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International Regulatory Experience and Enlightenment on Non-Legal Tender Digital Currency from the Perspective of the Kame Framework

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Abstract: Based on the current imperfect regulatory system for non-legal digital currencies in China, this article focuses on the regulation of non-legal digital currencies, exploring regulatory paths and models suitable for China's national conditions based on the regulatory experiences of typical foreign countries. The renowned law and economics theory framework—the Coase-Meade framework—is adopted to analyze the overall regulatory model of non-legal digital currency regulation abroad. Firstly, based on the applicability value of the Coase-Meade framework to the subject of this study, typical countries such as Germany, the United States, the United Kingdom, Japan, and South Korea are analyzed under the Coase-Meade framework's prohibition and transaction rules, property rules, and liability rules to clarify their legal characterization of non-legal digital currencies and explore regulatory paths in terms of legal, financial, and technological regulation. Next, the characteristics of foreign regulatory models are reviewed, including scenario-based regulation, centralized regulation, and categorized regulation. Finally, drawing on China's current prohibition stance and overseas practical experience, the article preliminarily clarifies the legal attributes of non-legal digital currencies. Then, it constructs a regulatory framework suitable for the country from the perspectives of principles, priorities, and methods based on the chosen paths of typical countries. Additionally, it emphasizes the clarity of regulatory responsibilities for regulatory agencies and the establishment of other self-regulatory bodies to enhance the coordination of domestic regulatory entities. Furthermore, it actively explores international cooperation to strengthen international coordination in regulation, enhancing China's international influence and discourse power.

Keywords: Non-Legal Tender Digital Currency, Kame Framework, Legal Regulation, International Experience

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1. Research Background and Controversies

With the rapid development of the digital economy, new types of digital entities emerge continuously, posing new challenges for the management and regulation of emerging phenomena in modern economic development. Among these, the decentralization of currency implies an irreversible trend towards virtualization. Digital currencies, as products of blockchain technology, have various classifications. Based on whether they are issued by authorized agencies, they can be categorized into legal tender digital currencies and non-legal tender digital currencies. Due to the decentralized nature of non-legal tender digital currencies, they entail more legal risks compared to legal tender digital currencies, necessitating regulatory measures through legal frameworks. Therefore, this paper focuses on studying the regulatory experiences of non-legal tender digital currencies abroad and drawing lessons from them. Various countries lack unified regulations on the legal attributes of non-legal tender digital currencies, and their regulatory attitudes vary significantly. While the UK and Germany have consistently maintained positive attitudes encouraging support, the US and Japan adopt a more cautious approach to regulation. These typical countries have advanced blockchain technology and relatively sound regulatory systems, which undoubtedly provide valuable insights for China.

As the world's second-largest economy, China's stance significantly influences global digital currency regulation. The Thirteenth Five-Year Plan of China explicitly identifies blockchain regulation as a key area of focus. Currently, China maintains a comprehensive prohibition stance towards non-legal tender digital currencies, with unclear legal boundaries and a lack of unified regulatory systems, leading to regulatory gaps. Inconsistent court rulings across different regions make it difficult to protect the rights of non-legal tender digital currency holders, contradicting China's principle of consumer protection. The decentralized, anonymous, and cross-border characteristics of non-legal tender digital currencies increase the difficulty of regulation, leading to frequent occurrences of issues such as theft and money laundering, which disrupt the socialist economic order. Blindly imposing strict prohibitions contradicts the overall trend of international digital economic development and may lead to financial repression. Therefore, studying the regulatory models and regulatory paths of typical countries abroad provides a reference for the construction of China's regulatory system for non-legal tender digital currencies.

2. Applicability, Background, and Controversies of the Kame Framework in Regulating Non-Legal Tender Digital Currencies

The Kame Framework, originating from the perspective of safeguarding legal interests, adopts a unified standpoint, discarding the traditional distinctions between public and private law, civil and criminal law, and property and obligation law. It breaks down the boundaries between different legal domains and is primarily applied in modern societies where state public authorities intervene as third-party institutions in resolving conflicts between parties and provide administrative and private law-based mechanisms for resolution [1]. The main components of the Kame Framework include the freedom of legal interest transfer and the determination of pricing subjects, which are divided into three categories based on whether there is freedom in legal interest transfer and who the pricing subjects are: prohibition rules, property rules, and liability rules.

Prohibition rules refer to the prohibition of the free transfer of legal interests, essentially aiming to ban specific markets by depriving relevant legal interest owners of transaction subject qualifications and making it impossible for them to trade due to legal condemnation, also known as "inalienability rules." Conversely, property rules, which allow for the free transfer of legal interests, are divided into property rules and liability rules based on whether the parties are voluntary and whether there is pricing freedom. Property rules explicitly define the ownership of legal interests, allow for free

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transfer between parties, and grant pricing freedom during transactions based on the premise of parties negotiating and agreeing independently. The state completely allows for the free flow of legal interests between legal entities without imposing related restrictions or costs. However, in the actual process of legal interest transfer, excessive transaction costs often arise. To achieve the highest resource allocation efficiency and not impede the development of public utilities, liability rules are often used as a legal remedy mechanism. While legal interests between legal entities continue to flow, the price during transactions is determined by public authorities to ensure social welfare.

Applying the Kame Framework to analyze regulatory paths holds unique value and significance. Firstly, the concept of the Kame Framework, which categorizes rule types based on differences in the degree of protection and intervention of legal entities in different legal systems, has reference value in typifying regulatory governance paths for non-legal tender digital currencies. Through counter-evidence, different rules are logically classified from the perspective of results, thereby distinguishing the regulatory governance models of non-legal tender digital currencies under different utilization scenarios. Secondly, non-legal tender digital currencies involve diverse legal entities and legal domains, with many cross-cutting issues. To simultaneously achieve the balance between value stability, credit carriers, and decentralization, a single regulatory model framework or departmental independent regulation is insufficient; instead, a multi-layered regulatory framework governance with a mix of public and private elements is required [2]. Thirdly, according to the model constructed by the Kame Framework, as a third-party institution, the state must establish corresponding relief paths for legal interests. The existing laws in China do not specifically legislate to protect the interests of all parties involved in the regulatory governance of non-legal tender digital currencies. Internationally, there are both inherent conflicts and competitions between different regulatory governance models, with many legal provisions containing numerous gaps and loopholes. The barriers between different legal domains are difficult to overcome, making it challenging to establish a comprehensive system for the regulatory governance of non-legal tender digital currencies from a holistic perspective [3]. By integrating them through the Kame Framework, dispersed regulatory governance rules for non-legal tender digital currencies in the fields of private and public law are placed under a unified perspective, helping to take a more macroscopic view of various regulatory governance models for non-legal tender digital currencies, comprehensively analyze regulatory governance models for non-legal tender digital currencies in different legal systems, and guide China's regulatory paths for digital currencies.

3. Classification and Reference of Non-Legal Tender Digital Currency Regulatory Models Abroad Under the Kame Framework

The interaction and balance among the three objectives pursued by non-legal tender digital currencies—value stability, credit carriers, and decentralization—are crucial. However, in the process of decentralization, significant computational power is consumed to ensure transaction security, leading to serious environmental energy consumption issues [4]. Furthermore, as non-legal tender digital currencies rely on blockchain as their core technology, their high technical requirements often give rise to technical vulnerabilities such as system breakdowns and hacking thefts. Additionally, the stability of the value of non-legal tender digital currencies is relatively low, making them difficult to enter circulation markets without heavy reliance on market sentiment, thus challenging their ability to replace legal tender currencies. Therefore, this paper utilizes the Kame Framework to interpret the differences in governance systems abroad and logically classify regulatory models adopted by typical countries for addressing speculative risks, technical risks, institutional risks, financial stability risks, and monetary policy risks associated with non-legal tender digital currencies [5].

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Table 1: Summary of Non-Legal Tender Digital Currency Regulatory Effect Models under the Kame Framework.

Legal Governance Rule	Specific Nature Definition	Legal Regulatory Purpose	Representative Countries
Prohibition Rules	Non-legal tender digital currencies prohibited from transactions	Currency Security	Civil law system countries (South Korea, China, etc.)
Property Rules	Non-legal tender digital currencies freely transferable with pricing freedom	Financial Market Prosperity	Common law system countries (UK, US, etc.)
Liability Rules	Non-voluntary transactions of non-legal tender digital currencies	Efficient Resource Allocation	Civil law system countries (Japan, etc.)

3.1. Analyzing the Legal Regulatory Paths of Non-Legal Tender Digital Currencies in Different Legal Systems Abroad Based on the Kame Framework

Currently, typical countries worldwide generally categorize their legal regulatory paths for non-legal tender digital currencies into three main types: property rules, liability rules, and prohibition rules. The regulatory models chosen by typical countries are closely related to the level of development of their financial markets. Common law system countries, such as the UK and the US, with highly developed financial markets, prioritize the perfection of investor protection mechanisms and the development of information disclosure mechanisms. Hence, representative countries of the common law system like the UK and the US adopt property rules, implementing proactive regulatory policies based on the essence of financial activities and flexibly providing relief within the existing regulatory framework. Civil law system countries emphasize the protection and intervention of legal entities' interests to a greater extent. Adhering to a semi-open or even explicit prohibition regulatory attitude, typical civil law system countries like China and South Korea adhere to prohibition rules, restricting or even prohibiting relevant activities to safeguard currency security. Represented by Japan, civil law system countries highlight the efficient utilization of overall social management resources, adopting liability rules and establishing new regulatory frameworks to ensure social welfare [6]. The following aspects of legal regulation, financial regulation, technological regulation, etc., for each typical country of different legal systems, provide overseas experience references for exploring suitable regulatory paths for non-legal tender digital currencies in China.

3.1.1. Open Regulatory Approach in Typical Common Law System Countries

Typical representatives of the common law system, such as the UK and the US, adopt an open regulatory approach, implementing effective controls and proactive measures to mitigate the impact of digital currencies on financial market stability. They adhere to property rules, allowing non-legal tender digital currencies to circulate legally in the market.

The United States, as one of the earliest countries to witness the emergence of Bitcoin, has a well-developed blockchain technology infrastructure. Rather than directly stifling the emergence of digital currencies, the US has transitioned from initially adopting an active approach to later adopting cautious regulation. From having no clear legal status in the beginning to the enactment of the

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"Blockchain Regulatory Certainty Act" last year, the US has maintained an encouraging yet concurrently regulatory stance towards virtual assets. In terms of legal regulation, digital currencies are primarily recognized as legal currencies, financial assets, and exchange media, allowing for trading on the market [7]. At the federal level, a policy of layered regulation between federal and state levels is implemented. At the federal level, the focus is on macro regulation in areas such as money laundering, dollar stability, and counterterrorism financing, with corresponding regulatory mechanisms established. Additionally, the federal government views the regulation of non-legal tender digital currencies as essentially securities regulation. On July 26, 2023, under the guidance of the Financial Services Committee, the "Blockchain Regulatory Certainty Act" was passed, clarifying the legal status of virtual currencies and formally defining them as "digital assets," which can be exclusively owned and transferred person-to-person without the need for intermediary forms of intangible personal property, providing clear guidance principles for the regulation of such assets. At the state level of financial regulation, New York has enacted the "Virtual Currency Regulation Act," regulating the trading platforms of non-legal tender digital currencies through a licensing system and establishing relevant institutions for licensing management and issuance. In terms of technological regulation, the US does not have unified restrictions, but in some states, mining of non-legal tender digital currencies is strictly regulated as unauthorized mining due to them being considered securities, leading to restrictions on mining enterprises, such as in Florence state.

The UK has been conducting research on non-legal tender digital currencies earlier. In terms of legal regulation, the UK has issued ICO risk indicators, but has not taken a clear supportive or prohibitive stance on ICOs. An early establishment of a working group on non-legal tender digital currencies comprised of the UK Treasury, the Bank of England, and the Financial Conduct Authority (FCA) was initiated. In terms of financial regulation, in 2015, the FCA proposed a regulatory sandbox, serving as a supervised safe testing zone, simulating real market environments, allowing government intervention for flexible guidance in the market to reduce the cost of innovation entering circulation markets. It applies to new types of "property" like non-legal tender digital currencies. Digital currency exchanges can apply to enter the regulatory sandbox, and trading platforms involving legal currencies and financial derivative instruments are subject to FCA regulation [8]. The "Cryptocurrency Assets Guidance" issued by the FCA in 2019 made the regulatory framework for non-legal tender digital currencies clearer and more transparent. By enhancing the security of legal tender digital currencies to mitigate risks associated with non-legal tender digital currencies and offsetting the impact of non-legal tender digital currencies on traditional currencies, the UK developed the RSCoin system for legal tender digital currencies in 2015. It adopts a "central bank-commercial bank" dual circulation framework to prevent the "double spending" problem.

3.1.2. Regulatory Governance in Typical Civil Law System Countries

Compared to the encouragement of market-determined entities in the Anglo-American legal systems, the civil law system mostly adopts a government-regulated approach with a responsibility rule and a prohibition rule, with a lower degree of voluntariness compared to property rules. Among them, the typical countries of Japan and South Korea adhere respectively to the responsibility rule and the prohibition rule.

In terms of virtual property regulation, Japan is not only a pioneer in East Asia but also the world's first country to legislatively regulate non-legal tender digital currencies. In terms of legal regulation, Japan provides institutional safeguards for non-legal tender digital currencies. Whether it was the 2016 revision of the "Payment Services Act" in Japan that gave non-legal tender digital currencies legal status in the market, or the same year's formal clarification in the "Fund Settlement Act" that it is one of Japan's official payment methods and subject to relevant legal regulations of traditional currencies, or in 2020, when Japan established two self-regulatory associations for non-legal tender

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digital currencies, pioneering the creation of national self-regulatory organizations, all these measures provided institutional safeguards for the legal regulation of digital currencies, allowing non-legal tender digital currencies to be exchanged for legal tender and other digital currencies [9]. In terms of financial regulation, Japan adopts moderate regulation. The Financial Services Agency (FSA) in Japan expresses support for ICOs, and the law stipulates that related trading platforms adopt a licensing management system, with the geographical scope extending to overseas Japan. Therefore, exchanges need to obtain legal authorization from the Ministry of Finance and the FSA, and set relevant fines and penalties for regulatory oversight, in contrast to the formal examination of other countries, the FSA adopts substantive examination, strictly supervising the entry threshold of exchanges. In terms of technical regulation, Japan prohibits mining technology, which contradicts its provision of comprehensive legal protection to mitigate the risks associated with digital currencies. Japan strictly monitors mining technology and network operators that support mining, and conducts special investigations into different illegal entities to establish related penalty systems.

South Korea, as one of the earliest countries in the Asia-Pacific region to regulate non-legal tender digital currencies, does not recognize them as legal payment methods. The central bank states that the legal nature of non-legal tender digital currencies is financial commodities. The "Virtual Asset User Protection Act" interprets "virtual assets" as "electronic representations of economic value that can be traded or transferred electronically," only as a speculative tool. In terms of financial regulation, in 2017, the South Korean government announced a ban on ICO fundraising, implemented a registration system for trading platforms, focused on protecting the interests of financial supporters of non-legal tender digital currencies, harshly cracked down on various fraudulent activities of non-legal tender digital currency trading platforms, strictly controlled and monitored price manipulation, false promotion of non-legal tender digital currency assets, and failure to provide investor information, and implemented corresponding fines or penalties according to the severity. In terms of technical regulation, through professional cooperative societies for non-legal tender digital currencies, customers' investment-related interests are protected with "walls" to address issues such as hacking attacks and system collapses resulting in storage loss.

3.2. Summary of Regulatory Characteristics under Different Legal Regulation Paths

As blockchain technology matures in today's world, the regulation of non-legal tender digital currencies is gradually shifting towards governance. It is increasingly important to use the regulatory governance model features of typical countries as a starting point to grasp the overall trend of research subjects worldwide and to seek suitable regulatory governance models for non-legal tender digital currencies in China through individual cases. The following will summarize and analyze the findings obtained from the practices of representative countries with three characteristic regulatory models.

3.2.1. Scenario-Differentiated Regulatory Model

Represented by Germany, the scenario-differentiated regulatory model is the world's first country to give non-legal tender digital currencies legal status. However, this legal status is not equivalent to that of traditional legal tender currencies, as it does not treat them the same as the legal tender currencies of other countries. Germany has not explicitly stated its position on ICOs, and it can be seen from the "Regulatory Report on Blockchain Technology" in September 2018 that Germany has not made specific regulations for non-legal tender digital currencies. The choice of specific legal frameworks for regulating ICOs focuses on the continuously updated content of non-legal tender digital currencies and the different application scenarios based on different currencies. Based on existing legal systems such as the Financial Services Act, Capital Investment Code, Insurance Act, Anti-Money Laundering Act, and Payment Services Regulation, and in accordance with the

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application characteristics of non-legal tender digital currencies in blockchain technology as determined by the report, differential and scenario-based regulation is carried out [10]. It can generally be divided into payment scenarios, securities-type non-legal tender digital currency application scenarios, and functional non-legal tender digital currency application scenarios.

3.2.2. Centralized Regulatory Model

Centralized regulation in digital currencies refers to the inherent financial nature of digital currencies, which inevitably leads to their being aligned with securities, traditional currencies, money laundering, banks, and other targets, with interdependence between businesses. In order to avoid waste of resources, reduce regulatory costs, and achieve unified regulation, the new type of digital currency is made to fit the original financial securities and other regulatory paths. Centralized regulation is a characteristic model of the United States at the macro level and in legislative projects regarding non-legal tender digital currencies. Compared to the written laws of the aforementioned countries, centralized regulation in the United States is closely related to its own historical origins, case law, customary law, and the country's rigorous financial regulatory system, with clear division of labor between departments. This led the United States to encourage the development of new things when new phenomena emerged. It chose to classify and assign them to existing regulatory institutions and regulate them according to existing laws. The "Howey Test" applies to the connection between blockchain, virtual assets, and project investors. Courts ruled that it met the criteria for securities investment and should be regulated by the Securities Act. Therefore, the United States believes that non-legal tender digital currencies are only "new things" in terms of technological form, but in essence, they still fall under the Securities Act and the Securities Exchange Act. Meanwhile, flexible regulation that does not disrupt existing market operations has also saved legislative costs, presenting a regulatory pattern for non-legal tender digital currencies with the Securities and Exchange Commission as the main authority, supported by a financial law enforcement network under the Treasury Department, state banking regulators, and the Commodity Futures Trading Commission.

3.2.3. Categorized Regulatory Model

As the first country globally to clearly legislate regulatory measures for non-legal tender digital currencies, Japan's analysis in the preceding sections mainly focused on its pioneering efforts in legal regulation. In terms of regulatory models, Japan's distinctive feature lies in categorized regulation. The most notable aspect of Japan's regulation of non-legal tender digital currencies is its arrangement of regulatory bodies. These bodies include not only national regulatory agencies such as the Financial Services Agency and the Financial Intelligence Office but also self-regulatory organizations for virtual assets, such as cryptocurrency exchanges and the Japan Security Token Offering Association. Legislative regulation mainly draws on Germany's scenario-differentiated regulation and adopts a more detailed division of regulatory bodies. Overall, administrative regulation is used. Due to the continuous occurrence of theft incidents involving non-legal tender digital currencies, in 2018, Japan's Financial Intelligence Office authorized a dozen or so legally operating non-legal tender digital currency exchanges to jointly form the first industry association, thus pioneering self-regulation.

4. Building China's Regulatory System for Non-Legal Tender Digital Currencies Based on Overseas Experience

Currently, there is widespread optimism internationally regarding the digital economy and the application of blockchain technology. In the context of the globalization of non-legal tender digital currencies, regulating these currencies poses a major challenge to a country's financial system. A

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blanket ban is obviously impractical. Germany, Japan, and the United States mainly adopt an encouraging and cautious regulatory approach to non-legal tender digital currencies, which is worth learning from in China.

4.1. Clarifying Regulatory Rules for Non-Legal Tender Digital Currencies from the Perspective of the Kame Framework

China can draw lessons from the regulatory models of Germany, Japan, and the United States to improve regulatory laws, reduce the lag in protecting legitimate rights and interests, and prioritize the interests of consumers and investors. It can implement a modern financial regulatory system that encourages and regulates in parallel, as proposed by General Secretary Xi Jinping, and safeguard the security of blockchain data and information. Although non-legal tender digital currencies do not meet all the functional requirements of currency, their property attributes should be recognized and legalized, breaking free from financial repression. ICOs should be appropriately relaxed and granted securities attributes, subject to regulation under securities laws. Facing the diverse value pursuits, functional positioning, and business designs of non-legal tender digital currencies, one possible approach for discussion is to start from a holistic perspective and consider and adjust based on the realization concept of property consensus. To identify the legal attributes of specific digital currencies, we should base it on their property attributes [11], use actual laws as the analytical framework, and proceed from a problem-solving orientation, comprehensively considering factors such as usage scenarios, functional purposes, legal relationships, and effects. This can promote a shift in understanding of legal attributes from formalism to functionalism [12].

4.2. Improvement of Regulatory Methods for Non-Legal Tender Digital Currencies

4.2.1. Implementing the Principle of Penetrative Regulation

The underlying logic of penetrative regulation has three aspects: firstly, adopting a functional regulatory approach, maintaining the concept of "substance over form," integrating self-regulation to establish a comprehensive dynamic regulatory network, with various platform sectors advancing together, weaving a genuine and effective virtual regulatory network. Secondly, starting from the principle of consumer protection, adopting a behavioral regulatory approach, establishing a sound due diligence system, strictly prohibiting fraudulent and theft behaviors, and compensating for the traditional regulatory model in China that is not conducive to protecting holders of non-legal tender digital currencies [13]. Thirdly, using the principle of proportionality as the constraint point for regulating non-legal tender digital currencies, allowing the market to play the role of an invisible hand in adjustment. The focus of penetrative regulation lies in dynamic governance and regulation, ensuring the authenticity and reality of all transaction data, breaking through the "information barriers" of traditional non-legal tender digital currency data collection, in line with the decentralized characteristics of research subjects, enabling regulatory authorities to take the initiative in obtaining regulatory data.

4.2.2. Focusing on Trading Platforms in Regulation

As a bridge connecting the financial market with investors and consumers, non-legal digital currency trading platforms play a crucial role in the process of perfecting China's regulatory system for non-legal digital currencies. It is essential to focus on the intermediary role of trading platforms. As mentioned earlier, the licensing system adopted by both the UK and the US is worth emulating. This system dictates that without authorization, there can be no license, and without a license, there can be no transactions. Therefore, it is imperative for China to conduct comprehensive substantive

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examinations of trading platforms, including their registration purposes, registered capital, security of operational network technology systems, and personnel qualifications, rigorously controlling the first gateway to trading platform access. Moreover, once trading platforms are legally established, they should establish their own comprehensive and stringent regulatory systems. This is also an expansion of the interpretation of self-regulatory bodies in Japan. It involves establishing standardized information disclosure systems, robust prevention of hacker intrusions, protection of consumer and investor information, and diligent supervision duties by the platforms. For transactions with large amounts or unclear paths, multiple layers of supervision and dynamic monitoring should be implemented. A registration system should also be established, enabling non-legal digital currency trading platforms to establish a systematic regulation that includes pre-licensing access, dynamic monitoring during transactions, and efficient and precise accountability after transactions.

4.2.3. Governance within Regulatory Sandbox Models

Regarding the construction of regulatory sandbox system models, the focus is mainly on exploring parts adaptable to China under the concept of the UK's regulatory sandbox. Firstly, relevant operations of non-legal tender digital currencies should have innovative business models, with companies conducting prior risk control, such as advanced testing and test plans. Secondly, to break free from financial repression and enhance regulatory flexibility, the market's regulatory role should be leveraged, entering into flexible regulation, creating a virtuous cycle of technological innovation and regulatory innovation. Thirdly, in specific regulatory measures to protect the legitimate rights and interests of consumers, companies should be urged to establish compensation mechanisms, incentivizing integrity in operations and providing institutional guarantees for holders of non-legal tender digital currencies.

4.3. Expanding Regulatory Forces to Enhance the Coordination of Non-Legal Tender Digital Currency Regulation

4.3.1. Clarifying Regulatory Entities and Responsibilities

The regulatory entities for non-legal tender digital currencies have diverse characteristics, with involvement from various departments, resulting in a lack of a unified regulatory system. Consequently, overlapping and absent regulations coexist, and there are frequent occurrences of mutual buck-passing and blame-shifting [14]. After the deepening reform of financial regulation in 2023, China's current financial system mostly adopts segmented regulation, with minimal intersection between industries and inadequate functional regulatory efforts. It is difficult for various regulatory units to achieve high levels of coordination. However, considering costs, the "one commission, one bureau, two committees" model of segmented regulation is more suitable for China's current financial landscape than establishing new supervisory authorities. China's existing financial regulatory model should increase the intensity of functional regulation, creating a non-legal tender digital currency regulatory structure with contributions from administrative regulation, self-regulation, social supervision, and enterprise autonomy.

4.3.2. Leveraging the Role of Industry Self-Regulatory Organizations

China can learn from other countries' diversified regulatory systems by clarifying the establishment conditions, access mechanisms, and exit mechanisms of self-regulatory organizations. This should be based on establishing a risk assessment system, specifying technical requirements for practitioners, providing relevant professional responsibility education, and appointing virtual asset financial advisors and legal advisors. This aims to maintain a legal and stable operational status, rigorously

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control qualification audits, and not just stay at a formal level. Establishing subsequent operational rules and operational models can enhance the self-discipline regulatory system within the industry.

4.3.3. Strengthening Communication and Cooperation with International Organizations

Actively participating in international coordinated regulation, such as with the FATF (Financial Action Task Force), which calls for the establishment of a unified global legal risk prevention mechanism due to the borderless nature of non-legal tender digital currency transactions. While adhering to prudent regulation, strengthening cooperation with European banks and international cooperative regulation can ensure the efficient and secure operation of blockchain technology, actively promoting the integration of finance and technology, and safeguarding the technical foundation of non-legal tender digital currencies [15]. China should actively monitor international applications and regulatory trends, establish relevant international regulatory associations, sign agreements with various countries, create a non-legal tender digital currency database to enable the tracing of cross-border cases and monitor fund flow paths. In addition to coordinated management by various governments, collaborating with experts in the blockchain technology field from various countries to jointly address specific professional issues can promote the benign development of non-legal tender digital currencies.

5. Conclusion

In the current era of big data, data has become a strategic resource. As the saying goes, “prevention is better than cure.” When dealing with new phenomena, we should not blindly suppress them to avoid risks, and being inclusive does not equate to condoning. The 19th National Congress Report clearly indicates that China aims to establish a financial management model that integrates innovation and regulation. Therefore, China should first clarify the legal attributes of non-legal digital currencies and choose a regulatory path for them within the framework of the Kamei framework. It should promptly adjust regulatory content by applying the principle of penetrative supervision, conduct substantive examinations of trading platforms, adopt a licensing management system, and prioritize investor protection principles. By maximizing the reduction of financial risks within the regulatory sandbox model, China can create a multi-pronged regulatory structure for non-legal digital currencies, comprising administrative regulation, self-regulation, social supervision, and international cooperation, to enhance regulatory coordination and build a non-legal digital currency regulatory system tailored to China’s national conditions, thereby promoting the development of the digital economy.

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