

Financial Stability Institute



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European Parliament

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Views expressed are those of the presenter and do not necessarily reflect those of the BIS.

Taxonomy of cryptoassets

- Cryptoasset taxonomy in EP study has a set of useful distinctions
- Some observations:
 - Terminology: “cryptocurrencies” is becoming less common
 - Additional granularity may be relevant for policy discussion
 - Issuer: regulated vs non-regulated issuers
 - Token: “payment tokens” often used as a third category of tokens
 - Stablecoins:
 - Asset-backed vs algorithmic stablecoins
 - Constant value vs variable value asset-backed stablecoins

A regulatory approach for the EU

- Global consensus on risks and potential benefits associated with cryptoassets is emerging
 - Challenges exist for market integrity, consumer/investor protection and (potentially) financial stability
 - Traditional cryptoassets issued by non-regulated entities provide few social benefits (eg [Foley et al \(2019\)](#))
 - Case for (global) stablecoins and CBDCs is stronger
- There is a wide variety of regulatory approaches for cryptoassets

Regulatory and policy responses to cryptoassets and related activities

| | Introduction of crypto-specific licence, authorisation or registry | Clarification on applicable regulation to ICOs | Clarification on applicable regulation to crypto-related activities/providers | Clarification on tax treatment | Amendment of AML framework | Publication of warnings | Ban on certain crypto-related activities |
|-----|--|--|---|--------------------------------|----------------------------|-------------------------|--|
| AE | L | | | | | | |
| AU | | | | | | | |
| BR | | | | | | | |
| CA | | | | | | | |
| CH | | | | | | | |
| CN | | | | | | | |
| DE | L | | | | | | |
| ES | | | | | | | |
| FR | L+R | | | | | | |
| GB | | | | | | | |
| HK | | | | | | | |
| IT | | | | | | | |
| JP | L | | | | | | |
| MX | A | | | | | | |
| PH | R | | | | | | |
| RU | | | | | | | |
| SG | L | | | | | | |
| US* | L | | | | | | |

Regulatory response has been approved
 Regulatory response in progress
 Regulatory prohibition

L = licence; A = authorisation; R = registration; * = state level
 Sources: National regulations; FSI survey.

Source: [FSI Insights, no 23](#).

A regulatory approach for the EU

- In the EU, a good case for a rather conservative approach can be made
 - Payment services are already well developed
 - Stablecoins and CBDCs may add less value than in other jurisdictions (yet there is always scope for improvement)
- In general, any regulatory approach should consider different aspects
 - Activities: Offering (creating and distributing), trading and safekeeping of cryptoassets (custody services eg by wallet providers)
 - Exposure to cryptoassets by banks or other financial institutions

On the concrete regulatory proposals (1)

- Sensible approach is to keep focus on
 - Revising prudential treatment of banks' exposures to cryptoassets
 - Adapting AML/CFT framework to cover all cryptoasset-related activities
 - Reviewing investor/consumer protection rules
 - Ensuring effective cyber security standards
- Prudential treatment: stringent stance is warranted
 - Need for new/specific rules not fully obvious
 - Simplistic approaches may not be appropriate due to diversity of cryptoassets

On the concrete regulatory proposals (2)

- AML and CFT
 - More work needed to enlarge regulatory perimeter in line with FATF standards and guidelines
 - Application of standards to non-banks is challenging
 - Complex traceability within DLTs. Intrusive supervision may be disproportionately expensive
 - Need of specific restrictions (not fully covered by FATF) for decentralised arrangements and anonymous peer-to-peer transactions with unhosted wallets
- Stablecoins may require specific rules to enhance investor/consumer protection
 - Approach likely to depend on redemption obligations
 - Rights in case of winding-up and information on nature of the stabilisation mechanisms should to be disclosed
- Global stablecoins may require specific requirements
 - Should follow G7 and FSB guidance

A word on CBDCs

- Fruitful discussion at the global level is ongoing
- Key concern is the combination of two risks:
 - Disruption of the bank-intermediated financial system
 - Facilitation of bank runs
- Cost-benefit analysis: Opportunities and risks of CBDCs depend on their modalities (see [Auer and Böhme, BIS, \(2020\)](#))
 - Wholesale and/or retail
 - Account- or token-based access
 - Conventional or DLT infrastructure
 - Operated by central bank or (partially) by private banks
- Cross-border CBDCs deserve attention (on the agenda of the BIS Innovation Hub)

Thank you