



Crypto-assets

Key developments, regulatory concerns and responses

**FinTech Working Group
2 September 2020**

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Introduction

- Study relates to crypto-assets: key developments, regulatory concerns and responses
- Study completed on 6 April 2020



State of play of crypto markets

- Beginning 2020: over 5,100 crypto-assets with total market cap > \$250 billion
- Lawful and unlawful crypto-markets
- Two notable developments since 2018
 - tokens
 - stablecoins and central bank digital currencies



Exposure of financial institutions to crypto-assets

- Issue: crypto-assets exhibit high degree of volatility and are not resilient in times of financial stress
- Approach: deduct from own funds



Use of crypto-assets for financial crime (1)

- Issue: existing European AML/CFT regime for virtual currencies already lags behind of what is considered current international AML/CFT standard for crypto-assets



Use of crypto-assets for financial crime (2)

- Approach: EU could consider a number of regulatory actions
 - broaden scope of definition of virtual currencies
 - broaden list of obliged entities
 - introduce a European AML authority
- Enhancing regulatory framework with respect to criminal use of crypto-assets, goes hand in hand with enhancing the investigative toolbox



Investments in crypto-assets

- Issue: not always clear if a crypto-asset is in scope of existing regulatory framework
- Approach:
 - create a common view on legal qualification of crypto-assets as financial instruments
 - bring EU financial services laws up to speed with unique characteristics of crypto-sector
 - crypto-assets that are not financial instruments, nor electronic money: create an appropriate risk disclosure requirement



Cybersecurity

- Issue: stolen crypto-assets or crypto-assets obtained via ransomware attacks typically find their way to illegal markets and are used to fund further criminal activity
- Approach: set out minimum standards for cybersecurity to be complied with by intermediaries who offer custodial services for crypto-assets



Subsidiarity: rulemaking at the right level

- Issue:
 - crypto-assets are a global phenomenon
 - national initiatives emerge
 - regulatory arbitrage
- Approach: rulemaking at European level, preferably in the execution of international standards



Thank you