

## Digital Asset Forum | Briefing Note

# Regulatory Perspectives on Digital Assets

October 2022

*The Digital Asset Forum is a senior-level global network of financial institutions that meets periodically to discuss developments in digital assets and perspectives on enterprise-level implications for technology, business, and strategy. The IIF convenes the Digital Asset Forum with our knowledge partner, the Oliver Wyman Forum. This briefing note summarizes the discussion held on October 20, 2022, respecting that the forum is conducted under the Chatham House Rule and does not represent the official position of the IIF or its membership.*

### **Global standard setters are increasingly turning their attention to digital assets and new rules for the space are likely in the near future.**

Numerous official sector bodies, such as the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), and the U.S. Treasury Department, have recently issued regulatory guidance or studies about digital assets. In particular, the FSB's consultative reports on stablecoins and crypto-assets have generated substantial discussion. These documents reflect growing regulatory attention to the digital asset space and different regulatory purviews; in sum, they also indicate that policymakers perceive that emerging risks need to be addressed through additional regulatory guidance.

### **Regulators are focused primarily on perceived novel risks from digital assets, which may result in less consideration of potential benefits than these benefits may merit.**

Much of the guidance that has been published in recent months focuses almost exclusively on the potential risks arising from greater adoption of crypto-assets, and to a lesser degree stablecoins and DLT. A contributing factor may be that regulators have few examples of risk management done right in this space to-date to point to. However, overfocus on what could go wrong may lead jurisdictions to miss out on the potential gains from innovation. Creating inter-sectoral regulatory conversations for exploring opportunities will produce a more constructive starting point and better outcomes for consumers.

### **Proposed treatments may not reflect the principle of technology neutrality.**

Official bodies seem to be leaning toward adding a capital cushion for perceived risks from digital asset infrastructure. This treatment would single out a particular technology, DLT, for different treatment. The IIF has noted this change in approach to the treatment of technology in consultative submissions and emphasized that regulation should be technology neutral rather than requiring an additional buffer to be maintained against undefined risks.

### **Local legislative authorities in many cases are yet to develop regulations and nuanced thinking among jurisdictions is evident.**

While regulatory attention is certainly rising, still relatively few jurisdictions have taken substantive action on regulating digital assets in any comprehensive way. Overarching recommendations will need implementing legislation to take effect. Even global standard-setting bodies acknowledge that their recommendations will require tailoring to local conditions and that there may not be a one-size-fits-all approach. Regulators are taking nuanced perspectives into account regarding digital asset integration within the overall financial system, an encouraging turn from the perspective of the financial industry and a novelty that shows that regulators' understanding of the space is growing.