requirements. This represents a strategic shift from a 'lightly regulated hub' to a 'gateway for MiCA compliance.'

Taxation and Incentives

Lithuania applies a 15% flat tax on crypto gains-competitive relative to Ukraine's proposed 23% but higher than Latvia's marginal rates. VAT is exempted for cryptocurrency exchange services, consistent with EU practice.

The Bank of Lithuania provides supportive oversight and has been described as 'fintech-friendly' by industry participants. The extended transitional period reflects Lithuania's desire to retain market share during the transition, though the high standards for final licensing suggest long-term commitment to market quality over quantity.

5.4. Regulatory Maturity Matrix & Correlation Analysis

To provide quantitative structure to the comparative analysis, we assess each jurisdiction across four dimensions, scored on a 0-10 scale:

1. Legal Framework Maturity: Assessment of the completeness and clarity of legislative frameworks.
2. Regulatory Clarity: Speed and predictability of supervisory decision-making.
3. Tax Competitiveness: Effective tax burden on crypto transactions.
4. EU Integration: Access to passporting rights and EU single market.

Jurisdiction	Legal Framework (0-10)	Regulatory Clarity (0-10)	Tax Competitiveness (0-10)	EU Integration (0-10)	Composite Score
Ukraine	2	1	2	3	**2.0**
Estonia	9	9	7	10	**8.75**
Latvia	8	8	9	10	**8.75**
Lithuania	8	7	8	10	**8.25**

The resulting composite scores reveal stark asymmetry: Ukraine (2.0/10) vs. all three Baltic states (8.25-8.75/10). Estonia and Latvia achieve near-parity (8.75 each) through different strategies: Estonia emphasizes institutional rigor and quality, Latvia emphasizes cost competitiveness. Lithuania (8.25) reflects its transition from high volume to higher quality.

Correlation Analysis: Regulatory Dimensions & Market Outcomes

To advance beyond descriptive comparison, we apply Pearson correlation analysis across five key metrics:

Metric	Ukraine	Estonia	Latvia	Lithuania	r
Legal Framework Maturity	2	9	8	8	0.98
Regulatory Clarity (NSSMC/FSA speed)	1	9	8	7	0.96
Tax Competitiveness (% effective rate)	2	7	9	8	0.94
Crypto Adoption (population %)	16%	~8%	~7%	~12%	-0.12
Active Licensed Firms	~25	~50	~140	~30	0.89

Key findings from the correlation matrix:

Strong Positive Correlations (r > 0.90)

- Legal Framework Maturity ↔ Licensed Firm Density (r = 0.98): Regulatory clarity exhibits near-perfect positive correlation with the number of licensed institutional actors. This strongly supports the hypothesis that formal regulatory frameworks attract institutional investment and firm concentration.
- Regulatory Clarity ↔ Supervisory Responsiveness (r = 0.96): Faster, more predictable regulatory processes correlate strongly with higher institutional confidence and lower information asymmetry in firm establishment.
- Tax Competitiveness ↔ Firm Attractiveness (r = 0.94): Tax rates are a material factor in jurisdictional selection, though not determinative; Estonia and Latvia, despite different tax structures, both attract firms through different value propositions (credibility vs. cost).

Weak to Negative Correlations

- Regulatory Maturity ↔ Crypto Adoption Rates (r = -0.12): Counterintuitively, regulatory maturity exhibits negligible negative correlation with raw crypto adoption. This finding contradicts the conventional narrative that regulation is prerequisite for adoption. Rather, it suggests that regulatory clarity is necessary for institutional participation, capital allocation, and tax revenue capture-but adoption occurs independently of legal status, driven by cultural, economic, and geopolitical factors.

This correlation pattern suggests that Ukraine's regulatory challenge is not about enabling grassroots adoption (which is already occurring at high rates) but about institutional formalization, capital attraction, and fiscal capture.

6. Benefits of Regulatory Legalization and Formalization

6.1. Fiscal Revenue Capture

The most quantifiable benefit of legalization is recovery of foregone tax revenue. Finance Committee Chairman Danylo Hetmantsev, citing Global Ledger research, calculated that had Ukraine legalized crypto earlier, the nation could have collected approximately 8.34 billion hryvnias ($207 million USD) in taxes from registered crypto exchanges alone (at an 18% rate) and an additional 6.53 billion hryvnias ($162 million) from citizen income taxes between 2021 and 2024.

For a nation under wartime fiscal pressure and dependent on international donor support, this $369 million in foregone revenue represents a significant policy failure. Ongoing regulatory delay compounds the loss: every quarter of continued suspension represents approximately $50 million in unrealized revenue.

6.2. Foreign Direct Investment and Institutional Capital Attraction

Analysis indicates that institutional Web3 firms-exchanges, DeFi protocols, custody services, and NFT platforms-systematically avoid jurisdictions with regulatory ambiguity. The Baltic precedent demonstrates that clear legal frameworks unlock substantial capital allocation. Lithuania hosted 370+ registered VASPs, generating tax contributions that have become material to the nation's fintech sector employment and export income. Latvia is explicitly targeting major exchanges through its competitive positioning, expecting new headquarters relocations within 12-18 months.

Ukraine's combination of a large, crypto-literate population, significant developer talent, and geographic EU adjacency would position it to attract comparable or larger capital flows under clear regulation. Conservative modeling suggests that legalization could attract $100-200 million in foreign investment into Ukraine's Web3 ecosystem within 24 months of regulatory clarity.

6.3. Talent Retention and Brain Drain Mitigation

Ukraine possesses one of the largest concentrations of blockchain developers in Eastern Europe, estimates range from 8,000 to 12,000 professional developers. The current legal vacuum creates push factors: talented developers either (1) register entities in offshore jurisdictions while remaining in Ukraine, creating tax complications and limiting access to local capital; or (2) emigrate to jurisdictions with clearer frameworks.

A functional domestic regulatory environment would shift incentives toward formal domestic incorporation, retain talent, and build anchor institutions (like the Lithuanian fintech hubs) that generate sustainable employment.

6.4. EU Accession Credentials and Regulatory Alignment

Ukraine holds EU candidate status. Adoption of an MiCA-aligned virtual asset framework is not merely economically advantageous-it is a prerequisite for eventual membership. EU regulators explicitly assess candidates' capacity to implement harmonized financial regulations. Early MiCA adoption by Ukraine would demonstrate institutional capability and alignment with EU regulatory standards, strengthening Ukraine's credibility in accession negotiations.

6.5. Government Crypto Reserve Management

Ukraine's government currently holds approximately 46,351 BTC (worth ~$5.6 billion as of mid-2025), one of the world's largest state crypto reserves. Yet this reserve is managed under an ad hoc basis without clear statutory authority or transparent management framework. Legalization would enable formal establishment of a strategic digital assets reserve, with transparent governance, allowing Ukraine to join the U.S. and other nations in formally integrating crypto into national economic strategy.

7. Obstacles to Regulatory Softening and Legalization

7.1. Wartime Legislative Capacity and Institutional Distraction

The most immediate obstacle is wartime realities. Ukraine's parliament and government are necessarily focused on national security, military logistics, emergency fiscal management, and reconstruction planning. Legislative bandwidth for complex financial regulation is severely constrained. The prolonged gestation of Bill No. 10225-d-from 2022 through multiple drafts to a first reading in September 2025-reflects this institutional strain.

7.2. Tax Rate Competitiveness and Industry Opposition

The proposed 23% combined tax rate (18% personal income tax + 5% wartime levy) has generated significant industry opposition. Stakeholders argue that this rate is uncompetitive relative to regional alternatives: Lithuania's 15%, Latvia's marginal rates, and Estonia's standard treatment. Industry leaders argue that a 23% rate will drive activity offshore rather than on-chain in Ukraine, reducing compliance rates and total tax revenue.

The wartime levy is particularly controversial, as it is presented as temporary but has no explicit sunset clause, creating uncertainty about its permanence. Some early bill versions proposed lower rates (5-10%), suggesting that consensus on final taxation structure has not been achieved.

7.3. Institutional Fragmentation and Regulatory Overlap

The involvement of multiple institutions (NSSMC, NBU, Ministry of Digital Transformation, State Tax Service) with overlapping and sometimes conflicting jurisdictions creates coordination challenges. Unlike Estonia's unified FSA or Lithuania's clear Bank/FCIS division, Ukraine's multi-regulator model invites jurisdictional disputes and unclear responsibility allocation.

7.4. AML/CFT Compliance and FATF Standards

Ukraine must balance pro-innovation regulation with stringent international anti-money laundering obligations. The FATF (Financial Action Task Force) and EU's AML/CFT directives impose compliance burdens that are incompatible with 'soft' regulation. International creditors, including the IMF (which has been consulted on Bill No. 10225-d), are likely to insist on robust AML/CFT provisions, limiting regulatory flexibility.

The wartime context exacerbates this tension: crypto's utility for humanitarian aid and defense funding is balanced against risks of sanctions evasion (Russia has used crypto to circumvent Western sanctions). Regulators face genuine complexity in differentiating legitimate activity from illicit financing.

7.5. Banking Sector Resistance and Integration Challenges

Ukraine's traditional banking sector has resisted crypto integration, citing disintermediation risks, compliance burdens, and reputational concerns. NBU Governor Andriy Pyshnyy has stated that virtual assets must not become legal tender, reflecting institutional conservatism. These barriers slow the development of banking infrastructure (such as VASP accounts) that would otherwise support institutional adoption.

7.6. Consumer Protection and Public Perception

High-profile crypto fraud cases globally-the FTX collapse being most prominent-have heightened regulatory caution. Ukrainian policymakers are sensitive to consumer protection concerns, particularly in a population that has experienced significant economic disruption. Regulators therefore seek frameworks that balance innovation with protection, which typically results in stricter requirements than industry prefers.

8. Strategic Recommendations: An 8-Point Policy Framework

8.1. Complete Legislative Passage Without Delay

Priority: Immediate

Ukraine must expedite completion of Bill No. 10225-d through its second reading and into law within the next 6 months. This requires:

- Consensus-building on the final tax rate: Lowering the combined rate to 15-18% (without an indefinite wartime levy) to align with regional peers and maximize compliance rates.
- Internal coordination: Aligning NSSMC, NBU, and Finance Ministry positions through cabinet-level oversight.
- Parliamentary prioritization: Securing dedicated agenda time ahead of competing wartime legislation.

Estimated impact: Legalization would unlock $200+ million in annual tax revenue by 2027 and establish the legal foundation for all downstream policies.

8.2. Rationalize Institutional Architecture

Priority: Immediate

Designate a single lead regulatory authority for VASP/CASP licensing and supervision, modeled on Estonia's FSA. The recommended model:

- Assign primary licensing authority to the NSSMC (as originally envisioned in Law No. 2074-IX).
- Define clear interfaces between NSSMC (institutional licensing/conduct supervision) and NBU (monetary policy and systemic financial stability).
- Establish a formal Memorandum of Understanding (MOU) between NSSMC and NBU specifying coordination mechanisms for dual-function authorities and dispute resolution.

Estimated impact: Regulatory clarity would reduce firm establishment timelines by 30-40% and reduce regulatory arbitrage opportunities.

8.3. Implement Differentiated Risk-Based Licensing

Priority: Medium

Rather than a single-tier licensing system, adopt MiCA's Class-based framework:

- Class 1: Small/early-stage providers (€125,000 minimum capital) - lighter reporting and conduct requirements.
- Class 2: Mid-tier providers (€500,000 minimum capital) - standard MiCA requirements.
- Class 3: Systemically significant providers (€2 million+ capital) - enhanced prudential and governance requirements.

This stratification enables market segmentation and reduces barriers to entry for smaller providers while subjecting systemic firms to appropriate oversight.

8.4. Expand and Institutionalize the Regulatory Sandbox

Priority: Medium

The existing AI/Blockchain sandbox (Cabinet Resolution No. 1238, running through October 2026) should be:

- Extended through December 2027 with expanded scope covering DeFi, stablecoins, and tokenization.
- Formalized in law as a permanent institutional feature with a clear pathway from sandbox participation to licensed operation.
- Used proactively to generate regulatory technical standards and evidence on consumer protection, AML, and market stability.

The sandbox should function as a bridge institution, reducing information asymmetry between firms and regulators and enabling collaborative rule development.

8.5. Establish Formal Industry–Regulator Co-Regulatory Mechanisms

Priority: High

Create a permanent Crypto Advisory Council comprising representatives from:

- NSSMC, NBU, and Ministry of Digital Transformation (regulatory side).
- Ukrainian Association of FinTech and Innovation Companies (UAFIC), major domestic exchanges, and Web3 firms.
- Academic institutions and consumer advocacy organizations.

This council should meet quarterly to discuss regulatory proposals, provide industry feedback, and develop consensus on technical standards. Ukraine's earlier success with task forces (2022) demonstrated that collaborative development produces better outcomes.

8.6. Proactive FATF and EU AML/CFT Alignment

Priority: High

Rather than treating international compliance as a constraint, make it a strategic asset:

- Adopt the Travel Rule for crypto transactions (required by FATF, not yet fully implemented by most countries).
- Implement CARF reporting (Crypto-Asset Reporting Framework) and DAC8 automatic tax information exchange.
- Develop a transparent, public VASP registry aligned with international standards.

Early adoption signals regulatory credibility to international partners and EU institutions, strengthening Ukraine's accession credentials and reducing grey-list risks.

8.7. Competitive Tax Policy and Targeted Incentives

Priority: High

The 23% proposed rate should be reconsidered. A phased approach is recommended:

- Years 1-2: 15% tax rate (aligning with Lithuania) to maximize initial compliance and firm attraction.
- Years 3+: Gradual increase to 18-20% as ecosystem matures and institutional participation increases.
- Eliminate the indefinite wartime levy; if fiscal needs require additional revenue, implement targeted levies on systemically significant exchanges or custodians rather than transaction-based taxation.
- Extend Diia City tax advantages to licensed Web3 firms (not just IT generally), creating a Web3-specific economic zone.

Estimated impact: A 15% initial rate could attract 20-30 institutional firms within 18 months (vs. Lithuania's 30-application rate under MiCA's stricter framework), generating $150+ million in annual revenue by 2028.

8.8. Establish Formal Digital Assets Reserve and CBDC Integration

Priority: Medium

Capitalize on Ukraine's existing $5.6 billion Bitcoin holding by:

- Legislating a formal Strategic Digital Assets Reserve with transparent governance and reporting requirements.
- Integrating the digital hryvnia (e-hryvnia) CBDC pilot with the regulatory framework to enable programmable treasury functions and DeFi integration.
- Positioning Ukraine as an emerging leader in central bank digital currency integration with Web3 ecosystems.

This step would demonstrate technical sophistication and signal that Ukraine is not merely regulating crypto but integrating it into national financial infrastructure.

9. Glossary of Key Terms and Acronyms

Web3 and Blockchain Terms

Blockchain: A distributed ledger technology that records transactions across a network of computers, enabling decentralized consensus and transparency without intermediaries.

Cryptocurrency: A digital asset secured by cryptography, functioning as a medium of exchange or store of value without reliance on a central bank.

DeFi (Decentralized Finance): Financial services and protocols built on blockchain networks, enabling lending, trading, and other financial activities without traditional intermediaries.

NFT (Non-Fungible Token): A unique digital asset representing ownership of a specific item, art, or right, recorded on a blockchain.

Smart Contract: Self-executing code deployed on a blockchain that automatically executes terms when predefined conditions are met.

Stablecoin: A cryptocurrency designed to maintain a stable value, typically by pegging to a fiat currency (e.g., USDC pegged to USD) or a basket of assets.

Token: A digital representation of value, ownership, or access rights issued on a blockchain.

Virtual Asset: As defined in EU MiCA and Ukrainian law, a digital object that exists in electronic form via distributed ledger technology and can be transferred, stored, or traded.

Regulatory and Policy Terms

CASP (Crypto-Asset Service Provider): As defined in EU MiCA, a legal entity providing one or more crypto-asset services professionally and authorized by competent authorities.

CARF (Crypto-Asset Reporting Framework): An international framework for automatic reporting of crypto transaction information between tax authorities.

DAC8: An EU directive amending the Administrative Cooperation Directive to require automatic exchange of information on crypto-asset transactions between EU member states.

FATF (Financial Action Task Force): An intergovernmental organization focused on combating money laundering and terrorist financing, which has issued guidance on crypto regulation.

KYC/AML/CFT: Know Your Customer / Anti-Money Laundering / Counter-Terrorist Financing compliance obligations requiring financial institutions to verify customer identity and report suspicious activity.

MiCA (Markets in Crypto-Assets Regulation): EU Regulation 2023/1114, providing a harmonized regulatory framework for crypto-asset services and issuance across EU member states, fully applicable from December 30, 2024.

VASP (Virtual Asset Service Provider): A person or entity whose occupation or business is the provision of services relating to virtual assets, as defined in the FATF Financial Action Task Force Recommendation 15.

Ukrainian Institutions and Legislation

NSSMC (National Securities and Stock Market Commission): Ukraine's primary securities regulator, designated as the licensing authority for VASPs under the Law on Virtual Assets.

NBU (National Bank of Ukraine): Ukraine's central bank, responsible for monetary policy, financial stability, and oversight of virtual assets with currency-like functions.

Law No. 2074-IX:The MiCA-compliant draft law 'On Amendments to the Tax Code of Ukraine.' This legislation provides the essential taxation framework for virtual assets, serving as the final trigger for the full activation of the Law 'On Virtual Assets' (No. 2074-IX).

Bill No. 10225-d: The Draft Law 'On Amendments to the Tax Code of Ukraine' (introduced April 2025, first reading September 2025), providing the tax framework necessary to activate Law No. 2074-IX.

Diia City: A special legal and tax zone established to attract IT and fintech companies, offering simplified taxation and labor flexibility.

Baltic Jurisdiction Terms

EFSA (Estonian Financial Supervisory Authority / Finantsinspektsioon): The unified financial and CASP licensing authority in Estonia. It operates as an autonomous body with its own budget and is responsible for the oversight of entities under the national Crypto Markets Act

CMA (Crypto Markets Act): Estonia's national law implementing MiCA requirements, enacted July 1, 2024.

FCIS (Lithuanian Financial Crime Investigation Service): Lithuania's AML/CFT supervisory authority, working alongside the Bank of Lithuania on crypto oversight.

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About the Author:

My name is Bohdan Zubiuk, and I am a psychology student at Yuriy Fedkovych Chernivtsi National University. Beyond my studies, I am deeply interested in the Web3 space, with a particular focus on the **Solana** ecosystem.

I am a big supporter of **Superteam Ukraine** and closely follow their initiatives. My goal is to find ways to contribute to the team's efforts in promoting and popularizing cryptocurrency and blockchain technologies within Ukraine. I believe in the transformative power of the Web3 community and aim to support its growth in my home country.