



# Digital Finance Forum

## Community Highlights

Wednesday 7 August 2024



# Digital Finance Forum

## Global Policy & Regulatory Updates

*The global policy and regulatory landscape for digital assets in 2023 saw more developments than any year prior. Given the continued rapid pace of innovation, 2024 has also seen many consultations and policy developments continue at pace. Notably, from the standard setters in the past couple months the following consultations and updates have been of note:*



## **Bank of International Settlements (BiS) Innovation Hub**

The BIS published a [survey](#) on CBDCs and Crypto. Key findings noted it is now more likely that central banks will issue a wholesale CBDC within the next six years than a retail CBDC.

The BIS also pre-released a [chapter](#) from its 2024 Annual Economic Report on how AI directly affects central banks, both as stewards of the economy and users of AI tools

## **The Basel Committee**

The Basel Committee has now published its final disclosure framework for banks' cryptoasset exposures and targeted amendments to its cryptoasset standard published in December 2022. Press Release [here](#), Final Disclosure Framework [here](#) and Targeted Amendments [here](#).

## **Financial Stability Board (FSB)**

The FSB Americas Group discussed risks associated with the Sovereign-Bank Nexus and Crypto-Asset Arrangements. Press release [here](#) Global Framework for Crypto-Asset Activities [here](#).

The FSB also [published](#) a summary of its plenary meeting in Toronto, where they discussed implementation of the global regulatory framework for Crypto-Assets.

They also published a [report](#) exploring factors driving the higher level of activities related to foreign currency-pegged stablecoins in emerging markets and developing economies (EMDEs), their associated financial stability risks and regulatory challenges.



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## Regional – Key Takeaways

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# Hong Kong (HK)

## Review of HK Crypto Licensing – Exchanges Withdrawing Applications

HK regulators are [reviewing](#) crypto licensing requirements as the industry evolves. Some major exchanges have withdrawn license applications in HK due to requirements. Some lawmakers have concerns that current requirements may not be proportionate.

## HK Preparing Stablecoin Legislation

HK has released the [conclusions](#) from their previous consultations aimed at regulating stablecoins. The legislation has a strong focus on reserve requirements and consumer protection, as HK aims to enhance the stability and credibility of stablecoins.

# Japan

## Japan Updates Crypto Tax Guidance

Japan's National Tax Agency (the NTA) has [updated](#) its guidelines on cryptocurrency taxation, clarifying how gains from crypto transactions should be reported to ensure compliance.

# Australia

## First Spot Bitcoin ETF Approved

The Australian Securities Exchange has now approved the country's first spot Bitcoin ETF, the [VBTC](#), following the success of Bitcoin ETFs in the US and Hong Kong and the approval of the [Monochrome ETF](#).

# Singapore

## Singapore Tightens AML/CTF Rules

Singapore has tightened AML/CTF rules for crypto exchanges raising the risk level from medium low to medium high.

# Vanuatu

## Vanuatu plans crypto licensing scheme to align with FATF Requirements

Vanuatu plans to launch a crypto licensing scheme to regulate virtual asset service providers, aligning with FATF standards.

# South Korea

## South Korea Focuses on Investor Protection

South Korea is now focusing on the implementation phase of its proposals for the protection of virtual asset users. Notably, requiring exchanges to separate customer deposits and hold them at reputable financial institutions, in an effort to enhance investor protection.

The regulations mandate that exchanges store at least 80% of digital assets in highly secure cold storage to protect against hacks and losses.

# Russia

## Russian Legalises Crypto Mining and Payments

Russia has officially legalised cryptocurrency mining and payments, marking a significant shift in its approach to digital assets. The new legislation provides a legal framework for mining operations and the use of cryptocurrencies for transactions.

# Bahamas

## 2024 DARE Act Passed

The Bahamas has now passed the DARE Act 2024 which now covers under legislation a wide range of activities, including: Advisory and management services, digital asset derivatives, staking services, token issuance, operation of exchanges, provision of custody services, and stablecoins. It has a strong focus on: investor and consumer protection measures, security and appropriate ICT Control systems, and transaction integrity.

# Turkey

## Turkish Parliament Approves Crypto Legislation

The Turkish parliament has now approved crypto asset legislation. Crypto platforms will now be required to get approval from the Turkish Capital Markets Board.

The legislation gives the Capital Markets Board (CMB) the right to temporarily suspend crypto platform operations, while the supervision of the crypto firms will be conducted by independent audit firms approved by the CMB.

# United States

## Ether ETF Applicants Submit Final Forms

All applicants for Ether ETFs [have submitted](#) their final forms to the SEC. Industry feels that this could pave the way for the first Ether ETFs in the U.S., potentially increasing institutional investment in Ethereum.

## CFTC Intergovernmental Conference of Federal Regulators

The CFTC recently [held](#) their first intergovernmental conference of federal regulators as they have become concerned with the rise in financial confidence frauds, more commonly known as “pig butchering”. They convened 30 government agencies and are considering if a global approach may be the key to preventing these types of scams

## House of Representatives Passes Bill to Combat Illicit Financing via Digital Assets

The House of Representatives [passed a bill](#) focusing on enhancing cooperation between financial institutions and law enforcement. It would establish the Independent Financial Technology Working Group to Combat Terrorism and Illicit Financing under the Department of Treasury. It also encourages public-private sector partnership in examining issues surrounding illicit finance in the digital asset ecosystem.

## SEC Compliant Seeking an Injunction

The SEC has filed a [complaint](#) that starting in November 2020, Al-Naji raised more than \$257 million from unregistered offers and sales of a crypto asset called “BTCLT,” the native token to BitClout. e deemed securities. The complaint seeks an injunction, disgorgement, civil monetary penalties and an officer-and-director bar.



# Canada

## Canada Tightens AML Requirements

Canada has tightened its anti-money laundering (AML) rules for cryptocurrency transactions, aiming to prevent the use of digital assets for illicit activities. This is also in support of compliance with FATF requirements being implemented around the world.

## Bank of Canada Publication on the Role of Public Money in a Digital Age

The Bank of Canada has released a paper on 'The Role of Public Money in the Digital Age.' This paper argues that there is now and will continue to be a fundamental need for a relevant retail public money as part of a well-functioning monetary system.

Such a retail public money—

whether in the form of cash, a Central Bank Digital Currency (CBDC) or both—is just one pillar supporting the monetary system.

## OSC Paper on Automated Market Makers

The OSC have published a paper with case studies on automated market makers. This paper describes the ecology of automated market makers (AMMs), which are the most popular decentralized exchange model for the pricing and trading of crypto assets within decentralized finance.

# United Kingdom

## Two Arrested Over Suspected Illegal Cryptoasset Exchange

The FCA [conducted an operation](#) with the Metropolitan Police Service to arrest two individuals suspected of running an illegal £1 billion cryptoasset exchange. More than £1 billion of unregistered cryptoassets are believed to have been bought and sold through this business. Both suspects were interviewed under caution by the FCA and released on bail. The FCA's investigation into the case is ongoing.

## FCA takes first enforcement action against firm enabling cryptoasset trading

The FCA has [fined](#) a firm £3.5m for repeatedly breaching a requirement that prevented it from offering services to high-risk customers. The action was taken under the Electronic Money Regulations 2011; this is the first time the FCA has taken enforcement action using these powers. The firm agreed to resolve the matter and qualified for a 30% discount on its fine.

## GDF UK Working Group: Open Consultations

The WG for UK policy and regulation was launched in 2024 to formulate the GDF community response to ongoing and upcoming consultations on the UK legal and regulatory framework for crypto and digital assets. The group convenes members' input to engage with and influence the UK authorities as they develop policy and the regulatory framework continues to evolve. Current consultations the group is responding to are: [FCA & PSR Consultation on Digital Wallets](#), [BoE Consultation on Payments Innovation](#). Contact [elise@gdf.io](mailto:elise@gdf.io) if you are interested in participating.

# European Union

## EBA completes publication of technical standards under MiCAR

The EBA has published the final elements of the package of technical standards and guidelines under MiCAR::

- [final draft RTS on the use of ARTs and EMTs denominated in a non-EU currency as a means of exchange](#);
- [final draft ITS on the reporting obligations of issuers of ARTs and EMTs denominated in a non-EU currency, and of CASPs](#);
- [guidelines on liquidity stress testing](#); and
- [final draft RTS on supervisory colleges](#).

## EBA published their final report and draft technical standards under MiCAR

ESMA also has [published](#) their final report relating to the second package of technical standards (RTS and ITS) specifying requirements under MiCAR. The technical standards cover:

- sustainability indicators in relation to climate and other environment-related adverse impacts;
- business continuity measures for crypto-asset service providers (CASPs);
- pre- and post-trade transparency for CASP trading platforms;
- record-keeping requirements for CASPs;
- white paper formats and data for their classification in the MiCAR register; and
- disclosure of inside information.

The draft standards will be submitted to the EC for adoption.

# European Union

## EC Consultation on AI

The EC has issued a [targeted consultation](#) and workshop series to seek input from stakeholders on the use of artificial intelligence (AI) in the financial sector.

## ECB Progress Report on the Digital Euro

The European Central Bank published a [progress report](#) on the digital euro, detailing plans for holding limits, merchant fees, and procurement of technology vendors. The ECB will set digital euro holding limits closer to launch based on economic conditions, with the goal of minimizing deposit outflows from banks.

## ECB Wholesale DLT Settlement Update

The ECB also announced [48 participants](#) in the second wave of wholesale DLT settlement trials, including the Hong Kong Monetary Authority for cross-border payment versus payment transactions.

## Banque de France and Banque centrale du Luxembourg publish results of Project Venus

Banque de France and Banque centrale du Luxembourg have [published](#) the results of Project Venus, a successful experiment demonstrating the use of DLT in digital bond issuance and settlement. The project was conducted in November 2022 with the European Investment Bank (EIB), Société Générale, Santander, and Goldman Sachs.

## ECB paper on Stablecoins' impact on banks' balance sheets and prudential ratios

The ECB published a paper exploring the relationship between banks and stablecoins and their issuers

# European Union

## MiCA Stablecoin Requirements

MiCA's stablecoin regime came into effect on June 30, 2022, introducing regulations for stablecoin issuances and services in the EU. Stablecoin must now be licensed and compliant with issuance limits under MiCA's framework.

## ESMA and EBA publish guidelines on suitability of management body members and shareholders for entities under MiCA

ESMA and EBA have published [joint guidelines](#) on the suitability of members of the management body, and on the assessment of shareholders and members with qualifying holdings for issuers of ARTs and CASPs under MiCAR.

## EBA Reminder on MiCA Compliance

The European Banking Authority (EBA) [published](#) a statement for the attention of persons issuing to the public, offering to the public, or seeking admission to trading of asset-referenced tokens (ARTs) and e-money tokens (EMTs) and for consumers. The EBA also sets out key topics for supervisory attention across the European Union for issuers of ARTs/EMTs in 2024/2025. Both documents are intended to promote the timely and consistent application of MiCAR.

## EBA issues guidance on transfers of funds and crypto assets – 'Travel Rule Guidelines'

The EBA has [published](#) new guidelines on information requirements (under Regulation (EU) 2023/1113) in relation to transfers of funds and certain crypto assets that aim to tackle money laundering and terrorist financing.

# European Union

## Switzerland: FINMA Stablecoin Guidance

FINMA has issued [guidance](#) on Stablecoins: risks and challenges for issuers of stablecoins and banks providing guarantees.

## Slovenia: First Eurozone Digital Bond

On 25 July 2024, BNP Paribas [arranged and placed](#) the first ever Sovereign digital bond issuance for Eurozone and EMEA, the Republic of Slovenia with on-chain settlement using the Banque de France's (BdF) tokenised Cash solution provided within the European Central Bank's (ECB) wholesale central bank money (CeBM) settlement experimentation programme. BNP Paribas acted as Global Coordinator and Sole Bookrunner on this transaction and Clifford Chance as advisor.

## GDF EU/UK Working Group: Open Consultations

The working group for Markets in Crypto Assets (MiCA) was launched in 2020 to formulate the GDF community response to the EU's proposed regulation. The group convened members' input to engage with the EU as the framework was developed. With the bill now passed through Parliament, and MiCAR implementation underway, the working group will continue to engage with EU authorities. Current consultations the group is responding to are:

- EBA Consultation on templates to assist competent authorities in performing their supervisory duties regarding issuers' compliance under Titles III and IV of Regulation (EU) 2023/1114 available [here](#).
- ESAs Consultation on templates for explanations and opinions, and the standardised test for the classification of crypto-assets, under Article 97(1) of Regulation (EU) 2023/1114 available [here](#).

Contact [elise@gdf.io](mailto:elise@gdf.io) if you are interested in participating.



# Digital Finance Forum

Feature Presentation - APAC Insights –  
Diving into Policy Developments with  
Blockchain Australia

# Fireside Chat



**Digital Finance Forum**

GDF



**Amy-Rose Goodey**  
CEO  
Blockchain Australia

Wednesday 7 August 2024

## **Amy-Rose Goodey – CEO Blockchain Australia**

Listen [here](#) to the full fireside chat here where Amy-Rose shares key trends and developments from Australia's digital assets markets, current topics of regulatory focus, and areas where Australia and the wider digital finance industry can collaborate on new opportunities, while also solving challenges together.





# Digital Finance Forum

Feature Presentation - Stablecoins –  
Blockchain Analytics Insights from  
Chainalysis

# Stablecoins

Jordan Wain - Policy Lead

Register now

# Chainalysis Policy Pulse

Register now

## Get the global view on digital asset regulation

Find out the latest data-informed insights on policy developments from around the world. Diving deep into the major global ecosystems for digital assets, our policy experts will guide you through some of the most interesting changes and trends that are happening right now. Join us to find out more about what's happening in your region, and internationally.



POLICY & REGULATION

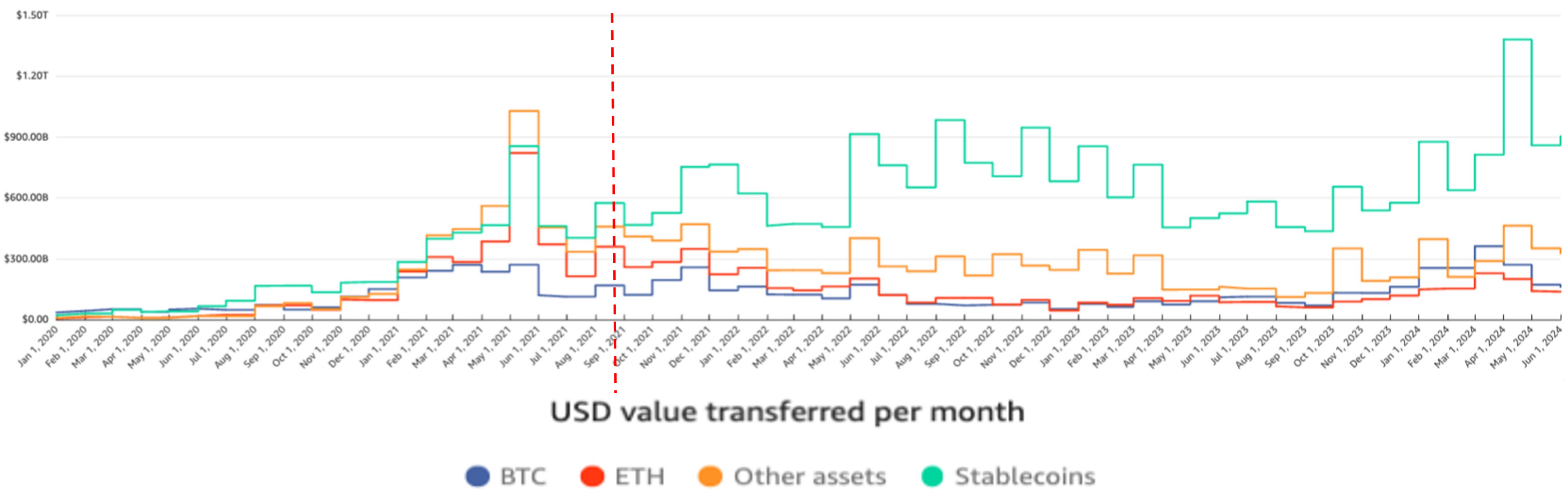
## MiCA's Stablecoin Regime and Its Remaining Challenges: Part 1

JUNE 30, 2024 | BY CHAINALYSIS TEAM





# Stablecoins are the **main use case** for digital assets





# Get in touch if you want to hear more about our numbers on...

**WHAT**



*..... categories of assets are transferring*

**WHO**



*..... is transferring stablecoins*

**WHERE**



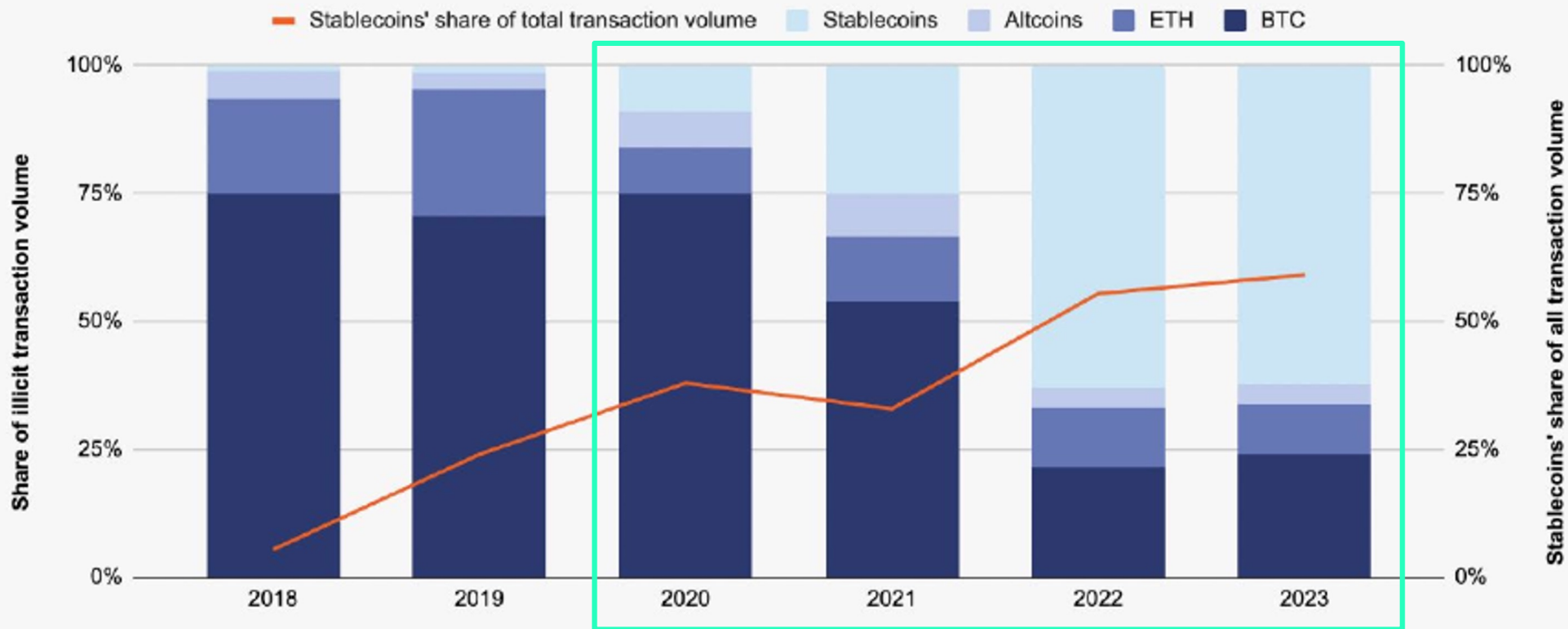
*..... categories of assets are transferring*



# Stablecoins now account for the **majority** of illicit transaction volumes



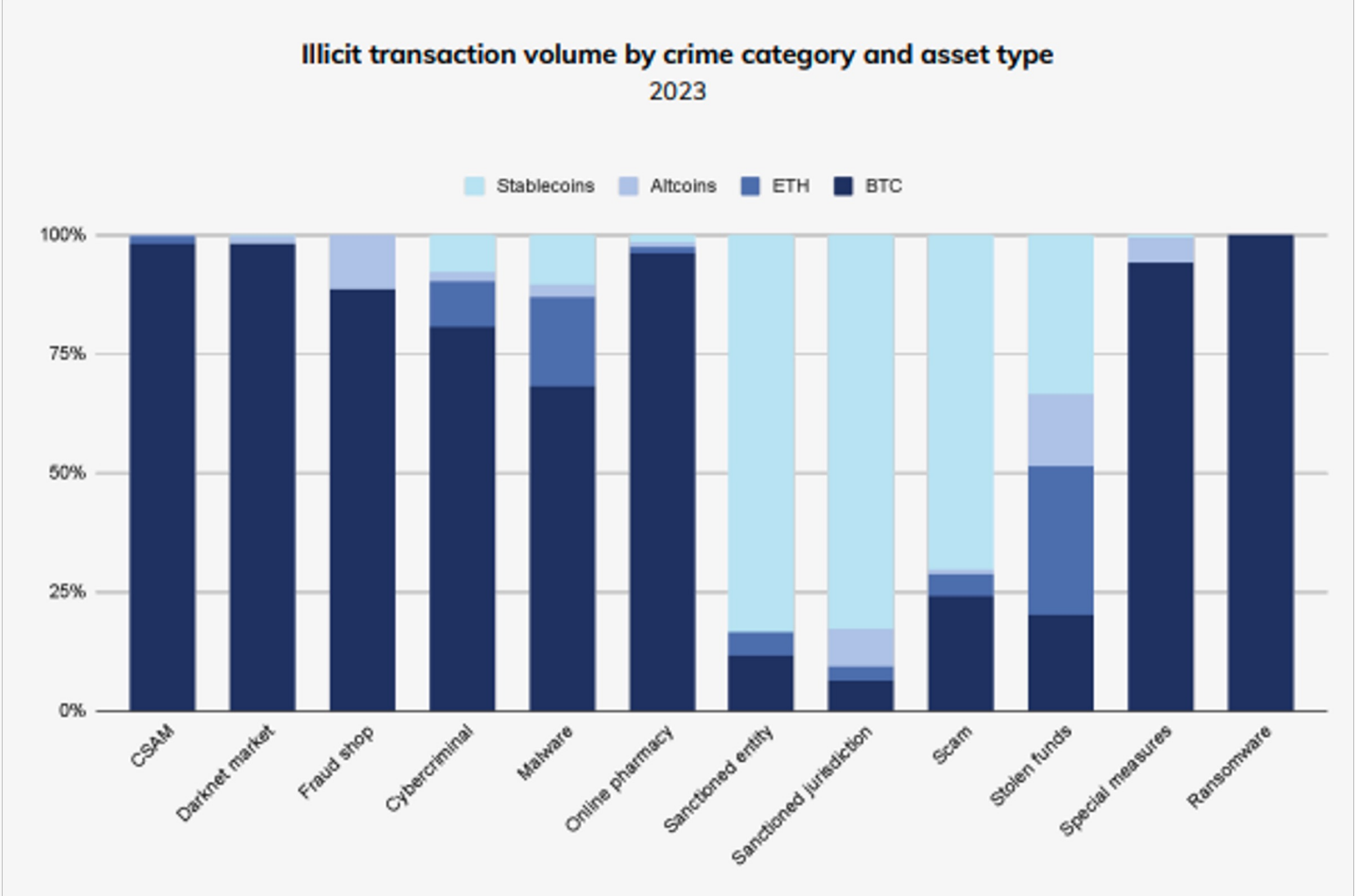
Illicit transaction volume by asset type  
2018 - 2023



STABLECOINS



# Sanctions violation and Scams is where stablecoin use is most prevalent



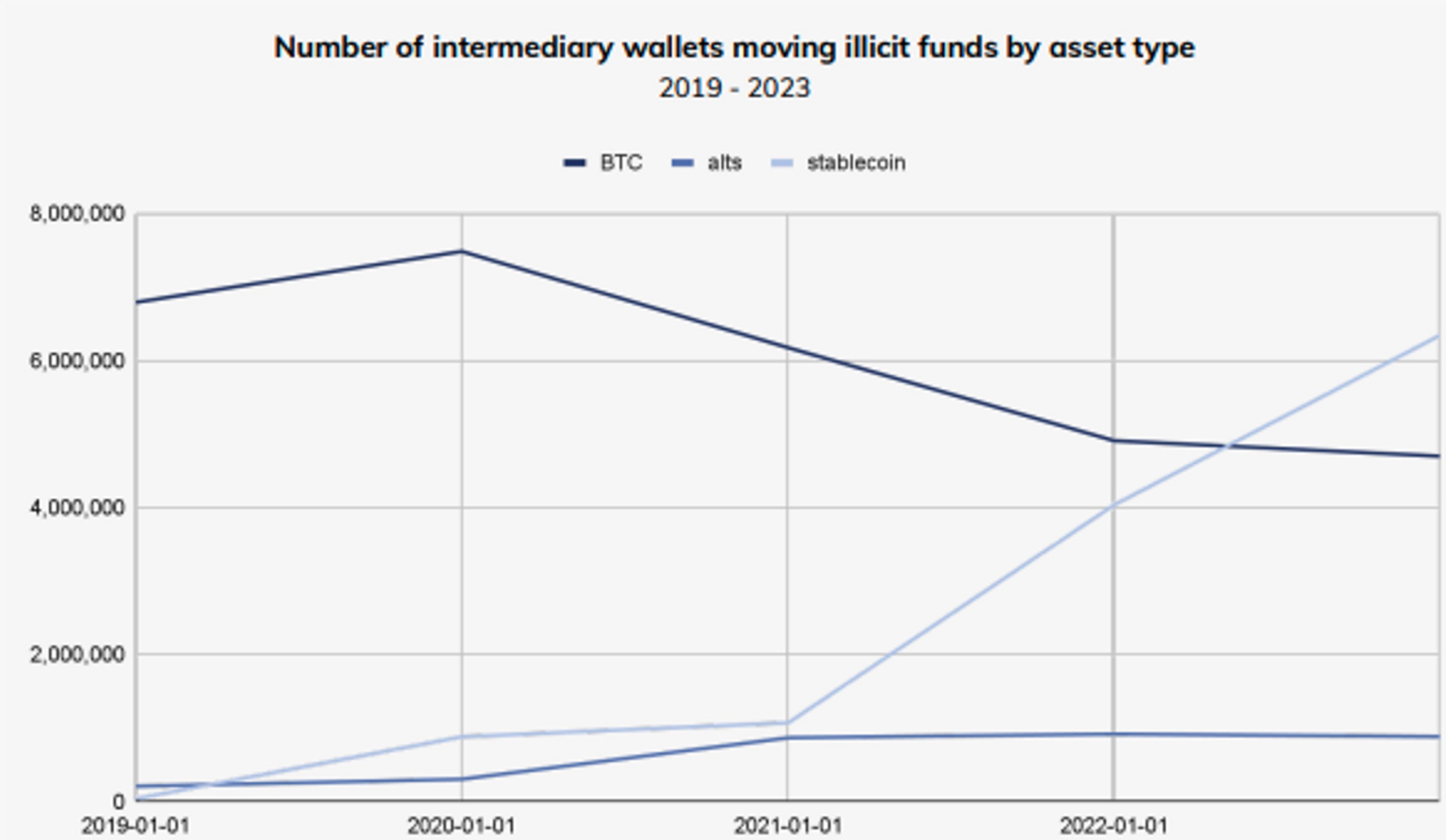
STABLECOINS



# All crime is crypto crime: stablecoin usage in conventional money laundering



STABLECOINS







# Stablecoin issuers capability to freeze

STABLECOINS

## Tether Freezes 41 Crypto Wallets Tied to Sanctions

Several of the frozen wallets had been using Tornado Cash over the past six months.

By [Oliver Knight](#) ⌚ Dec 9, 2023 at 8:50 p.m. GMT Updated Mar 9, 2024 at 1:52 a.m. GMT

## Tether Freezes \$29.62 Million in USDT Tied to Cambodian Huione Group

⌚ 2 mins

By [Oluwapelumi Adejumo](#) Updated by [Lynn Wang](#)  
14 July 2024, 12:31 GMT+0000 14 July 2024, 12:31 GMT+0000

PRASHANT JHA

MAY 14, 2024

## Tether freezes \$5.2M in USDT linked to phishing scams

Since it launched, Tether has frozen over \$1 billion worth of assets linked to illicit activities after requests from law enforcement agencies.

## \$63 million in USDC frozen by Circle following Multichain breach

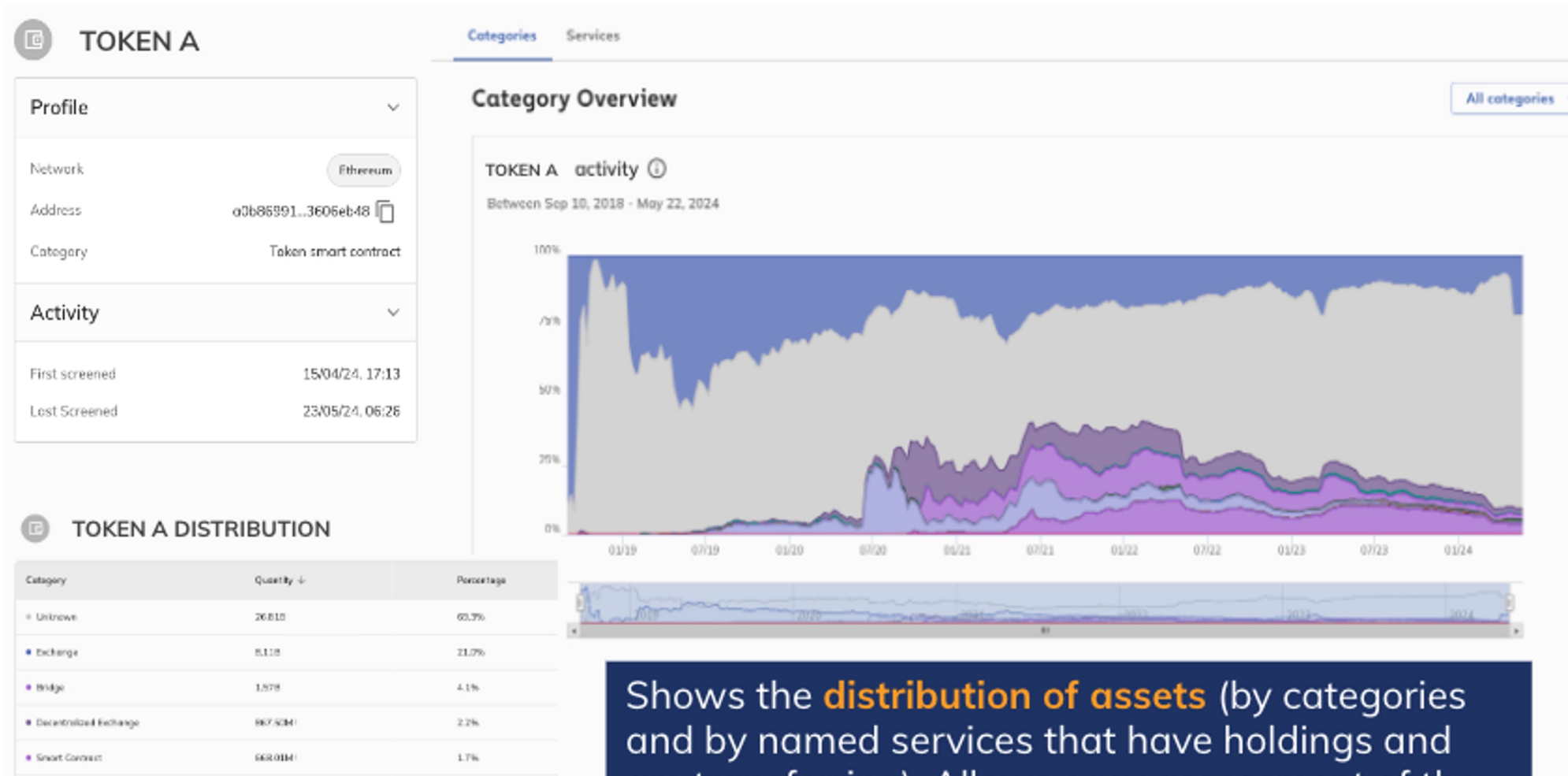
by [Vishal Chawla](#)

CRYPTO ECOSYSTEMS • July 7, 2023, 1:50PM EDT

⌚ UPDATED: July 7, 2023, 1:58PM EDT



# Asset Intelligence tool for firms and authorities



Shows the **distribution of assets** (by categories and by named services that have holdings and are transferring). Allows easy assessment of the **risk exposure of entities**

**Thank you!**  
**Questions?**

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# Digital Finance Forum

Fireside Chat – GDF In Conversation  
with the EU Authorities on the new  
Staking Q&A Guidance and MiCA  
Implementation

# Fireside Chat



**Digital Finance Forum**  
Staking Fireside

**Alain Otaegui**  
Policy Expert, Digital Finance  
EBA


**Laura Weil**  
Policy Officer, Digital Finance  
ESMA

Wednesday 7 August 2024


## **Alain Otaegui (EBA) & Laura Weil (EMSA)**

Listen [here](#) to the full fireside chat where Elise discusses the new staking [Q&A Guidance](#) from the European Commission with the EBA & ESMA. They cover questions such as ‘Is staking prohibited under MiCA?’, ‘How does the EU define staking?’, while also discussing focus areas for the authorities as they look to gather data and further build policies to support the growth of digital finance in the EU.



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