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Cryptocurrency in the Turkish Republic of Northern Cyprus: Overview, legal status, and future outlook

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ABSTRACT

The integration of blockchain technology with cryptographic protocols enables cryptocurrencies to revolutionize global financial systems through decentralized value exchange networks that operate independently of traditional banking institutions. The rapid expansion of these technologies faces challenges such as regulatory uncertainty and a lack of institutional understanding, which hinder their broader adoption. This research investigates the status of cryptocurrencies within the Turkish Republic of Northern Cyprus (TRNC), a distinct political entity with limited financial ties and minimal regulatory oversight. The study employed quantitative methods, collecting data from 210 participants across urban centers, including Kyrenia, Nicosia, and Famagusta. Data analysis was conducted using SPSS software. The research explores residents' understanding of digital currencies, ownership patterns, perceptions of risk, and their desire for regulatory frameworks. Results reveal that residents of TRNC are increasingly engaging with digital currencies; however, concerns persist regarding the absence of legal protections, market volatility, and regulatory gaps. Public participation in cryptocurrency activities outpaces the preparedness of institutional frameworks, highlighting the urgent need for legal development to safeguard investors and foster innovation. Given the TRNC's geopolitical proximity to Türkiye, which is actively advancing blockchain infrastructure, it is likely that the TRNC's policy trajectory will mirror regional trends. This study offers rare empirical insights into cryptocurrency adoption in a politically unrecognized region and underscores the urgency of establishing standardized regulatory measures to foster sustainable growth in the digital currency sector.

Contribution/ Originality: This study contributes to the existing literature by analyzing cryptocurrency adoption in a politically unrecognized region, using empirical data from Northern Cyprus. It is one of the few studies that have investigated public attitudes toward cryptocurrencies under limited legal and institutional frameworks.

1. INTRODUCTION

Global financial innovation has experienced significant advancements through the emergence of cryptocurrencies. Digital currencies, protected by cryptographic methods, operate on decentralized computer networks, which provide robust protection against attempts at duplication, manipulation, and third-party interference (Azman & Sharma, 2020). Most cryptocurrencies rely on blockchain technology, a distributed ledger system that enables secure peer-to-peer transactions without the need for central authorities. These assets operate independently of traditional financial instruments, which allows users to avoid institutional controls while maintaining operational efficiency and transaction security (Wang, Wang, & Fan, 2020).

Cryptocurrencies operate independently of state-backed institutions because they exist as decentralized systems that challenge the authority of conventional monetary systems. The worldwide adoption of cryptocurrencies demonstrates increasing interest from both the public and private sectors, who use them for speculative investments and alternative payment systems, which some refer to as financial democratization instruments (Financial Stability Board, 2021). Cryptocurrencies establish their legitimacy through cryptographic integrity combined with public trust, rather than relying on central bank backing and government oversight, as is the case with fiat currencies (Baek, Oh, Kim, & Lee, 2019).

The Turkish Republic of Northern Cyprus faces financial limitations due to its political and economic restrictions, so cryptocurrency presents itself as a strategic financial solution. The region's lack of legal and institutional frameworks creates uncertainty for users while hindering innovation.

The research contributes new knowledge to the existing literature by investigating cryptocurrency adoption in a state without international recognition. The research presents statistical data from the TRNC, an under-examined area in cryptocurrency studies, while demonstrating the rising public interest in cryptocurrencies despite their lack of proper regulatory protection. The research evaluates how Northern Cyprus's relations with Türkiye will influence the development of digital asset regulations in the future.

2. LITERATURE REVIEW

2.1. Conceptual Framework

Traditional financial systems suffered a major collapse during the 2008 global financial crisis when Lehman Brothers and Bear Stearns institutions failed (Wilson, 2019). The economic instability triggered by the crisis led to widespread disruptions across Europe and Asia, with Finland and China experiencing industrial slowdowns and a decline in investor confidence (Marquez-Velazquez, 2010). The decentralized electronic cash system Bitcoin emerged in 2008 through the creation of Satoshi Nakamoto as a solution to reduce institutional dependency (Nakamoto, 2008). The innovation aimed to address the fundamental weaknesses of conventional finance by eliminating opacity and reducing reliance on third parties and systemic risk (Lerer & McGarrigle, 2018).

The research defines cryptocurrency as both a technological advancement and a socio-economic solution for institutional deficiencies. The system enables protected peer-to-peer financial transactions, delivering advantages such as reduced costs and enhanced privacy, along with expanded economic opportunities (Yli-Huumo, Ko, Choi, Park, & Smolander, 2016). The adoption of cryptocurrency faces challenges due to unclear regulations, price instability, and concerns about illegal activities (Cheah & Fry, 2015; Zohuri, Nguyen, & Moghaddam, 2022).

The study defines cryptocurrency adoption in the TRNC through four essential variables:

- Awareness and Knowledge – Understanding of cryptocurrency mechanisms and risks.
- Ownership and Use – Whether individuals hold or transact with cryptocurrencies.
- Perceptions of Illicit Risk – Concerns about security, misuse, and legal ambiguity.
- Demand for Regulation – Public support for government intervention to protect users.
- Dependent Variable: Adoption and intended use of cryptocurrency.
- Independent Variables: Awareness, ownership, perceived risk, and regulatory support.
- Moderating Factors: Education level, gender, and location.

The conceptual framework illustrates how various public perceptions, combined with demographic factors, influence adoption behavior within the unregulated and politically distinct environment of the TRNC.

2.2. Theoretical Framework: Overview of Cryptocurrency and Blockchain Technology

The research is based on a theoretical framework of decentralized digital finance, introduced by Nakamoto (2008) in the Bitcoin white paper. Nakamoto developed an electronic cash system that operates between peers without intermediaries, utilizing network nodes, cryptographic verification, and consensus protocols for transaction validation

(Nakamoto, 2008). The foundational framework established by Nakamoto provides the basis for contemporary decentralized finance (DeFi) systems as well as operational structures for all major cryptocurrencies.

Narayanan, Bonneau, Felten, Miller, and Goldfeder (2016) this foundation describes cryptocurrencies as digital currencies secured by cryptographic algorithms, rather than institutional trust mechanisms, to ensure security and integrity. Users experience self-governance and complete openness, as well as international financial capability, through this system, whereas traditional banking systems rely on monetary control and regulatory intervention.

The security architecture of cryptocurrency ecosystems comprises three fundamental components: public-private key cryptography, secure hashing algorithms, and consensus mechanisms, including Proof of Work (PoW) and Proof of Stake (PoS). These components work together to preserve transaction authenticity while maintaining data integrity and confidentiality when a central authority does not exist (Treiblmaier, 2018).

The blockchain system operates as a distributed ledger, maintained by multiple nodes and remaining immutable. The security features of blockchain include transaction data combined with timestamp information and the hash of the previous block, which protect data integrity and enable traceability (Merriam-Webster, 2018). The structure protects against fraud and improves public transparency.

Blockchain operates on the principles of consistency, security, and integrity. The combination of consensus algorithms with distributed verification methods creates a system with no central failure points, thereby boosting overall resilience. The technology's applications span cryptocurrency usage, extend to smart contracts and supply chain management, and include digital identity systems, demonstrating its transformative impact across both public and private sectors (Rosic, 2016).

The evaluation of cryptocurrency operations in the TRNC requires knowledge of technical and theoretical fundamentals because limited oversight and financial barriers make decentralized systems more critical in these regions. The theoretical approach in this research helps clarify both the benefits and difficulties of integrating cryptocurrency into such settings.

2.3. Legal Status of Cryptocurrency in the World

Different jurisdictions around the world have established unique legal frameworks for cryptocurrencies, as many of them lack clear definitions or are subject to ongoing changes. Most nations permit the use of cryptocurrencies, yet they enforce distinct regulations regarding their use as a payment method or commodity (Trautman, 2018). Official approval exists for the use and trade of cryptocurrency in certain nations, while other governments enforce complete bans or implement specific restrictions. Various governmental agencies, departments, and tribunals have established different categories for cryptocurrencies. The regulatory framework continues to evolve as regulations and limits are adjusted according to the intended use, encompassing payments and investments, derivatives, and tax status. Most governments have established methods to tax cryptocurrency gains and income, although their tax requirements differ from one another.

The ability of cryptocurrencies to facilitate decentralized, borderless transactions has led to significant disruption in conventional financial systems worldwide.

Governments worldwide are working to establish control mechanisms for cryptocurrencies as their adoption continues to rise among the public (Tapscott & Tapscott, 2016). This has created administrative obstacles. The potential advantages of cryptocurrency use, including proficiency reserve funds and monetary inclusion, face challenges from market volatility, criminal activities, and buyer protection concerns.

According to the Cryptos Report Compendium(Thomson Reuters, 2022), this section provides an overview of cryptocurrency acceptance blocks, including regulatory approaches, legal standing, and the resulting implications.

- Mostly Legal Tender

Several countries have adopted a favorable stance toward integrating cryptocurrency. El Salvador introduced Bitcoin as a legal tender in 2021, providing tax benefits to users of cryptocurrency services despite opposition from

the IMF regarding potential financial system instability. The European Union permits cryptocurrency transactions between member states while implementing capital gains taxes and robust anti-money laundering (AML) and know-your-customer (KYC) rules through its 5th and 6th Anti-Money Laundering (AML) Directives. The United States has multiple regulatory bodies handling cryptocurrencies. The IRS treats them as property, the SEC considers them securities, and the CFTC identifies them as commodities within a developing regulatory framework. The Payment Services Act of Japan recognizes crypto as property. At the same time, the Japan Virtual Currency Exchange Association (JVCEA) regulates exchanges following AML/CFT guidelines to support the country's financial regulatory framework. The Central Bank of Nigeria banned crypto transactions through financial institutions, but the Securities and Exchange Commission classifies crypto assets as securities that need oversight.

- Restricted Tenders (with Concerns)

Multiple regulatory bodies within this jurisdiction allow some cryptocurrency use, but have not enforced various restrictive measures. Digital financial assets are permitted in Russia, but their use to acquire goods and services remains unlawful. The Indian government initially imposed restrictions on blockchain but has since changed its stance to promote blockchain development through newly created regulatory structures. The Securities and Futures Commission of Hong Kong has introduced new rules, which have raised investor concerns because they may restrict access to retail crypto trading. Mexico permits banks to operate within fintech regulations through its sandbox system for virtual assets, but prohibits the use of cryptocurrencies as a means of payment.

- Mostly Illegal Tenders

Different nations throughout the world have established significant restrictions on cryptocurrency usage. The Colombian government prohibits banks from serving crypto businesses and refuses to recognize digital assets as official financial instruments or legal tender. The Turkish government allows its citizens to maintain cryptocurrency assets while conducting tax monitoring as it develops a central bank digital currency (CBDC).

The Chinese government has banned all cryptocurrency activities, including trading and mining operations, but continues to develop its digital currency, the digital yuan. The Algerian government enforces one of the most severe cryptocurrency restrictions by prohibiting all cryptocurrency activities, including possession, due to national financial security reasons.

2.4. Legal Status of Cryptocurrency in the Turkish Republic of Northern Cyprus

The worldwide interest in cryptocurrencies has expanded substantially, as different regions exhibit increasing adoption rates. Bitcoin trading in the Turkish Republic of Northern Cyprus (TRNC) has gained popularity, with multiple cryptocurrency exchange outlets now operational. An increasing number of local businesses now accept digital currencies for goods, services, and real estate transactions.

The TRNC operates without established laws to regulate cryptocurrency activities despite its expanding use. The current legal framework does not contain specific rules regarding the use of cryptocurrencies. Official payment receipts for digital currency transactions remain unavailable because they are restricted to fiat currency operations. The unclear legal status of cryptocurrencies prevents users from obtaining legal protection when dealing with disputes or fraudulent activities.

The TRNC government plans to introduce new legislation regulating cryptocurrency operations, due to the increasing number of crypto-related activities. The government, along with financial experts, warns people against using cryptocurrencies for significant transactions due to existing legal and security challenges.

The TRNC will base its regulatory changes on the digital finance policies that Turkey continues to develop as its primary economic partner. The Turkish government actively supports blockchain innovation through ongoing discussions about creating a Central Bank Digital Currency (CBDC). The political and economic ties between the two entities suggest that Turkish policy changes will influence how Northern Cyprus regulates cryptocurrencies (Kyrenia, 2021).

3. METHOD

3.1. Research Design

A quantitative study assessed the perceptions and acceptance of cryptocurrency among residents of the Turkish Republic of Northern Cyprus (TRNC). A structured survey instrument was used to examine the awareness levels, perceptions, ownership, and acceptance of cryptocurrency among the inhabitants of the Turkish Republic of Northern Cyprus (TRNC). The survey was based on the research objectives and the existing literature on technology adoption and cryptocurrency use (Saunders, Lewis, & Thornhill, 2019). The survey assessed multiple constructs related to cryptocurrency adoption using a five-point Likert scale that ranged from "strongly disagree" to "strongly agree."

3.2. Survey Constructs

The questionnaire had thematic sections to evaluate the different but interconnected aspects of cryptocurrency engagement.

- Cryptocurrency Awareness: The instrument measured participants' understanding of cryptocurrencies, including their operational mechanics and technological aspects.
- Cryptocurrency Ownership and Use: The survey examined two primary aspects of digital assets: ownership status and reasons for ownership, as well as usage capabilities for everyday transactions.

The research examines how the public perceives the potential illicit use of cryptocurrency in criminal activities, including money laundering and terrorist financing, and how this perception affects trust levels.

The study examined how respondents feel about the need for legal guidelines to regulate digital currencies and how clear regulations affect both trust levels and market participation.

3.3. Sampling Strategy

The study employed purposive sampling to select individuals who either had knowledge of cryptocurrency or expressed interest in this field. The research gathered data from the three urban areas of Kyrenia, Nicosia, and Famagusta, which show different population characteristics, as well as exchange business activities, academic facilities, and technological companies. Through purposive sampling, the researcher obtained a representative sample that included university students, as well as business owners and professionals from the public and private sectors (Shahzad, Xiu, Wang, & Shahbaz, 2021).

The selection process for participants involved testing their understanding of cryptocurrencies to ensure they could accurately complete the survey. The study collected data from 210 participants regarding their demographic characteristics and perspectives on cryptocurrencies.

3.4. Data Collection and Analysis

The survey responses were processed using IBM SPSS Statistics software. Descriptive statistics, based on frequency distributions and percentage analysis, presented the demographic characteristics of participants and revealed patterns in awareness, adoption, and regulatory trends.

3.5. Ethical Considerations

The research adhered to all institutional ethical guidelines. Participants received information about the study's goals and data handling procedures, as well as their rights to participate voluntarily while maintaining anonymity. Data collection occurred after participants signed their consent forms. The Institutional Review Board of the University of Kyrenia, North Cyprus, approved the study on September 24, 2024, under reference number FSBB/19.

The study excluded participants who were either minors or unable to provide consent. All collected data received anonymization treatment to protect participant privacy and maintain confidentiality, following ethical research standards.

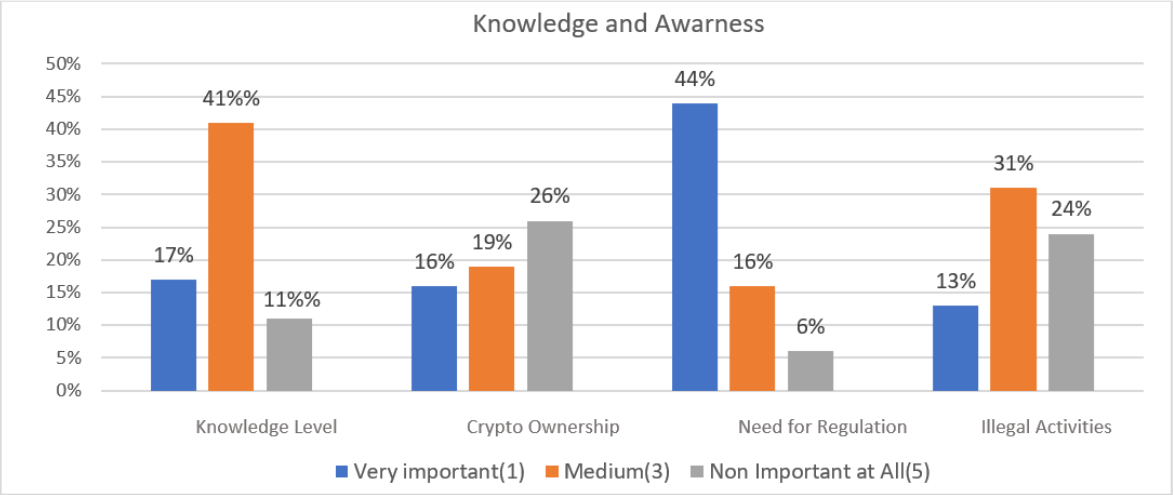

Figure 1. Knowledge and awareness.

3.6. Literature Support

The research incorporated both primary data collection and a secondary literature review to enhance the limited number of academic studies focused on the TRNC. The research included academic papers, professional reports, and trustworthy blog content that studied cryptocurrency use and policy in analogous geopolitical contexts. The research utilized international digital currency case studies because no official documentation was available about digital currencies in Northern Cyprus to support local analysis.

4. RESULTS

4.1. Frequency Distribution

Participant profile. The study's sample included a diverse range of individuals with different backgrounds.

Table 1. Demographic breakdown.

Variable	Category	Frequency (n)	Percentage
Gender	Male	118	56.2%
	Female	92	43.8%
Location	Kyrenia	80	38.1%
	Nicosia	70	33.3%
	Famagusta	60	28.6%
Education level	Not educated	2	1.0%
	Primary school	1	0.5%
	Secondary school	12	5.7%
	College	89	42.4%
	University	106	50.5%

Table 1 presents the demographic breakdown of research participants according to gender, geographical location, and educational achievement. The total sample consisted of 210 participants, with males accounting for 56.2% (n = 118) and females making up 43.8% (n = 92). The study population originated from Kyrenia, comprising 38.1% (n = 80) of the total sample participants. The study participants were distributed between Nicosia (33.3%, n = 70) and Famagusta (28.6%, n = 60).

Most participants held higher educational qualifications. The research participants consisted of 50.5% (n = 106) university degree holders and 42.4% (n = 89) college degree holders. A small group of participants held only a secondary school diploma (5.7%, n = 12), and 1% (n = 2) of participants had no formal educational qualifications. The survey's demographic distribution ensures that the obtained results will apply to the population that will adopt cryptocurrency in Northern Cyprus.

The study utilized the variables in Figure 1 to collect survey data that represent participants' opinions. A considerable portion of survey participants (41%) demonstrated a moderate comprehension of digital currencies, while most participants (37%) believed that understanding cryptocurrency was essential. Most respondents believe learning cryptocurrency principles holds critical importance.

Many participants held different levels of cryptocurrency ownership, with 26.2% having no digital assets and 16.7% actively using them for transactions or investments.

Most participants (43.8%) demanded legal and institutional protections for digital asset investments because they strongly supported the security of these investments. Only 6.2% of participants opposed regulation, despite supporting government intervention to safeguard stakeholders.

The research revealed that 31.4% of survey participants believed digital currencies would not be used for illegal activities. Survey participants showed strong support (15.2%) for stricter regulatory measures that would prevent cryptocurrency misuse.

4.2. Frequency Statistics

Survey participants rated questions using a Likert scale with "Very Important" as 1 and "Not Important at All" as 5. Survey participants demonstrated support for cryptocurrency regulation while also understanding its economic value. Most survey participants are concerned about the volatility of cryptocurrency, security risks, and unclear legal status.

The research indicated that interest in cryptocurrency and regulation was higher among educated urban participants because of their gender, location, and educational status.

Table 2. Question frequencies.

Frequency statistics		**Likert scale**				
Questions		**1**	**2**	**3**	**4**	**5**
B1	Knowledge about cryptocurrency	18%	20%	41%	9%	11%
B2	Holding cryptocurrencies now	17%	21%	20%	16%	26%
B3	Getting advice from others on investing in crypto	26%	23%	17%	15%	19%
B4	Crypto as a long-term investment	21%	21%	32%	15%	11%
B5	Losing money from crypto	21%	19%	31%	18%	11%
B6	Crypto as a dominant currency in the years to come	28%	26%	25%	11%	10%
B7	Crypto as a part of our daily lives	22%	20%	36%	15%	7%
B8	Regulating crypto to secure investors	44%	24%	16%	10%	6%
B9	The possibility of any risk in the crypto market	31%	23%	27%	8%	11%
B10	Crypto as a cross-border payment	18%	24%	25%	24%	9%
B11	Ease of Crypto	12%	31%	37%	13%	7%
B12	Cheapness of crypto transactions	16%	21%	39%	15%	9%
B13	Crypto for payments is a timesaver	19%	22%	34%	20%	5%
B14	Crypto payment is more secure than other payment methods	25%	25%	35%	14%	11%
B15	Securing the value of crypto over time	28%	23%	24%	17%	8%
B16	Crypto to facilitate illegal activities	13%	15%	32%	15%	25%
B17	The crypto market is too volatile	20%	25%	24%	19%	12%
B18	Crypto as a trend	11%	25%	36%	17%	11%
B19	Intending to use crypto regularly	17%	22%	22%	20%	19%
B20	Encouraging others to use crypto as a mode of exchange	16%	20%	27%	24%	13%
B21	Intending to use Bitcoin as an alternative source of currency to buy or sell products in the future	16%	27%	23%	20%	14%

Table 2 presents the distribution of survey question frequencies as percentages for the most significant survey items regarding cryptocurrency. The survey data were divided into three groups based on the levels of importance and agreement, ranging from highest to lowest. The color scheme uses green to represent the highest values and red

to represent the lowest values, demonstrating how items progress from most important to least important across most items.

4.3. Descriptive Statistics

A descriptive evaluation yielded essential findings about how people perceive cryptocurrency. The mean scores in the survey indicated positive attitudes regarding both cryptocurrency education and regulatory matters.

Table 3. Indicators of central tendency.

Survey variables	Mean score (out of 5)
Cryptocurrency awareness	4.1
Cryptocurrency ownership	3.6
Perceived illicit use	3.2
Need for regulatory support	4.4

The mean ratings presented in Table 3 served as indicators of central tendency within the dataset. The mean score represents the total value, indicating how respondents generally feel about a particular issue. The method is susceptible to distortion by extreme responses at either end of the scale.

Survey constructs yielded mean scores below 5.0 on the five-point Likert scale, indicating positive survey responses. The results showed that participants generally agreed with statements regarding their understanding of and possession of cryptocurrency, as well as their views on regulatory requirements and illegal activity. The uniform mean scores indicate the importance of cryptocurrency to the surveyed population of the TRNC.

Table 4. Descriptive statistics by gender, location, and education.

A		B2	B3	B4	B5	B6	B8	B15	B16	B18	B19
	1 M	3.2	3.2	3.4	3.3	3.3	3.2	3.4	2.8	3	3.1
A1	2 F	2.4	3.1	2.9	3	3.3	3.3	3.4	2.7	3.1	2.7
	1 K	2.7	3.1	3.2	3.3	3.4	3.3	3.4	3	2.8	3
	2 N	2.8	3.2	3.2	3	3.3	3.3	3.3	2.8	3.2	2.7
A3	3 F	3	3.2	3.3	3.2	3.3	3.4	3.3	2.4	3.1	3.1
	1 N-E	4	4	4.5	5	4.5	4	4	4	3.4	3
	2 P	5	5	5	4	5	5	4	5	2	5
	3 S	2.7	3.4	3.5	3	3.4	3.4	2.9	2.4	3.1	3.1
	4 C	2.6	3	3.2	3.2	3.4	3.4	3.4	2.6	3	2.8
A5	5 U	2.9	3.3	3.1	3.1	3.3	3.4	3.4	2.9	3.1	3

Table 4 presents statistical data on cryptocurrency awareness and ownership, along with regulatory support, based on demographics including gender, location, and education level.

The research data demonstrates minimal yet significant distinctions between different population groups. Negative values are displayed in red, and positive values are shown in green throughout the assessment.

The survey results demonstrated that male participants scored higher than female participants in every evaluated dimension, particularly in terms of regulatory support and awareness. The study results indicate that men tend to show greater interest and concern in cryptocurrency matters than women do.

The people living in Kyrenia and Nicosia achieved the highest scores in terms of cryptocurrency awareness and ownership. The participants from Famagusta exhibited the lowest awareness scores and ownership rates within the study population. The high concentration of crypto exchange offices in Kyrenia and Nicosia creates these observed patterns due to urban density. Residents from both cities supported regulatory measures, as evidenced by their high scores on regulatory support.

The level of education proved to be the primary factor determining how people become involved with cryptocurrency. University graduates achieved the highest average scores in awareness, ownership, and regulatory

support among all measured factors. The awareness and ownership scores of participants who finished only secondary school or did not graduate were significantly lower than those of other groups. The adoption of digital financial technology is directly dependent on a person's educational level.

The research data indicate that urban residents and those with higher education levels demonstrate the highest levels of understanding of cryptocurrency; however, these groups display lower participation in cryptocurrency adoption and regulatory matters. The observed patterns suggest that educational programs, in conjunction with suitable policy development, should focus on reducing disparities between demographic groups that adopt cryptocurrency.

5. CONCLUSION

Northern Cyprus has undergone substantial economic and technological transformations due to the emergence of cryptocurrency. The growing number of crypto exchanges, together with increasing public interest and local adoption in real estate and consumer transactions, demonstrates the expanding presence of cryptocurrency in the TRNC. The absence of legal barriers does not protect investors from risks stemming from fraud, legal uncertainty, and inadequate investor protection.

The use of cryptography in cryptocurrencies provides security benefits (Conti, Kumar, Lal, & Ruj, 2018) and eliminates intermediaries (Rosic, 2016), enabling inexpensive international transactions. The market volatility of cryptocurrencies, alongside their use in criminal activities, continues to create persistent difficulties (Cheah & Fry, 2015; Zohuri et al., 2022). The TRNC faces legal ambiguity as its central challenge. The current banking laws fail to establish definitions for digital assets, which creates challenges for legal classification and regulatory oversight.

The nations of Switzerland, Germany, and El Salvador have built comprehensive legal frameworks that support crypto innovation while protecting stakeholders. The TRNC's leading economic partner, Türkiye, advances its regulatory maturity by implementing anti-money laundering (AML) frameworks, tax systems, and initiatives for the development of central bank digital currency (CBDC). The regulatory direction of Northern Cyprus is likely to follow Turkish policies due to its strong economic ties with Turkey.

The research accomplished its dual purpose by evaluating the knowledge and cryptocurrency usage of TRNC citizens, as well as identifying existing legal and regulatory gaps. The survey results indicate that citizens between 18 and 39 years old show considerable interest in cryptocurrency; however, they remain concerned about security and legal compliance. The TRNC needs clear regulations to protect users, validate cryptocurrency adoption, and establish its position in the global digital finance system.

6. LIMITATIONS

Multiple methodological and contextual limitations in the research impact the generalization of its findings. The research team utilized alternative data sources, including news blogs, informal interviews, and online surveys, as no official government publications or academic literature were available on cryptocurrencies in the TRNC. The information sources provide valuable content, yet their standards fall short of those of peer-reviewed empirical research. Future academic studies should expand existing knowledge through longitudinal research, combined with case studies and comparisons of legal frameworks.

The data collection process faced limitations because people in the target areas showed low interest in participating. The subjects avoided providing information because they lacked knowledge about the topic and felt uncomfortable disclosing their financial data. The research data collection was limited due to this challenge, resulting in a restricted set of responses. The researchers encountered difficulties when attempting to access centralized data from cryptocurrency exchanges and regulatory bodies, as financial and logistical barriers hindered their efforts to do so.

Future research would achieve better outcomes by implementing mixed-methodological designs with larger participant samples and advanced data analytical methods. Policymakers, regulators, and crypto industry leaders should be interviewed to gather a deeper and more nuanced understanding.

7. RECOMMENDATIONS

The integration of responsible cryptocurrencies into the TRNC's financial system and legal structure requires a set of multi-pronged recommendations.

- Establishment of a Comprehensive Legal Framework

The government requires the development of a specialized legal framework to manage digital assets effectively. A legal framework needs to establish definitions for digital assets and their categories, as well as establish tax regulations and investor safeguards. The regulatory frameworks must include AML and KYC standards to prevent illicit activities and maintain financial transparency.

- Public Education and Awareness Campaigns

The government must launch a nationwide educational initiative to help citizens make better financial choices. Academic programs should teach the fundamentals of cryptocurrency, highlight both its advantages and disadvantages, and offer guidance on responsible cryptocurrency investment.

- Adaptation of International Best Practices

The TRNC should establish standards that follow the Swiss and Japanese models, in conjunction with EU standards, to create a regulatory system that aligns with local practices while adhering to global standards. The evaluation of regulatory standards, along with legal standardization, will increase investor trust and enhance the credibility of regulations.

- Creation of Regulatory Oversight Institutions

The financial oversight body or crypto regulatory authority operates independently to supervise market activities, enforce compliance rules, and settle disputes. The institution operates either under the Ministry of Finance or as an independent regulatory organization.

- Support for Blockchain Startups and Innovation Hubs

The TRNC should develop grants in conjunction with tax benefits and establish incubators to attract blockchain entrepreneurs and developers to the region. The establishment of a well-developed innovation system will generate employment opportunities and establish the country as a leading digital finance hub in the area.

- Cross-Border Collaboration and Regional Dialogue

The establishment of partnerships between Türkiye and its neighboring countries should aim to achieve regulatory alignment, as well as technical standards and regional policy coordination in crypto policy.

This research expands existing knowledge about the impact of digital finance on regional economic development. The study highlights the need for balanced regulation that enables technological advancement while maintaining strict control mechanisms. When correctly managed, cryptocurrencies have the potential to transform the economy by developing multiple sectors, advancing technology, and increasing financial opportunities throughout the Turkish Republic of Northern Cyprus.

List of Abbreviations

ALM: Anti-Money Laundering.
CBDC: Central Bank of Digital Currencies.
CFTC: Commodity Futures Trading Commission.
DeFi: Decentralized Finance.
EU: European Union.
JVCEA: Currency Exchange Association.

IMF: The International Monetary Fund.

KYC: Know Your Customer's Requirement.

SEC: Securities and Exchange Commission.

TRNC: The Turkish Republic of Northern Cyprus.

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Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.
Data Availability Statement: Upon a reasonable request, the supporting data of this study can be provided by the corresponding author.
Competing Interests: The authors declare that they have no competing interests.
Authors' Contributions: Both authors contributed equally to the conception and design of the study. Both authors have read and agreed to the published version of the manuscript.

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