

The boom in virtual assets in Kyrgyzstan – sanctions as a driver of growth

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In 2025, Kyrgyzstan became Central Asia's leading virtual currency market. According to official data, transactions involving virtual currencies exceeded \$31 billion, three times more than in 2024 and far above the country's nominal GDP. The Global Crypto Adoption Index, which measures the value of cryptocurrency transactions originating from individual countries, ranked Kyrgyzstan 19th globally after adjusting for population size, up from 76th place in 2024.

The sector's rapid expansion is closely linked to Russia's efforts to circumvent sanctions. By using Kyrgyz financial institutions, Russian companies are able to access international financial markets. This is one of the reasons why the latest EU sanctions package targeted Kyrgyzstan itself – rather than just individual entities operating there (see [‘20th sanctions package: the EU signals it will stay the course despite the energy crisis’](#)). The government hopes to turn the virtual currency boom into a permanent sector of the economy. However, this will be difficult because of inadequate energy infrastructure and the sector's continuing dependence on Russia as a driver of further growth.

Commentary

- **The development of virtual currencies is a key priority for President Sadyr Japarov's administration.** In 2025, Kyrgyzstan launched two stablecoins: USDKG, pegged to the US dollar and backed by gold reserves, and KGST, linked to the national currency, the som. USDKG, issued by a state-owned company affiliated with the Kyrgyz Ministry of Finance, entered circulation in November 2025 with an initial issue of more than 50 million tokens, each valued at \$1. Since 2025, the government has also been introducing a central bank digital currency (CBDC), a digital version of the som, which retailers will be required to accept as a means of payment from 2027. Through these initiatives, the government aims to position Kyrgyzstan as a regional leader in virtual currencies, attract foreign investment and stimulate economic growth. This is particularly important given the economy's continued reliance on remittances from migrants working in Russia, which accounted for 17.7% of Kyrgyzstan's GDP in 2024.
- **Kyrgyzstan's relatively liberal regulatory framework, compared with other countries in the region, has supported the continued expansion of the cryptocurrency and cryptoasset market.** In 2025, partly in response to sanctions imposed by the United States and the United Kingdom on Kyrgyz companies, the authorities introduced new

legislation on virtual assets. The reforms increased presidential and state oversight of the sector and clarified the requirements for obtaining cryptocurrency mining licences. They also granted the state-owned Keremet Bank exclusive rights to trade in the Russian rouble. In practice, however, the regulations are often weakly enforced, most likely with the tacit consent of the government. The Kyrgyz leadership may perceive economic advantages in allowing Russian entities to use Kyrgyz institutions to circumvent sanctions.

- **Russian companies and private individuals use Kyrgyz infrastructure to exchange roubles for cryptocurrencies and circumvent sanctions.** Kyrgyz private firms cooperating with Russian partners also rely on virtual currencies for transactions, including salary payments, as restrictions affecting the traditional banking sector make conventional transfers difficult. This has attracted increasing international scrutiny. In April this year, the EU imposed sanctions on Kyrgyzstan, while members of the British Parliament called on the foreign secretary to tighten sanctions further in response to infrastructure in Kyrgyzstan supporting A7A5, a cryptocurrency pegged to the Russian rouble. President Japarov condemned the EU measures, describing them as ‘double standards’ that contradict the EU’s declarations of partnership with Central Asia.
- **The cryptoasset sector’s rapid expansion, driven largely by the consequences of Russia’s invasion of Ukraine, is not sufficient to turn Kyrgyzstan into a genuine technological innovation hub.** Up to 90% of cryptocurrency transactions in the country involve the direct conversion of traditional currencies, including the rouble, into tokens such as USDT (Tether), which is pegged to the US dollar, and increasingly into local stablecoins. Although more than 100 licensed virtual asset service providers (VASPs) operate in Kyrgyzstan, most function primarily as exchange offices rather than technology-focused businesses. The government hopes that the 2025 regulations will help to change this. By introducing a digital som and creating a state cryptocurrency reserve, it aims to transform the sanctions-driven boom into a sustainable economic advantage capable of attracting international investors. However, this would require broader reforms, including improvements to the country’s unreliable electricity infrastructure. Last year, cryptocurrency mining was completely halted during periods of power shortages. Although the government portrays Kyrgyzstan as a future regional cryptoasset hub independent of external influence, this narrative remains exaggerated. Any serious attempt to reduce dependence on Russia or to fully enforce international sanctions would likely slow the sector’s growth considerably.