



## Crypto-assets: Classification & applicability of EU law

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# Overview

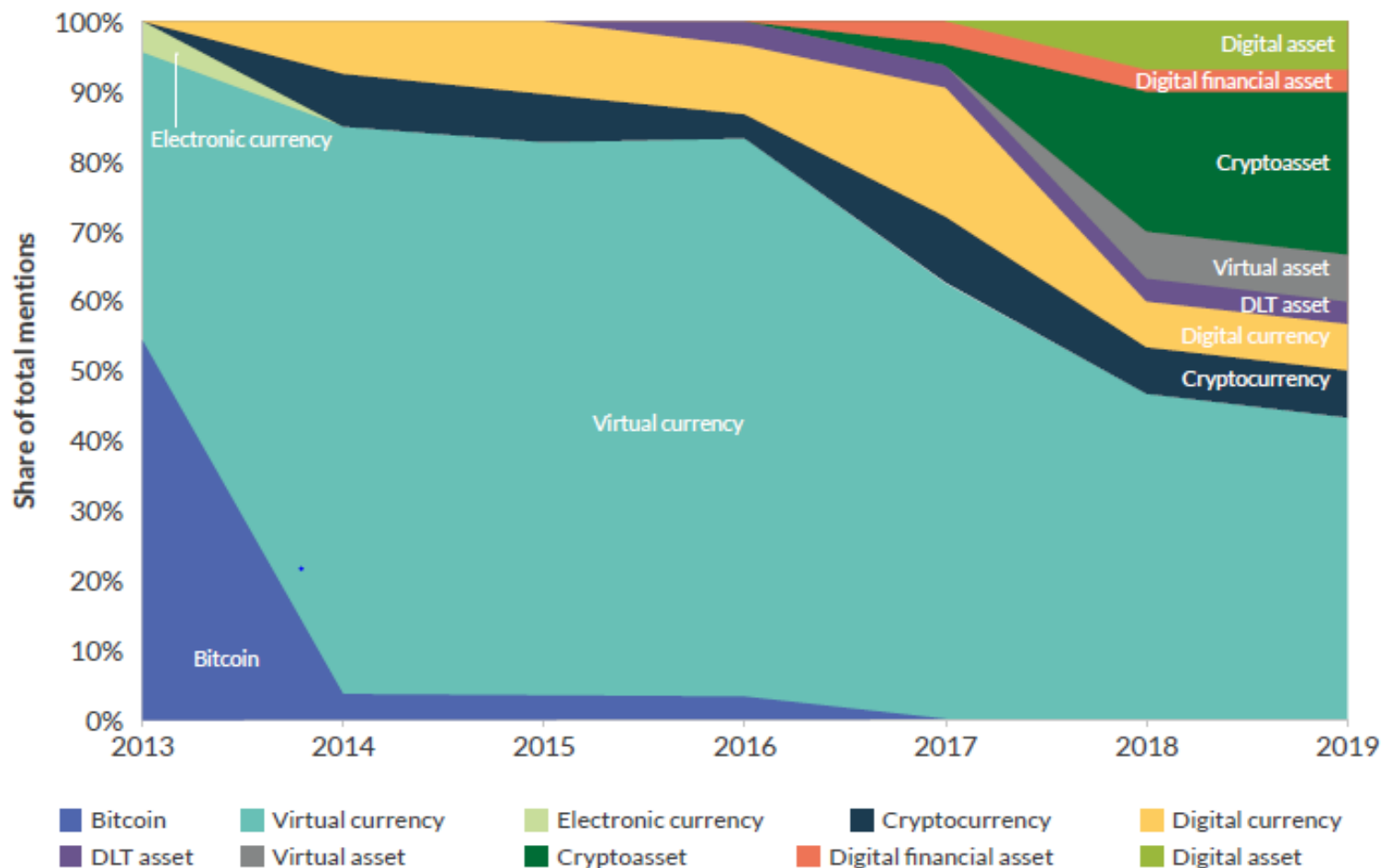
- Market trends
- State of play: Regulation
- Next steps

## Crypto-assets

# MARKET TRENDS

# What are we talking about?

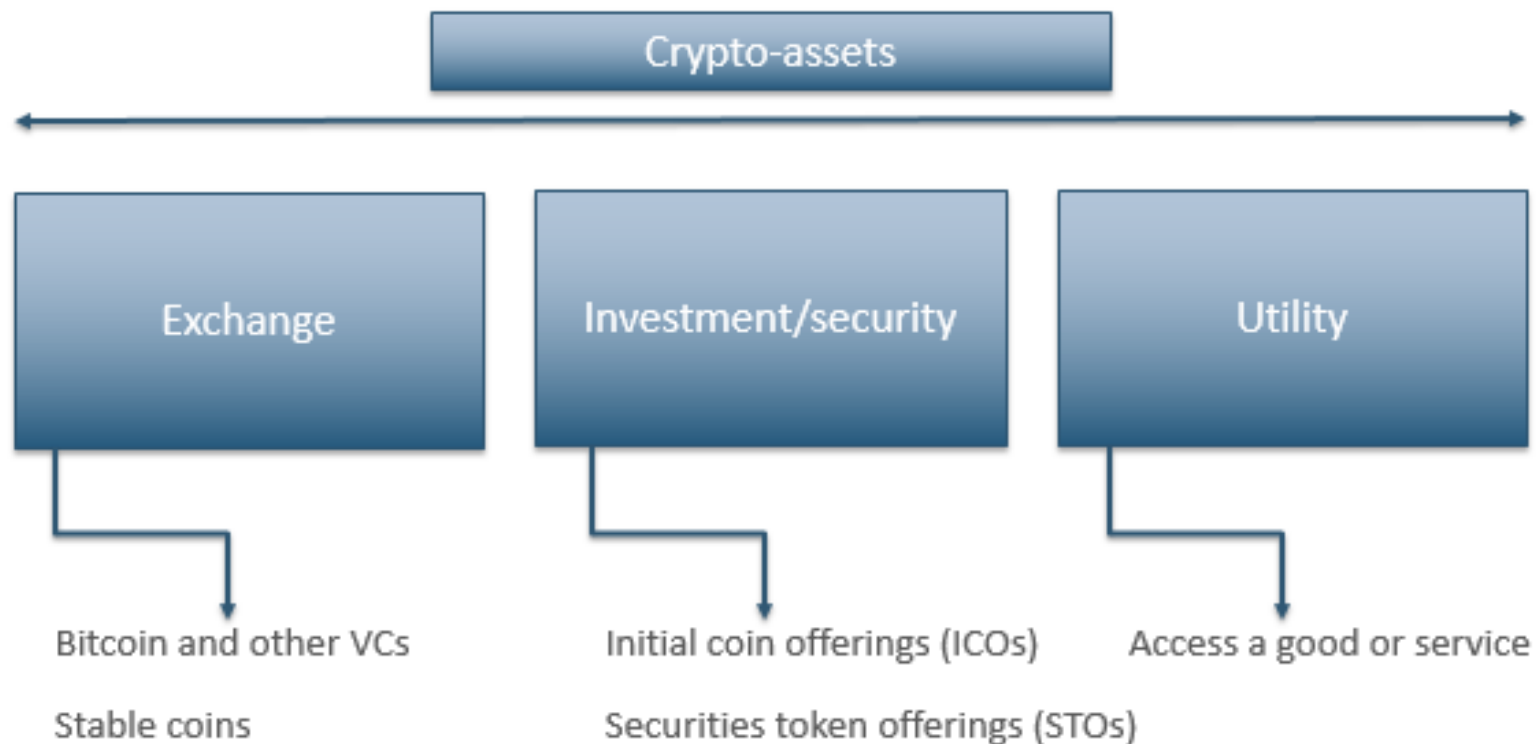
It used to be all about Bitcoin but now...



Source: Cambridge Centre for Alternative Finance (May 2019)

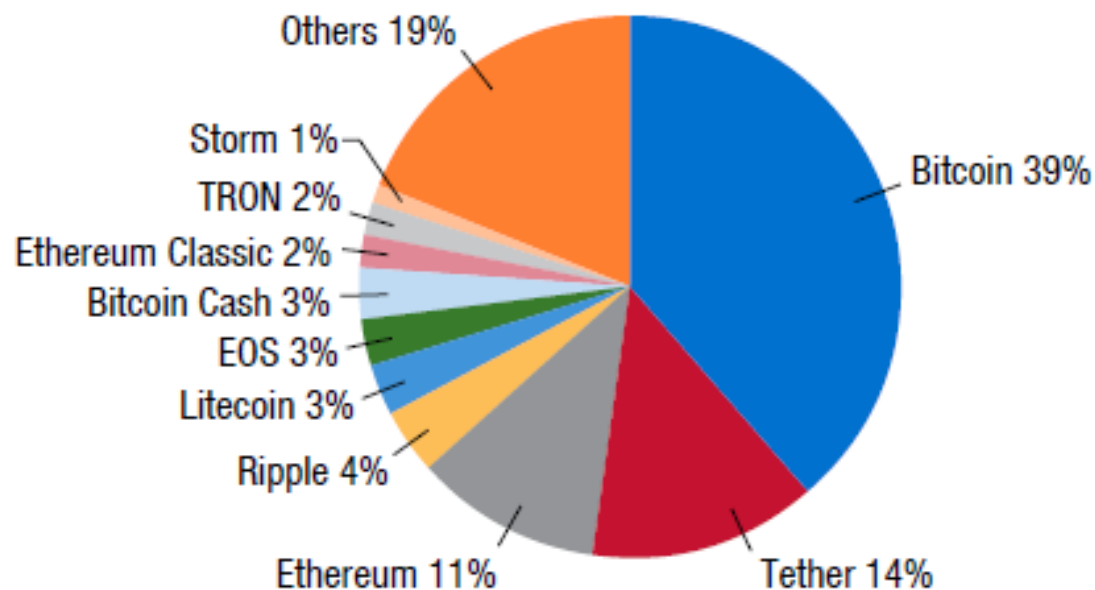
## A basic taxonomy

... there are thousands of different types of crypto-assets used in different contexts.



## Market trends – Exchange tokens

**Bitcoin continues to dominate but other virtual currencies are emerging.**

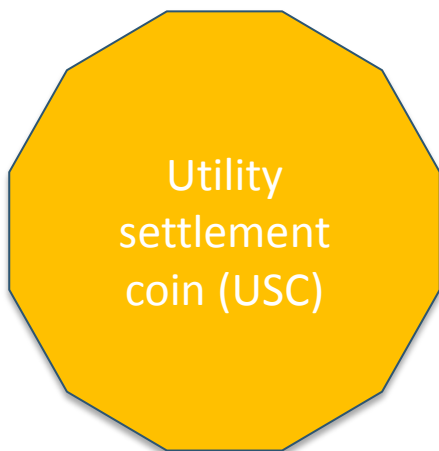


Source: IMF Global Financial Stability Report April 2018. Data by volume.

## Market trends – The emergence of stable coins

And now we have 'stable coins' too – backed by 'real world' assets (non-native tokens).

J.P.Morgan



# Market trends – ICOs

ICOs have emerged as a way of capital raising but appear to be losing their shine...

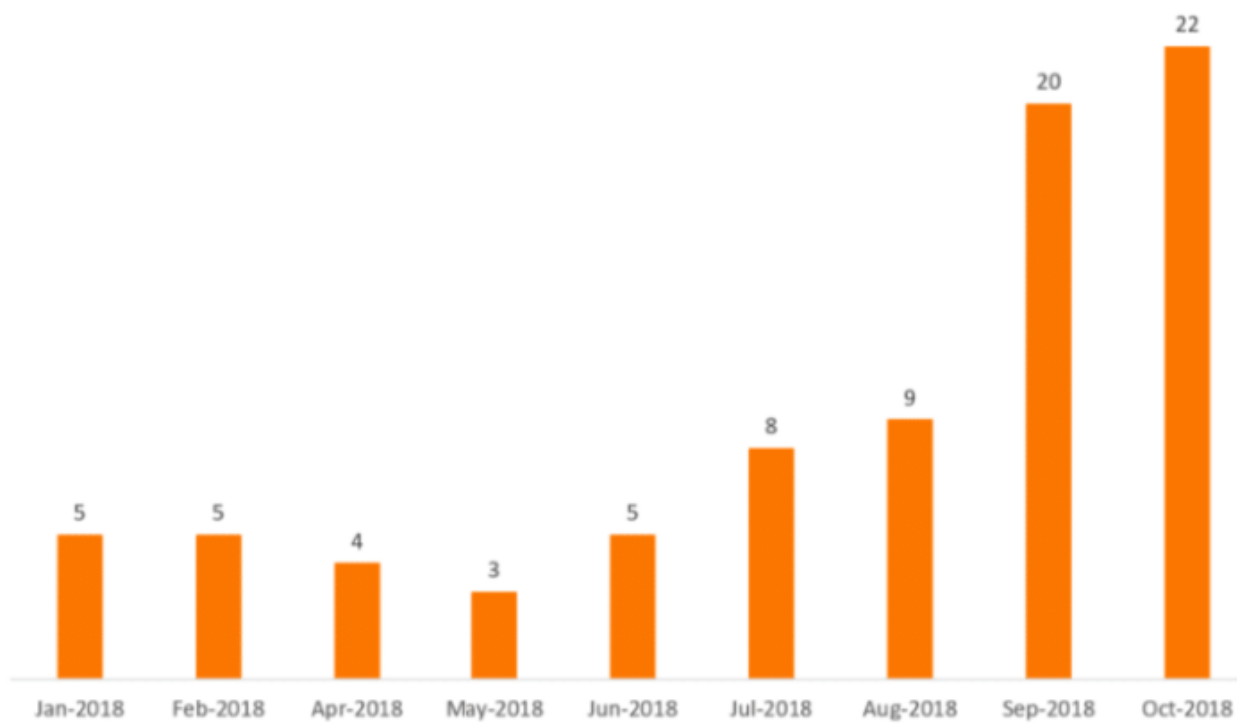




## Market trends – STOs

**STOs are on the rise.**

Number of STOs conducting their main sale



Source: Inwara

# Observed crypto-asset activities in the EU

**Relatively limited and do not appear to give rise to implications for financial stability.**

Under EU law, institutions **are not prohibited** from carrying out crypto-asset activities but:

- institutions have been *discouraged* from carrying out activities involving virtual currencies (ESA warnings);
- activities may be banned under national law.

## **Financial institutions' activities**

- Examples: owning crypto-assets directly, clearing or trading derivatives with crypto-asset underlyings, piloting DLT-based solutions including a crypto-asset component.

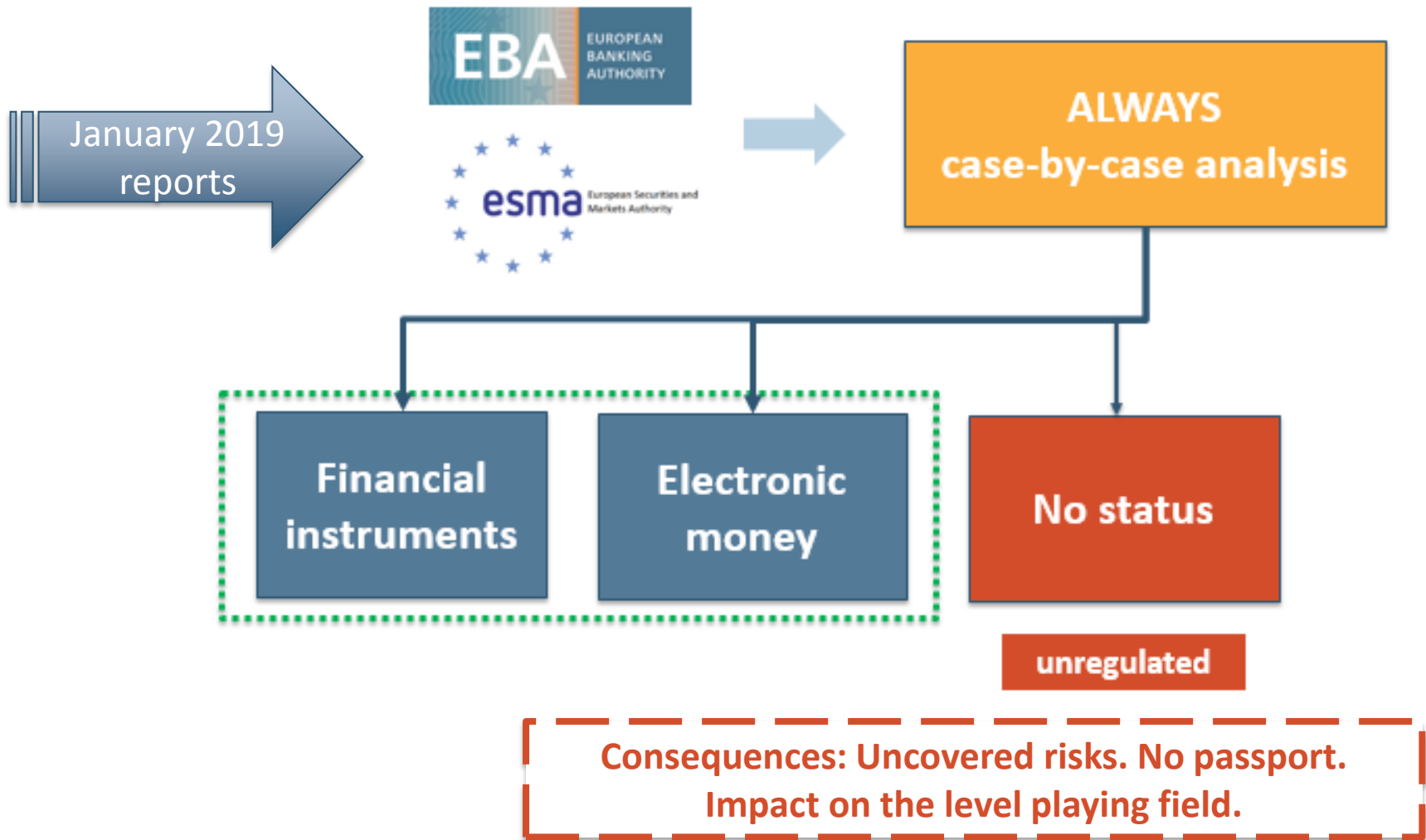
## **Other firms' activities**

- Examples: custody/wallet and exchange services, ICO-related services.

## Crypto-assets

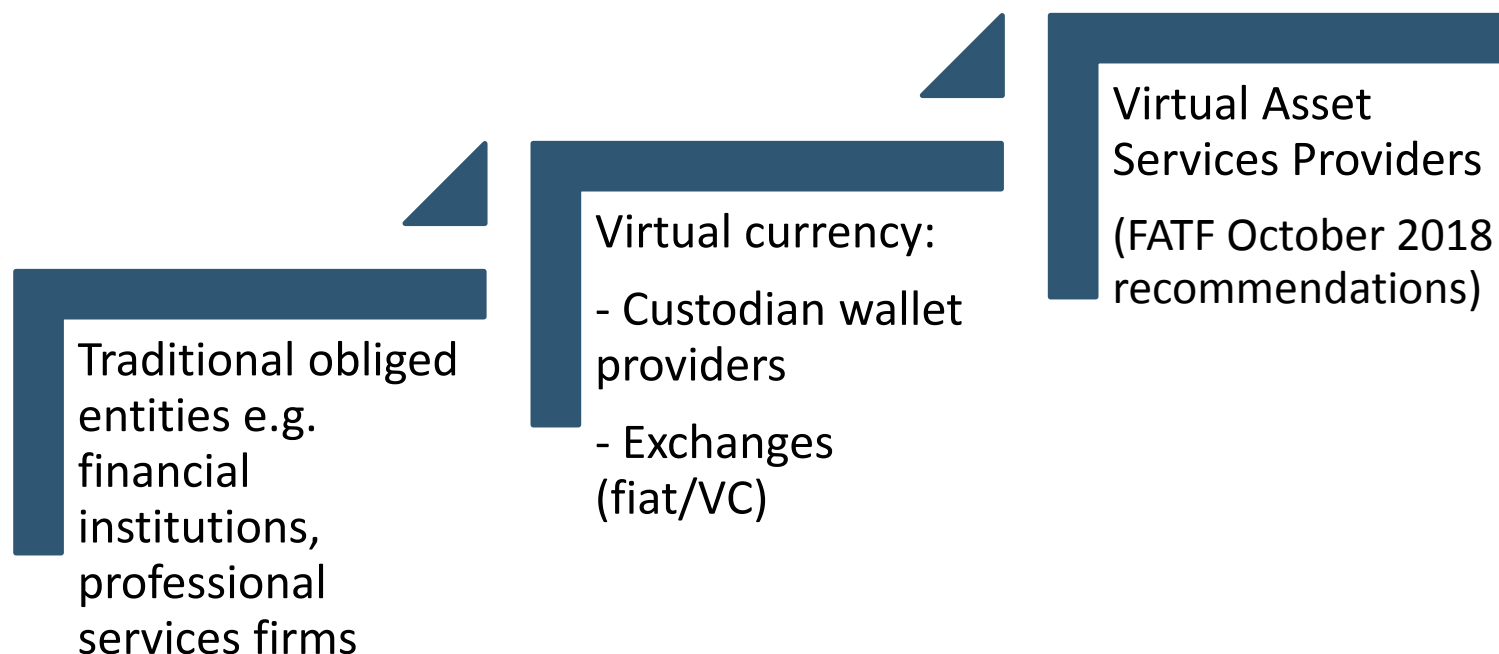
### STATE OF PLAY: REGULATION

# Legal status under current EU financial services law



## Scope of AML/CFT requirements under current EU law

Even if crypto-asset activities do not constitute regulated financial services under current EU law, AML/CFT obligations will apply.



# National initiatives

**In the absence of EU-level measures national initiatives are emerging e.g.**

- France
- Germany
- Malta
- UK

**And other financial centres beyond the EU are also responding e.g.**

- China
- Japan
- Switzerland
- US

## Crypto-assets

### NEXT STEPS

# ESA advice for the European Commission

To assess, on a holistic basis, whether EU-level action is appropriate and feasible at this stage.

- Should take into account:
  - issues **within and beyond the financial sector**;
  - the **environmental impact** of some crypto-asset activity;
  - the latest recommendations of the **FATF and other international standard-setting bodies**.

To take steps, where possible, to **promote consistency in the accounting treatment** of crypto-assets.





# Work of the international standard-setting bodies

## FSB

- Coordination of international initiatives
- Monitoring global trends.

## BCBS

- Monitoring banks' crypto-asset activities.
- Considering prudential treatment options for banks' exposures to crypto-assets (consultation likely in Q3 2019).

## FATF

- Ongoing work re the implementation of the October 2018 recommendations (new guidance expected very soon).
- Expanded scope to form part of assessments from Q3/Q4 this year.

## CPMI and IOSCO

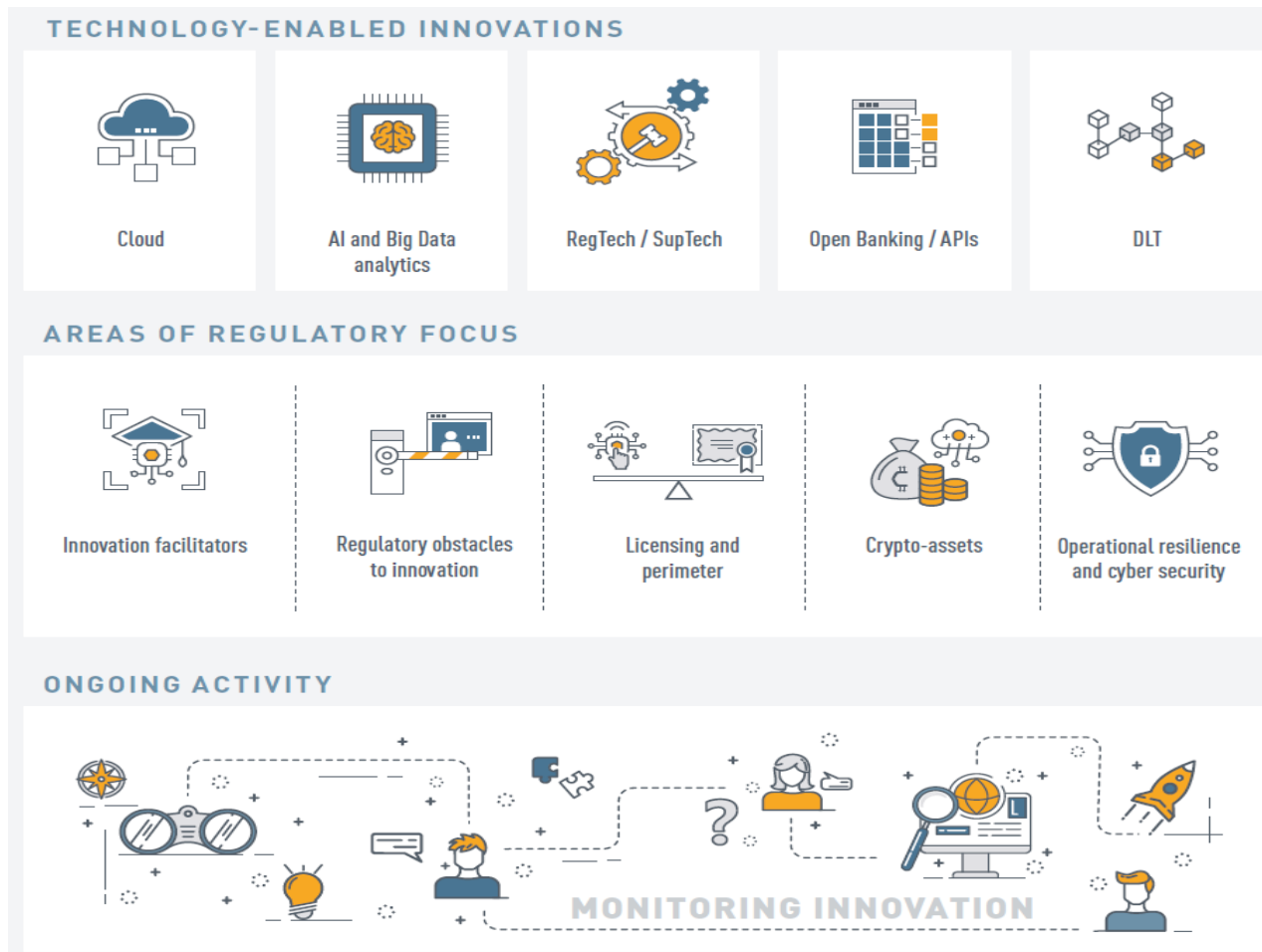
- Outreach to central banks re CBDCs.
- Monitoring of use of tokens for payment-related purposes.
- Consultation on crypto-asset trading platforms.

## Crypto-assets

### ANNEX: EBA FINTECH WORK 2019/2020

# EBA work programme 2019

Understanding opportunities and risks arising from financial innovations is one of the five strategic priorities for the EBA in 2019/20.



# EBA immediate actions on crypto-assets in 2019

## Monitoring

- Development of a **template** to assist competent authorities in monitoring institutions' crypto-asset activities (Q3 2019).
- Assessment of institutions' **consumer-facing disclosure** practices for crypto-asset products and services (Q4 2019).
- EU-level **stock take** of institutions' crypto-asset activities (Q4 2019).
- Horizon scan: financial innovations and the **regulatory perimeter** (ongoing).

## Prudential treatment

- Engagement in **BCBS work on prudential treatment options** for banks' exposures to crypto-assets, reporting to the EC on conclusion (Q4 2019).
- Review of the need for **guidance** to support a common application of current prudential rules (ongoing).

## AML/CFT

- Engagement in ongoing **FATF work**.
- **Monitoring** of risks (ongoing) and advice for the EC where appropriate.



## **EUROPEAN BANKING AUTHORITY**

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