

The Dynamics of ASEAN Policies on Cryptocurrency: A Case Study of 2018–2023

Faryq Luthfin Akbar^{1*}, Fitriah Islamiah Askhari²

^{1,2} International Relations Study Program, Faculty of Social and Political Sciences, Universitas Indonesia, Indonesia

**Corresponding Author: faryq.luthfin51@ui.ac.id*

Received: 12/05/2026 | Revised: 09/06/2026 | Accepted: 11/08/2026 | Published: 24/09/2026

Abstract: Cryptocurrency has become central to the transformation of global financial governance, as digital assets grow increasingly integrated into cross-border financial systems. In Southeast Asia, rapid cryptocurrency adoption since 2018 has posed new challenges for ASEAN in maintaining financial stability, consumer protection, and regional market integrity, prompting a shift from fragmented national regulations toward greater regional policy coordination. This study explains why ASEAN shifted its cryptocurrency regulatory policies between 2018 and 2023. Using a qualitative research design with a deductive approach, the study analyzes primary data from ASEAN policy documents—including the ASEAN Digital Financial Integration Framework, the ASEAN Blockchain Roadmap, and ASEAN Finance Ministers and Central Bank Governors' Meeting reports - complemented by international reports and academic literature, interpreted through Regime Theory's components of principles, norms, rules, and decision-making procedures. Findings indicate the policy shift was driven by internal pressures, including rising systemic risk, regulatory fragmentation, and uneven national regulatory capacity, as well as external pressures from evolving global standards, particularly the Financial Action Task Force (FATF). ASEAN responded by gradually institutionalizing a coordinated regional governance framework through consensus-based mechanisms and regulatory harmonization. The study's novelty lies in extending Regime Theory to regional cryptocurrency governance, showing how a Global South regional organization develops digital financial governance amid domestic constraints and external regulatory pressures.

Keywords: *ASEAN Cryptocurrency, Digital Financial Governance, Policy Harmonization, Regime Theory.*

How to Cite: Akbar, F. L., & Askhari, F. I. (2026). The Dynamics of ASEAN Policies on Cryptocurrency: A Case Study of 2018–2023. *Journal of Economics and Management*, 4(3), 1185-1200. <https://doi.org/10.70716/ecoma.v4i3.560>

INTRODUCTION

Cryptocurrency has emerged as one of the most significant developments in the evolution of the global financial system. Initially regarded as a technological innovation operating outside conventional financial institutions, digital assets have gradually become integrated into cross-border financial activities, investment markets, and payment systems. This transformation has altered interactions among states, markets, and financial actors while also creating governance challenges that extend beyond national jurisdictions. Cryptocurrency has emerged as a significant development in the digital financial landscape, creating new investment opportunities while introducing substantial risks related to market volatility and financial regulation (Hartono & Robiyanto, 2021; Kuncara & Anugrah, 2023). Consequently, the development of cryptocurrency has transformed the way societies and states interact with money while

creating new challenges for global economic governance and the monetary sovereignty of developing countries.

The regulatory responses to cryptocurrency have varied considerably across regions, reflecting differences in regulatory capacity, institutional preferences, and policy approaches. The European Union established an integrated regulatory framework for crypto-assets through the Markets in Crypto-Assets (MiCA) Regulation, which aims to provide greater legal certainty and a harmonized regulatory framework for crypto-assets in the European financial market (van der Linden & Shirazi, 2023). In contrast, the United States has developed a regulatory framework involving multiple regulatory authorities, including the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC), resulting in a more complex regulatory structure for crypto-assets (Kharisma & Uwais, 2023). Australia is one jurisdiction where digital-asset regulation has evolved alongside broader efforts to address financial risks, regulatory uncertainty, and the need to balance innovation with investor protection (Teng et al., 2026). These approaches show that cryptocurrency has evolved beyond a purely domestic policy issue and has become a cross-border governance challenge that requires stronger policy coordination.

Cryptocurrency development in Southeast Asia has progressed rapidly. The digital asset market in ASEAN grew by 450% during 2018–2023, with a market value approaching US\$32 billion. This growth has been driven by increasing internet penetration, a large digitally literate young population, and public demand for more flexible alternatives to formal financial systems (OECD, 2026). Cryptocurrency adoption has expanded across Southeast Asia, with Indonesia, the Philippines, Thailand, and Vietnam representing important markets for crypto-asset activity in the region (Hidayat et al., 2025). In contrast, Singapore and Thailand have adopted relatively proactive regulatory approaches, while Indonesia and Vietnam have developed different regulatory responses to cryptocurrency activities (Sonksen, 2021). These developments indicate that ASEAN is adjusting toward an increasingly integrated digital financial ecosystem, while differences in national regulatory capacities may create policy fragmentation and complicate cross-border transaction oversight.

The diverse characteristics and risks of digital assets further intensify the regulatory challenges associated with cryptocurrency. Cryptocurrency is not a homogeneous category but encompasses several types, including store-of-value assets, payment coins, utility tokens, security tokens, and meme coins. Store-of-value assets such as Bitcoin have attracted increasing attention during periods of economic uncertainty; however, their high price volatility raises questions about their effectiveness as stable stores of value and safe-haven assets (Gunawan & Anggono, 2021). Payment coins such as Litecoin, Dash, Monero, and Zcash are used for fast transactions and cross-border remittances, although some provide high levels of anonymity that can complicate regulatory oversight (Jenweeranon, 2022). Utility tokens function as mechanisms for accessing services within blockchain ecosystems and are sensitive to digital platform dynamics (Teng et al., 2023). Security tokens are subject to capital market regulatory standards because they contain elements of ownership claims (Quoc et al., 2025), while meme coins are frequently associated with speculative behavior and consequently pose considerable risks to retail investors (Hidayat et al., 2025). These variations show that digital assets generate non-uniform regulatory risks and therefore require policy responses that address different forms of financial, technological, and cross-border risks.

The rapid expansion of cryptocurrency has also generated structural challenges for ASEAN. Cryptocurrency markets are characterized by high price volatility, with Bitcoin and Ethereum experiencing significant fluctuations in returns across different periods (Kuncara & Anugrah, 2023; Bawa, 2026). High cybersecurity risks have also emerged as a major concern in cryptocurrency markets, as hacking incidents targeting cryptocurrency platforms can cause substantial financial losses and undermine investor confidence (Chen et al., 2023). Furthermore, approximately 78% of financial authorities reported difficulties monitoring international transactions due to regulatory differences and limited coordination mechanisms, particularly regarding regulatory arbitrage and money laundering risks (Ha & Chuah, 2023). These challenges indicate that the region's institutional and regulatory readiness has not kept pace with the adoption of digital financial technology. The borderless nature of cryptocurrency transactions further limits the effectiveness of unilateral national policies in addressing risks that extend across jurisdictions.

These conditions must also be understood within the institutional characteristics of ASEAN regional governance. ASEAN is characterized by a governance model based on soft law, non-interference, and consensus, which causes regulatory harmonization processes to develop gradually and through non-confrontational mechanisms (Acharya, 2014). Previous studies of regional governance demonstrate that differences strongly influence ASEAN's responses to cross-border issues in national capacities, member-state interests, and external pressures (Dulisse et al., 2026). In areas such as financial integration, cybersecurity, and labor migration, ASEAN has generally responded by gradually establishing shared norms, policy guidelines, and flexible coordination among regulators. These characteristics provide an important institutional context for understanding the regional response to cryptocurrency and suggest that ASEAN's policy development cannot be separated from the institutional dynamics of the ASEAN Way.

In response to the increasing complexity of digital asset governance, ASEAN has begun to develop a more coordinated regional approach. The launch of the ASEAN Digital Financial Integration Framework in 2023 marked an important milestone in strengthening policy collaboration among member states (ASEAN Secretariat, 2023). This effort was reinforced by the formulation of the ASEAN Blockchain Roadmap, which aims to harmonize technological and governance standards across the region in response to the development of digital assets (Azar et al., 2024; Jameaba, 2024). At the global level, the Financial Action Task Force (FATF) has encouraged stronger oversight of virtual asset activities through Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) standards and the Travel Rule, which requires the collection and exchange of information in cross-border digital asset transactions (Banna & Alam, 2021). Research indicates that countries with limited regulatory capacities often adjust their national policies to reduce the risk of being placed on international monitoring lists (Widarto et al., 2022). Reports from the World Bank and IMF likewise indicate that external pressures contribute to the development of digital asset regulatory frameworks in the Asia-Pacific region. Therefore, ASEAN's regulatory evolution is shaped not only by internal regional challenges but also by external pressures arising from global financial governance.

The interaction between cryptocurrency risks, variations in national regulatory capacities, ASEAN's institutional characteristics, and international regulatory pressures creates an important issue for International Relations scholarship. Existing studies have examined cryptocurrency primarily from technological, financial, legal, and market

perspectives. At the same time, research on ASEAN has largely focused on cryptocurrency adoption, digital financial inclusion, domestic usage, consumer demand, and national regulatory frameworks. Although these studies provide important insights into cryptocurrency development, they have paid limited attention to the institutional processes through which ASEAN member states transform fragmented national approaches into more coordinated regional governance. Previous studies have also rarely integrated internal regional dynamics, differences in cryptocurrency-related risks, and external global governance pressures within a single analytical framework to explain ASEAN's regulatory transformation. Consequently, a research gap remains concerning how a cross-border technological and financial phenomenon such as cryptocurrency contributes to institutional adaptation and policy harmonization within a regional organization.

To address this research gap, this study employs Regime Theory to explain ASEAN's cryptocurrency policy shift between 2018 and 2023 by examining how principles, norms, rules, and decision-making procedures collectively shape regional policy coordination. Unlike previous studies that predominantly focus on regulatory outcomes, cryptocurrency adoption, or differences in domestic policy, this research emphasizes the institutional process through which ASEAN gradually constructs a regional governance regime for digital financial assets. The novelty of this study lies in extending Regime Theory to cryptocurrency governance in Southeast Asia and showing how a Global South regional organization develops coordinated digital financial governance through consensus-based institutional adaptation in response to both domestic constraints and international regulatory pressures.

Based on the foregoing discussion, this study seeks to answer the following research question: Why did ASEAN shift its cryptocurrency regulatory policies from 2018 to 2023? By addressing this question, the study aims to provide a theoretical explanation of ASEAN's regional institutional adaptation in digital financial governance and contribute to International Relations scholarship concerning the evolving role of regional organizations in responding to transnational technological change.

RESEARCH METHODS

This study employs a qualitative research method with a deductive approach. The qualitative approach is adopted to examine and interpret the policy change process through in-depth analysis of relevant documents and textual data (Creswell & Poth, 2018). Document analysis is used to systematically examine policy documents, regulations, institutional reports, and other relevant textual sources to identify patterns, meanings, and changes in the policy process (Bowen, 2009). The deductive approach is utilized to derive empirical explanations from general concepts toward specific findings in accordance with the research focus (Bryman et al., 2012). The research data sources consist of primary and secondary data. Primary data include official ASEAN documents such as the ASEAN Digital Financial Integration Framework, ASEAN Blockchain Roadmap, reports from the ASEAN+3 Macroeconomic Research Office, and records of the ASEAN Finance Ministers and Central Bank Governors Meeting. Meanwhile, secondary data are obtained from reports by international institutions such as the World Bank and the Financial Action Task Force, journal articles, think tank publications, and other relevant academic literature. Data collection is conducted through document analysis, assessing the authenticity, credibility, and relevance of each source used (Bowen, 2009).

The study focuses on 2018–2023 because 2018 marked the beginning of intensified regional discussions on cryptocurrency governance, following the rapid expansion of digital assets and the introduction of FATF recommendations on virtual assets and Virtual Asset Service Providers (VASPs). The year 2023 represents the latest stage in which ASEAN produced several important regional initiatives, including the *ASEAN Digital Financial Integration Framework* and the *ASEAN Blockchain Roadmap*, enabling a comprehensive examination of ASEAN's institutional policy evolution.

Data Analysis Procedure

Document analysis followed several systematic stages. First, all documents were collected and screened for relevance to ASEAN cryptocurrency governance during 2018–2023. Second, the selected documents were read repeatedly to identify statements concerning regional cooperation, regulatory coordination, financial stability, digital asset governance, and institutional development. Third, the study coded and classified key information into thematic categories based on recurring policy patterns. Fourth, the study interpreted these themes deductively using the four analytical components of Regime Theory: principles, norms, rules, and decision-making procedures. Finally, the study compared findings from different institutional documents to identify consistencies and differences before concluding ASEAN's policy transformation toward cryptocurrency regulation.

To ensure the trustworthiness of the findings, the study applied source triangulation by comparing ASEAN policy documents with reports published by FATF, the World Bank, AMRO, and peer-reviewed academic literature. The study also used theoretical triangulation by interpreting empirical findings through the analytical lens of Regime Theory, enhancing the credibility and consistency of the analysis.

Analytical Framework

This study employs Regime Theory to explain ASEAN's policy shift toward cryptocurrency during 2018–2023. States form regimes when they face common problems that cannot be resolved individually, thereby requiring a set of principles, norms, rules, and decision-making procedures agreed collectively (Boros & Horváth, 2022). This study uses Regime Theory to explain ASEAN's policy transformation toward cryptocurrency governance during 2018–2023. According to Regime Theory, international regimes emerge when states face common problems that cannot be effectively addressed individually and therefore establish collectively accepted principles, norms, rules, and decision-making procedures (Boros & Horváth, 2022). Rather than treating these four components as independent variables, this study conceptualizes them as interrelated institutional elements that collectively explain ASEAN's transition from fragmented national regulatory approaches toward a more coordinated regional governance framework.

The analytical process begins with the emergence of principles, which represent shared beliefs regarding financial stability, consumer protection, and prudential regulation. These common principles subsequently encourage the development of norms, particularly the adoption of international standards such as Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) and the FATF Travel Rule. As these norms become increasingly accepted, ASEAN member states formulate rules through regional policy frameworks, regulatory guidelines, licensing mechanisms for Virtual Asset Service Providers (VASPs), and reporting requirements. Finally, these institutional developments

are operationalized through decision-making procedures, including consensus-building mechanisms, ASEAN Finance Ministers and Central Bank Governors' Meetings (AFMGM), Senior Officials Meetings, and technical working groups. The interaction among these four components explains ASEAN's gradual institutional evolution toward a regional cryptocurrency governance regime.

Based on this framework, ASEAN is interpreted as entering a nascent regime in digital financial governance. This stage is characterized by shared principles and emerging regional norms, increasing regulatory coordination, and growing institutional cooperation, while implementation and enforcement remain primarily under national jurisdiction. Unlike mature regional regimes that possess binding legal mechanisms and centralized enforcement institutions, ASEAN continues to rely on consensus-based coordination and voluntary policy harmonization. Consequently, ASEAN's cryptocurrency governance reflects an early stage of regional regime formation rather than a fully institutionalized regulatory system.

Theory Operationalization Framework

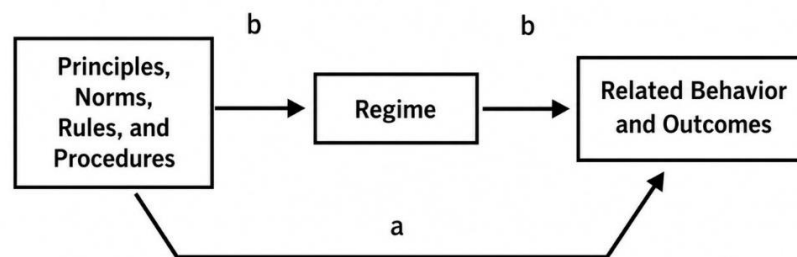


Figure 1. Theory Operationalization Framework

RESULTS AND DISCUSSION

Cryptocurrency Principles in ASEAN

Principles are fundamental elements of regime theory, reflecting member states' shared beliefs regarding how an issue should be understood and managed. A prominent principle in ASEAN's cryptocurrency regulation is the prudential principle, a commitment to maintaining financial stability, mitigating systemic risk, and protecting consumers amidst the rapid and volatile development of digital assets. Digital economic integration can succeed only with a foundation of financial system stability, data security, and robust consumer protection mechanisms, with components aligned with the prudential principle in digital asset regulation (ASEAN Secretariat, 2023). This emphasis arises because cryptocurrencies pose risks that member states cannot control unilaterally, particularly price volatility, vulnerability to fraud, and the potential for cross-border risk transmission, which is increasing as digital transactions intensify in the region.

The importance of the prudential principle in cryptocurrency issues is increasingly apparent when observing the rapid growth of ASEAN's digital asset market. The cryptocurrency market value in the ASEAN region increased by approximately 450% from 2018 to 2023, making Southeast Asia one of the most dynamic digital asset markets in the world, but also one of the most vulnerable to speculative risks and extreme volatility (OECD, 2026). The following graph shows the surge in cryptocurrency market value in ASEAN, reinforcing the urgency of implementing the precautionary principle as a policy foundation.

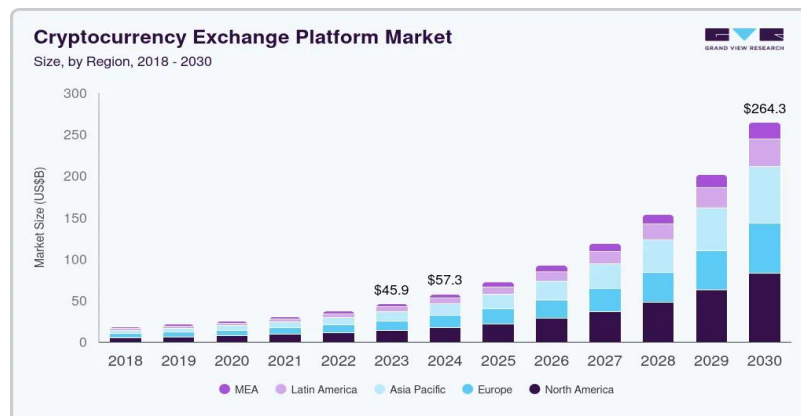


Figure 2. Chart ASEAN Cryptocurrency Market Growth (2018–2023)

Source: Chainalysis. (2022). *The 2022 Geography of Cryptocurrency Report*.

Therefore, Figure 2 does not merely illustrate market expansion but provides empirical evidence that increasing regional financial interdependence became the primary driver of ASEAN's collective policy transformation. The rapid increase in cryptocurrency market value should not merely be interpreted as evidence of digital economic expansion. From the perspective of Regime Theory, this growth altered ASEAN member states' collective perception of financial risk. The increasing volume of cross-border digital asset transactions exposed weaknesses in nationally fragmented regulatory systems and generated incentives for regional cooperation. Consequently, the prudential principle emerged not simply as a policy preference but as a collective institutional response to shared systemic vulnerabilities. This finding is consistent with the role of shared norms and institutional practices in shaping regional cooperation (Acharya, 2014; Krasner, 1983).

High incidences of digital fraud and cyberattacks have accompanied this massive growth. More than 1,200 cases of digital asset hacking were reported between 2018 and 2023, indicating the region's weak digital security infrastructure and the increasing systemic risks that can spread across borders (Arauz, 2021). This situation reinforces the need for ASEAN to adopt a collective precautionary principle, as risks from digital asset activities are not confined to a single jurisdiction but can affect the region's overall financial stability (Bimantara & Nugraha, 2025; Raharjo, 2023).

These empirical findings demonstrate a causal relationship between market expansion, increasing systemic risks, and the emergence of collective prudential principles. Therefore, ASEAN's policy transformation was driven not solely by technological innovation but by the recognition that financial stability had become a regional public good requiring coordinated governance.

The precautionary principle also stems from disparities in regulatory capacity across ASEAN countries. Countries like Singapore have mature cryptocurrency regulations based on risk mitigation, while others like Vietnam, Laos, or Cambodia are still in the early stages of developing their digital asset regulatory frameworks. Regional policy harmonization can only be achieved if member states agree on a risk-based approach and the precautionary principle as the basis for regional policy design, as regulatory gaps increase opportunities for arbitrage and misuse of cross-border digital assets (Teng et al., 2023).

Therefore, the prudential principle is the fundamental foundation for ASEAN's shift in cryptocurrency policy. This principle not only explains why ASEAN countries consider collective regulation essential but also demonstrates that regional policy changes begin with a shared perception of threats, risks, and the need for regional financial system stability. Therefore, using the principle as the first variable in the analytical framework has strong theoretical and empirical justification, as it provides a starting point that allows ASEAN to move toward harmonizing digital asset policies.

Systematic Cross-Border Digital Transactions

Norms are a crucial element in regime theory, serving as standards of behavior that member states are expected to adhere to when regulating specific issues. In the context of cryptocurrency regulation in ASEAN, the most dominant norms stem from the AML/CFT framework and the FATF Travel Rule, which mandates transparency of the identities of senders and recipients in cross-border digital asset transactions. This norm is central because digital assets are often used in anonymous transactions and can be misused for money laundering and illicit financing. External pressure from the FATF is pushing ASEAN countries to align their policies with these international standards to maintain the credibility of their financial systems and avoid the risk of being classified as high-risk jurisdictions within the global financial architecture.

Implementing AML/CFT norms and the Travel Rule is becoming increasingly important due to the high volume of cross-border digital transactions in Southeast Asia. The growth of cross-border digital economic activity over the past five years has created an urgent need to strengthen transaction transparency standards to maintain regional financial stability (Quoc et al., 2025). The following graph shows how the intensity of cross-border digital transactions and payment services has increased significantly during this period, reinforcing the urgency of harmonizing norms at the ASEAN level.

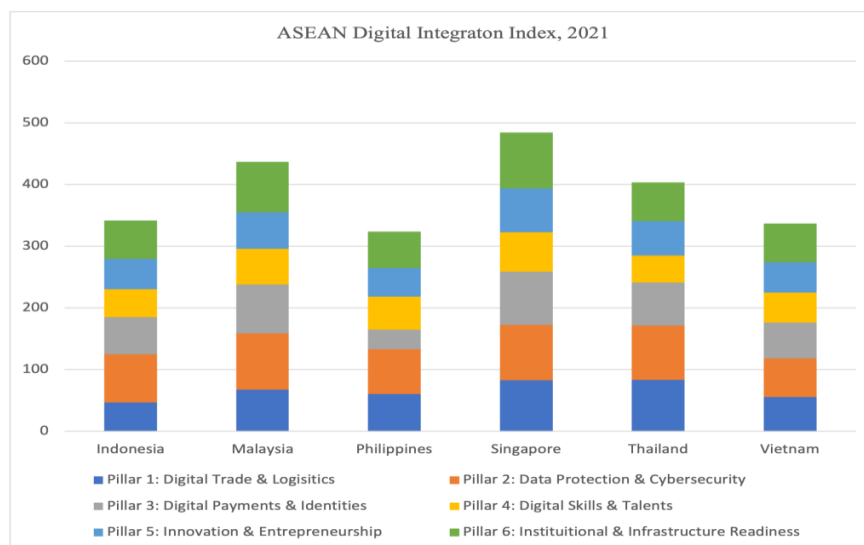


Figure 3. Chart: Cross-Border Digital Transactions & Systemic Risk

Source: Tech for Good Institute (2023). *ASEAN Digital Economy Framework Agreement: Unlocking Southeast Asia's Potential*.

Figure 3 confirms that increasing cross-border transactions intensified the need for common regional norms governing transparency and financial integrity. In addition to external pressures, internal conditions in the region also reinforce AML/CFT norms.

ASEAN has seen increased misuse of digital assets for illegal activities due to weak identity verification practices and differences in reporting standards across countries. Regulatory differences and misalignment of oversight mechanisms create loopholes for cross-border digital fraud, making it increasingly important to implement consumer protection and transaction transparency norms. As the region's digital economy becomes increasingly connected, ASEAN countries face the reality that unilateral policies are no longer sufficient to address systemic cross-border risks.

Harmonization of norms is essential to ensure data interoperability and the security of digital asset transactions, especially as most ASEAN countries are still in the early stages of integrating crypto into their financial systems. The roadmap emphasizes that adopting the Travel Rule and AML/CFT standards is not merely a technical obligation, but a strategic step to ensure the viability of the region's digital asset ecosystem (Susilo et al., 2020). These international norms serve as collective behavioral anchors that guide member states toward more consistent and interconnected policy patterns.

Thus, AML/CFT norms and the FATF Travel Rule serve as key drivers of regulatory convergence in ASEAN. Changes in ASEAN countries' cryptocurrency policies are driven by internal dynamics and the need to remain within the orbit of global standards that determine the credibility and accessibility of their financial systems. Therefore, norms are a key variable explaining why ASEAN has begun moving toward harmonizing digital asset policies. This effort reflects the process of establishing a nascent regime in regional digital financial governance.

The adoption of AML/CFT standards illustrates how external normative pressures influenced ASEAN's institutional development. Regime Theory argues that norms shape acceptable patterns of state behavior by creating expectations regarding appropriate conduct. In ASEAN, FATF standards gradually evolved from external recommendations into internally accepted regional norms. Consequently, policy harmonization was driven not only by ASEAN's internal interests but also by the necessity to maintain legitimacy within the global financial system.

Cryptocurrency Regulation in ASEAN

Rules are the operational component of regime theory, serving as formal guidelines for actor behavior on a given issue. In the context of cryptocurrency in ASEAN, the most prominent regulations are provisions regarding licensing and supervision of VASPs, transaction reporting mechanisms, and compliance standards that govern how digital asset service providers can operate legally. Several ASEAN countries have implemented varying regulatory models, ranging from comprehensive supervisory frameworks like Singapore's Payment Services Act to digital commodity trading-based licensing systems like Indonesia's. These differences contribute to regulatory fragmentation and create opportunities for jurisdictional arbitrage, whereby crypto-asset activities may shift toward jurisdictions with less stringent regulatory requirements or weaker oversight (Draganidis, 2023).

This fragmentation is evident in the varying VASP requirements across countries, including compliance levels, supervisory authorities, and reporting mechanisms. For example, Malaysia and Thailand have licensing frameworks that emphasize fit-and-proper tests and compliance audits, while the Philippines focuses on digital remittances. The following figure illustrates the variation in digital asset regulations across the region and demonstrates the significant regulatory gaps that must be addressed before harmonization can be achieved.

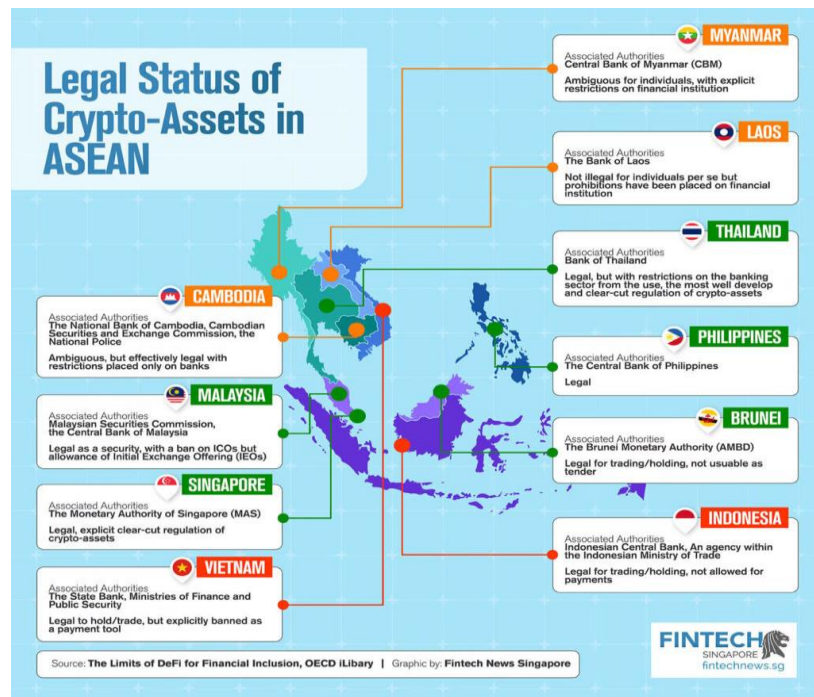


Figure 4. Variation in ASEAN Cryptocurrency Regulations

Source: ASEAN Capital Markets Forum. (2022). *Report on Digital Asset Market Developments in ASEAN*

This regulatory gap is one of the main reasons ASEAN has begun formulating a more structured regional framework. Regulatory coherence is crucial as a prerequisite for digital economic integration, including technical standardization for digital asset service providers and strengthening cross-border reporting mechanisms. ASEAN considers that differences in VASP regulations hinder transaction transparency and systemic risk oversight, necessitating harmonization efforts to ensure the safe and stable development of the digital asset industry.

The ASEAN Blockchain Roadmap strengthens standardization efforts by highlighting the need to harmonize technical requirements, system interoperability, and compliance procedures across borders. The roadmap emphasizes that regulatory inconsistencies not only hinder digital market integration but also increase the potential for misuse of digital assets for illicit activities and reduce the effectiveness of regional oversight. Thus, VASP harmonization is seen not merely as an administrative measure but as a strategic instrument in strengthening regional financial resilience.

This evolving regulatory framework also aligns with increasing international pressure, particularly from the FATF, to ensure that digital asset service providers meet global standards for transparency and reporting. ASEAN countries that lack adequate VASP regulations face reputational risks and potential restrictions on access to the global financial system. Therefore, regional regulatory development is not merely an internal response to the growth of digital assets but also part of an external adjustment process to global governance expectations (Boros & Horváth, 2022).

The existence of diverse VASP regulatory models demonstrates that ASEAN initially lacked institutional coherence. According to Regime Theory, formal rules emerge only after member states recognize that fragmented governance generates collective

inefficiencies. Therefore, regulatory harmonization should be interpreted as an institutional solution to reduce regulatory arbitrage rather than merely an administrative adjustment. This finding helps explain why ASEAN gradually shifted from nationally isolated regulations to coordinated regional standards.

Figure 4 illustrates not only regulatory diversity but also the institutional fragmentation that motivated ASEAN to establish common operational standards. Thus, the figure provides empirical evidence supporting the transition from fragmented governance to regional rule formation.

Thus, regulatory variables play a crucial role in explaining the dynamics of cryptocurrency regime formation in ASEAN. Regulatory gaps within the region create the need to develop common rules, build technical capacity, and harmonize operational frameworks. These rules indicate that ASEAN is moving toward a nascent regime, where technical standardization forms the foundation for more integrated digital asset governance.

ASEAN Multi-level Policy Mechanism

Decision-making procedures are a crucial element of regime theory because they determine how member states reach agreement, coordinate, and implement common rules. In the context of digital asset regulation in ASEAN, this procedure is implemented through the Three-Track Coordination mechanism, a multi-level coordination model involving finance ministers and central banks, senior officials, and technical working groups. This mechanism reflects the ASEAN Way, which relies on consensus, consultation, and a gradual process in formulating regional policies. ASEAN financial integration has required greater regional policy coordination and regulatory alignment among member states, particularly because differences in national regulatory capacities and institutional arrangements remain significant (Daniswara et al., 2022).

The Three-Track Coordination mechanism demonstrates that institutional procedures are not merely administrative arrangements but mechanisms through which ASEAN transforms shared principles into coordinated policy outcomes. Regime Theory emphasizes that effective regimes require agreed decision-making procedures that reduce uncertainty among member states. Therefore, ASEAN's multi-level coordination structure should be interpreted as institutional evidence that the region has progressed beyond informal consultation toward structured regional governance.

This multi-level coordination model enables ASEAN to manage differences in regulatory capacity and technological readiness across countries. At the level of finance ministers and central bank governors, ASEAN sets strategic policy directions, including the principles of financial stability and consumer protection as the foundation for developing digital asset policies. At the senior official level, the focus is on harmonizing the regulatory framework and technical standards necessary to implement regional policies. Meanwhile, technical working groups address operational aspects such as payment system interoperability, cybersecurity standards, and cross-border data integration. Horizontal and vertical coordination are crucial for ensuring secure and inclusive digital integration.

This coordination structure is depicted in the following illustration, which shows the hierarchical relationship between the tracks and how each track contributes to the formation of regional digital asset policy:

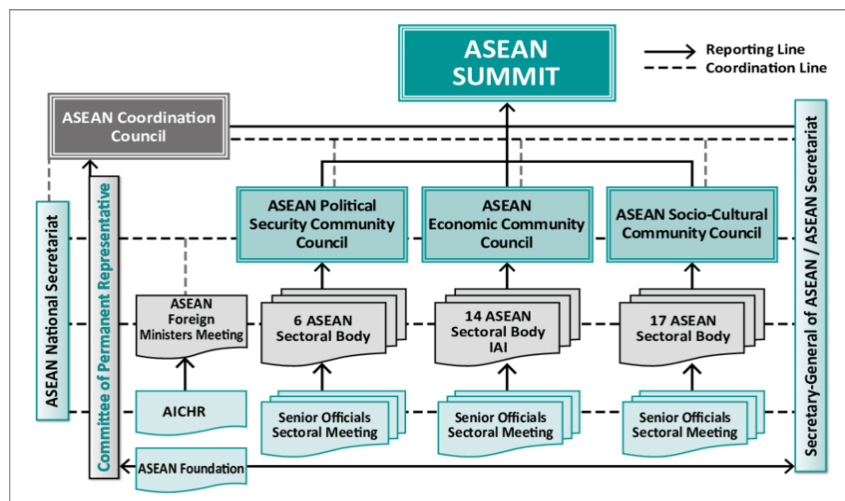


Figure 5. Illustration of Three-Track Coordination

Source: ASEAN Secretariat. (2023). *ASEAN Digital Financial Integration Framework*.

Figure 5 demonstrates that ASEAN's policy evolution depended not only on common interests but also on increasingly structured coordination mechanisms. This evolution of decision-making procedures developed in response to the increasing complexity of cross-border digital transactions and regulatory disparities among ASEAN countries. Multi-level coordination is necessary for harmonizing digital asset regulations, which cannot be achieved through a purely technical or political approach. Both must operate in parallel and in a hierarchical manner to avoid implementation imbalances (Pham & Doan, 2020). In other words, this multi-level mechanism is not just a forum for discussion, but an operational structure that ensures every level of ASEAN government plays a role in the policy transformation process.

Nevertheless, ASEAN's consensus-based decision-making simultaneously functions as both an enabling mechanism and an institutional constraint. Consensus enhances political legitimacy and member state ownership, yet it also slows regulatory adaptation because policy changes require broad agreement among countries with different political priorities and regulatory capacities.

This increasingly structured decision-making procedure indicates that ASEAN is entering the stage of establishing a nascent regime in digital asset governance. This policy shift is evident in the substance of the new regulations and in intensified inter-level coordination, demonstrating the region's growing institutional capacity. Through this multi-level policy mechanism, ASEAN can reconcile divergent interests and accelerate the path toward cryptocurrency policy harmonization, which was previously hampered by regulatory fragmentation and disparities in technical capabilities among member states. Therefore, procedures are a crucial variable in explaining how ASEAN policy changes emerge not simply as technical responses but as an evolving institutional process toward a more mature regional regime.

The findings show that no single institutional factor explains ASEAN's cryptocurrency policy transformation. Instead, policy change emerged through the interaction of principles, norms, rules, and decision-making procedures. Increasing financial risks generated shared prudential principles, which encouraged the adoption of international regulatory norms. These norms subsequently stimulated the formulation of regional rules designed to reduce regulatory fragmentation. Finally, ASEAN's consensus-

based coordination mechanisms enabled these institutional elements to be translated into collective policy action. This interaction illustrates the gradual emergence of a nascent regional regime rather than isolated policy adjustments undertaken by individual member states.

CONCLUSION AND RECOMMENDATIONS

This study finds that the interaction of internal regional challenges and external pressures from global financial governance shaped ASEAN's cryptocurrency policy shift during 2018–2023. Internally, growing systemic risks, regulatory fragmentation, and differences in national supervisory capacities encouraged stronger regional policy coordination. Externally, international standards, particularly the Financial Action Task Force (FATF) Travel Rule and AML/CFT requirements, accelerated ASEAN's institutional adaptation toward a more coordinated regulatory framework. Thus, ASEAN's policy transformation represents not merely regulatory adjustment but the gradual emergence of regional governance for digital financial assets.

Theoretically, this study contributes to International Relations literature by demonstrating the relevance of Regime Theory in explaining regional digital financial governance. The interaction of principles, norms, rules, and decision-making procedures provides a useful framework for understanding ASEAN's consensus-based institutionalization of cryptocurrency governance despite differences in national regulatory capacities. Practically, the findings emphasize the importance of regulatory harmonization, institutional coordination, technical capacity, information sharing, and cross-border supervisory cooperation to strengthen financial stability while supporting sustainable digital asset development.

This study is limited by its reliance on qualitative document analysis and its focus on 2018–2023, excluding perspectives from policymakers, regulators, and industry stakeholders, as well as subsequent regulatory developments. Future research should employ comparative case studies or mixed-method approaches involving interviews with relevant authorities. Further studies could also examine the implementation and effectiveness of ASEAN's regional cryptocurrency governance and compare its institutional approach with other regional organizations.

ACKNOWLEDGEMENTS

We want to express our deepest gratitude to all parties who contributed to this research. We thank our colleagues for their advice, support, and inspiration throughout the research process. We also thank all participants and respondents who took the time to participate in this research. We also thank the institutions that provided support and facilities for conducting this research. All contributions and assistance were invaluable to the smooth running and success of this research. Thank you for all your hard work and collaboration.

REFERENCES

- Acharya, A. (2014). *Constructing a security community in Southeast Asia: ASEAN and the problem of regional order*. Routledge. <https://doi.org/10.4324/9781315796673>
- Arauz, A. (2021). The international hierarchy of money in cross-border payment systems: Developing countries' regulation for central bank digital currencies and Facebook's



- stablecoin. *International Journal of Political Economy*, 50(3), 226–243. <https://doi.org/10.1080/08911916.2021.1984728>
- ASEAN Capital Markets Forum. (2022, October 27). *ASEAN Capital Markets Forum: Addressing the challenges related to sustainable development, inclusivity, and resiliency for the benefit of the member states*. <https://www.theacmf.org/media/news-release/asean-capital-markets-forum-addressing-the-challenges-related-to-sustainable-development-inclusivity-and-resiliency-for-the-benefit-of-the-member-states>
- ASEAN Secretariat. (2023). *ASEAN Digital Economy Framework Agreement: Policy overview*. ASEAN Secretariat.
- Azar, P., Baughman, G., Carapella, F., Gerszten, J., Lubis, A., Perez-Sangimino, J., Rappoport, D. E., Scotti, C., Swem, N., Vardoulakis, A., & Werman, A. (2024). The financial stability implications of digital assets. *Economic Policy Review (Federal Reserve Bank of New York)*, 30(2), 1–48. <https://doi.org/10.59576/epr.30.2.1-48>
- Banna, H., & Alam, M. R. (2021). Impact of digital financial inclusion on ASEAN banking stability: Implications for the post-COVID-19 era. *Studies in Economics and Finance*, 38(2), 504–523. <https://doi.org/10.1108/SEF-09-2020-0388>
- Bawa, S. (2026). Cryptocurrency volatility spillovers in emerging markets: A dynamic connectedness analysis. *Review of Behavioral Finance*, 18(1), 33–54. <https://doi.org/10.1108/RBF-09-2025-0389>
- Bimantara, A., & Nugraha, R. T. (2025). Politics of international cooperation in cross-border digital payment connectivity: A case study of QR payment system in ASEAN. *Sospol*, 11(1), 82–99. <https://doi.org/10.22219/jurnalsospol.v11i1.38367>
- Boros, E., & Horváth, M. (2022). Central bank digital currency: The next money revolution? Central bank digital currencies in the dimension of geopolitics. *Pénzügyi Szemle = Public Finance Quarterly*, 67(4), 506–521. https://doi.org/10.35551/PFQ_2022_4_2
- Bowen, G. A. (2009). Document analysis as a qualitative research method. *Qualitative Research Journal*, 9(2), 27–40. <https://doi.org/10.3316/QRJ0902027>
- Bryman, A., Bell, E., & Teevan, J. J. (2012). *Social research methods* (4th ed.). Oxford University Press.
- Chainalysis. (2022). *The 2022 geography of cryptocurrency report*. <https://go.chainalysis.com/geography-of-crypto-2022-report.html>
- Chen, Y.-L., Chang, Y.-T., & Yang, J. J. (2023). Cryptocurrency hacking incidents and the price dynamics of Bitcoin spot and futures. *Finance Research Letters*, 55, 103955. <https://doi.org/10.1016/j.frl.2023.103955>
- Creswell, J. W., & Poth, C. N. (2018). *Qualitative inquiry and research design: Choosing among five approaches* (4th ed.). SAGE Publications.
- Daniswara, R. V., Ivana, I., Dhani, D. R., Utami, S. A., & Revindo, M. D. (2022). Regional cooperation and economic integration: Recent evidence from ASEAN. *Jurnal Ekonomi dan Studi Pembangunan*, 14(1), 38–58. <https://doi.org/10.17977/um002v14i12022p038>
- Draganidis, S. (2023). Jurisdictional arbitrage: Combating an inevitable by-product of cryptoasset regulation. *Journal of Financial Regulation and Compliance*, 31(2), 170–185. <https://doi.org/10.1108/JFRC-02-2022-0013>
- Dulisse, B. C., Denis, J., & Connealy, N. (2026). Exploring the extent of international money laundering using cryptocurrency: A systematic scoping review of gaps in research

- on Southeast Asia's scam economy. *Journal of Money Laundering Control*, 1–19. <https://doi.org/10.1108/JMLC-12-2025-0241>
- Gunawan, M., & Anggono, A. H. (2021). Cryptocurrency safe haven property against Indonesian stock market during COVID-19. *Journal of Economics, Business, & Accountancy Ventura*, 24(1), 121–138. <https://doi.org/10.14414/jebav.v24i1.2661>
- Ha, H., & Chuah, C. K. P. (2023). Digital economy in Southeast Asia: Challenges, opportunities and future development. *Southeast Asia: A Multidisciplinary Journal*, 23(1), 19–35. <https://doi.org/10.1108/SEAMJ-02-2023-0023>
- Hartono, P., & Robiyanto, R. (2021). Can cryptocurrency, gold, and bonds play a role as a safe haven for the Indonesian capital market? *Jurnal Ekonomi Kuantitatif Terapan*, 14(1), 1–10. <https://doi.org/10.24843/JEKT.2021.v14.i01.p01>
- Hidayat, A., Putra, A., Harunurrasyid, Shodrokov, X., Yuliendri, A. P., Rizky, M., & Teniwut, W. A. (2025). Banking performance, digitalization, and financial access on financial institution depth in ASEAN-6. *Jurnal Ekonomi Pembangunan*, 23(2), 11–30. <https://doi.org/10.29259/jep.v23i2.23333>
- Hidayat, Y. M., Nugraha, N., & Junia, A. A. (2025). Cryptocurrency adoption and financial market performance in Southeast Asia. *Journal of Business Management Education*, 10(1), 71–76. <https://doi.org/10.17509/jbme.v10i1.73750>
- Jameaba, M. (2024). Digitalization, emerging technologies, and financial stability: Challenges and opportunities for the Indonesian banking sector and beyond. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.4808469>
- Jenweeranon, P. (2022). Digital assets and central bank digital currency in ASEAN. In *Global perspectives in fintech* (pp. 97–115). Springer International Publishing. https://doi.org/10.1007/978-3-031-11954-5_6
- Kharisma, D. B., & Uwais, I. (2023). Studi komparasi regulasi perdagangan aset kripto di Indonesia, Amerika Serikat dan Jepang. *Perspektif: Kajian Masalah Hukum dan Pembangunan*, 28(3). <https://doi.org/10.30742/perspektif.v28i3.881>
- Krasner, S. D. (Ed.). (1983). *International regimes*. Cornell University Press.
- Kuncara, T., & Anugrah, K. P. (2023). Analisis volatilitas cryptocurrency pada sebelum pandemi dan pada saat pandemi COVID-19 dengan metode return pada Bitcoin dan Ethereum. *KEUNIS*, 11(1), 86–94. <https://doi.org/10.32497/keunis.v11i1.3981>
- OECD. (2026). *Asia capital markets report 2026*. OECD Publishing. <https://doi.org/10.1787/08f87bed-en>
- Pham, M. H., & Doan, T. P. L. (2020). The impact of financial inclusion on financial stability in Asian countries. *The Journal of Asian Finance, Economics and Business*, 7(6), 47–59. <https://doi.org/10.13106/jafeb.2020.vol7.no6.047>
- Quoc, H. N., Van, H. N., & Le Quoc, D. (2025). Financial inclusion in the digital era and its impact on sustainable development across ASEAN countries through combined nonparametric methods. *Discover Sustainability*, 6(1), 1378. <https://doi.org/10.1007/s43621-025-02439-4>
- Raharjo, M. (2023). QRIS Cross Border as digital financial inclusion acceleration in Southeast Asia. *Global Local Interactions Journal of International Relations*, 3(1), 45–55. <https://doi.org/10.22219/gli.v3i1.25234>
- Sonksen, C. (2021). Cryptocurrency regulations in ASEAN, East Asia, & America: To regulate or not to regulate. *Washington University Global Studies Law Review*, 20(1), 171–199.

- Susilo, D., Wahyudi, S., Pangestuti, I. R. D., Nugroho, B. A., & Robiyanto, R. (2020). Cryptocurrencies: Hedging opportunities from domestic perspectives in Southeast Asia emerging markets. *SAGE Open*, 10(4). <https://doi.org/10.1177/2158244020971609>
- Tech for Good Institute. (2023). *ASEAN digital economy framework agreement: Unlocking Southeast Asia's potential*. https://techforgoodinstitute.org/wp-content/uploads/2023/12/TFGI_DEFA-Report.pdf
- Teng, H.-W., Härdle, W. K., Osterrieder, J., Baals, L. J., Papavassiliou, V. G., Bolesta, K., Kabasinskas, A., Filipovska, O., Thomaidis, N. S., Moukas, A. I., Goundar, S., Nasir, J. A., Weinberg, A. I., Arakelian, V., Anon, C.-O., Akar, M., Kabaklarli, E., Apostol, E.-S., Iannario, M., ... Pele, D. T. (2023). Mitigating digital asset risks. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.4594467>
- Teng, H.-W., Härdle, W. K., Osterrieder, J., Pele, D. T., Baals, L. J., Papavassiliou, V., Bolesta, K., Kabašinskas, A., Filipovska, O., Thomaidis, N. S., Moukas, A.-I., Goundar, S., Nasir, J. A., Weinberg, A. I., Arakelian, V., Truică, C.-O., Akar, M., Kabaklarlı, E., Apostol, E.-S., ... Xhumari, E. (2026). Digital assets: Risks, regulations, mitigation. *Financial Innovation*, 12(1), 65. <https://doi.org/10.1186/s40854-025-00848-y>
- van der Linden, T., & Shirazi, T. (2023). Markets in crypto-assets regulation: Does it provide legal certainty and increase adoption of crypto-assets? *Financial Innovation*, 9, 22. <https://doi.org/10.1186/s40854-022-00432-8>
- Widarto, A. R., Muharam, H., Wahyudi, S., & Pangestuti, I. R. D. (2022). ASEAN-5 and crypto hedge fund: Dynamic portfolio approach. *SAGE Open*, 12(2). <https://doi.org/10.1177/21582440221094612>