GLOBAL DIGITAL FINANCE

2019 | Annual Report

Our Inaugural Year

Advancing Digital Finance

GDF GLOBAL DIGITAL FINANCE

Global Digital Finance
Annual Report 2019


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Our Inaugural Year: Advancing Digital Finance

Our members are industry experts, business leaders, and technologists committed to championing the new era of digital commerce

Global Digital Finance (GDF) formally launched in early 2019 and set out to build the world's most comprehensive Code of Conduct for crypto and digital assets. Our community of industry experts, business leaders and technologists recognises the immense opportunity that truly digital finance presents to consumers, business, government, and the global economy. We are committed to advocating and accelerating the adoption of digital assets and championing the new era of digital commerce.

Governance & membership
Today, we have 175 community members and 75 members in the GDF Code of Conduct Attestment Programme. Our governance model is comprised of seven patron members who provide the major funding and industry leadership for GDF through a Patron Board and Advisory Council. The Advisory Council is comprised of the seven patrons with a further twelve other member firms who are responsible for the Code programme. GDF convenes members and around the world at our quarterly Global Summits, a plenary forum for the development of the codes, consultation responses, and professional standards. In 2019 more than 600 delegates joined the summits in New York, Washington, London, Paris, Hong Kong, Singapore, Tokyo, Sydney, South Africa and Bogota.

"... A thorough and effective leader and facilitator promoting digital/crypto knowledge and understanding for this developing industry and the individuals who follow or work in it."
GDF Member Survey 2019

Codes of conduct
GDF published and released eight codes in 2019, underpinned by the Overarching Code of Conduct, delivered by member-chaired working groups with over 350 multi-disciplined contributors from around the world. Six more codes in development are scheduled for release in 2020.
We established the invitation only Global Regulator Forum for regulators to provide specific feedback on and help develop GDF codes and standards.
We responded to ten regulator consultations from six agencies across jurisdictions, notably doing extensive community outreach with The Financial Action Task Force (FATF) in Vienna and at the G20/V20 in Osaka.

GDF is truly a member-led global association.

SIMON TAYLOR
Co-Chair, GDF

LAWRENCE WINTERMEYER
Exec. Co-Chair, GDF

Moving at the speed of technology
2019 saw many big announcements that could see a tectonic shift in the crypto and digital assets landscape. The announcement of Libra from Facebook and the Digital Currency Exchange Payment (DECP) from the Peoples Bank of China have captured the attention and focus of governments, policymakers, regulators, central bankers and the wider global financial services sector.

Technology is outpacing existing laws in countries around the world and the scrutiny from regulators and policymakers has never been higher. Across the globe the sector saw a considerable number of regulatory consultations as well as fines issued to market participants. The FATF travel rule will require exchanges to conduct AML/KYC checks and in response – GDF has helped to establish The Independent Joint Working Group (JWG) for InterVASP Messaging Standards to develop the global industry standard for this.

The financial services sector faces significant headwinds from increasing new entrant competition, global trade, geopolitics and legacy systems that have automated financial services incrementally over the years and are not truly digital.

Our 2019 Member's Survey highlighted three major areas for industry, policymakers, and regulators to focus on in 2020:

1. **Inconsistent and unaligned cross-border regulatory guidance** is one of the biggest regulatory challenges we are facing

2. **Blockchain platform interoperability, custodial insurance, and audit standards** are all priority areas for further code and best practice development

3. **Financial institution infrastructure readiness** and **lack of regulatory clarity and government restrictions** are both big challenges the crypto and digital assets sector is facing in the next 12 to 36 months.

Whether it's the development of Decentralised Finance (DeFi), Central Bank Digital Currencies (CBDC) and stablecoins, the transition to Eth 2.0, Bitcoin momentum and volatility, institutional trading, crypto custody, new "MLD5 exchanges", or the potential for tokenised real world assets and institutional self custody, 2020 has something for everyone.

Championing standards & best practices
This great potential cannot be achieved without the community committing to stable, transparent and fair market practices, and GDF has delivered a forum for industry to lead. We have clear view of the opportunities and challenges in 2020 we must meet and work together with you to deliver.

The world of finance is increasingly both global and digital. All aspects of finance have the opportunity to harness these new tools do deliver the next era of growth through new and improved products and services, at acceptable risks, for everyone.

There has never been a more exciting or challenging time to be in global digital finance.

"GDF are doing great work in getting an industry consensus view on digital assets."
GDF Member Survey 2019

8 Codes of Conduct Released

10+ Regulator Consultations

50+ Events and Network Opportunities

75+ Members in GDF Code of Conduct Attestment Programme

175+ Global Members

Reasons Members Attest To The GDF Code

#1 Industry leadership

#2 Publicly demonstrate our firm operates ethically

#3 Policymaker/ regulatory stewardship

#4 Customer transparency

#5 Staff/ stakeholder transparency

The Rapidly Evolving Regulatory Landscape

Regulation milestones of 2019 & a look ahead to 2020

JEFF BANDMAN
Board Member, GDF

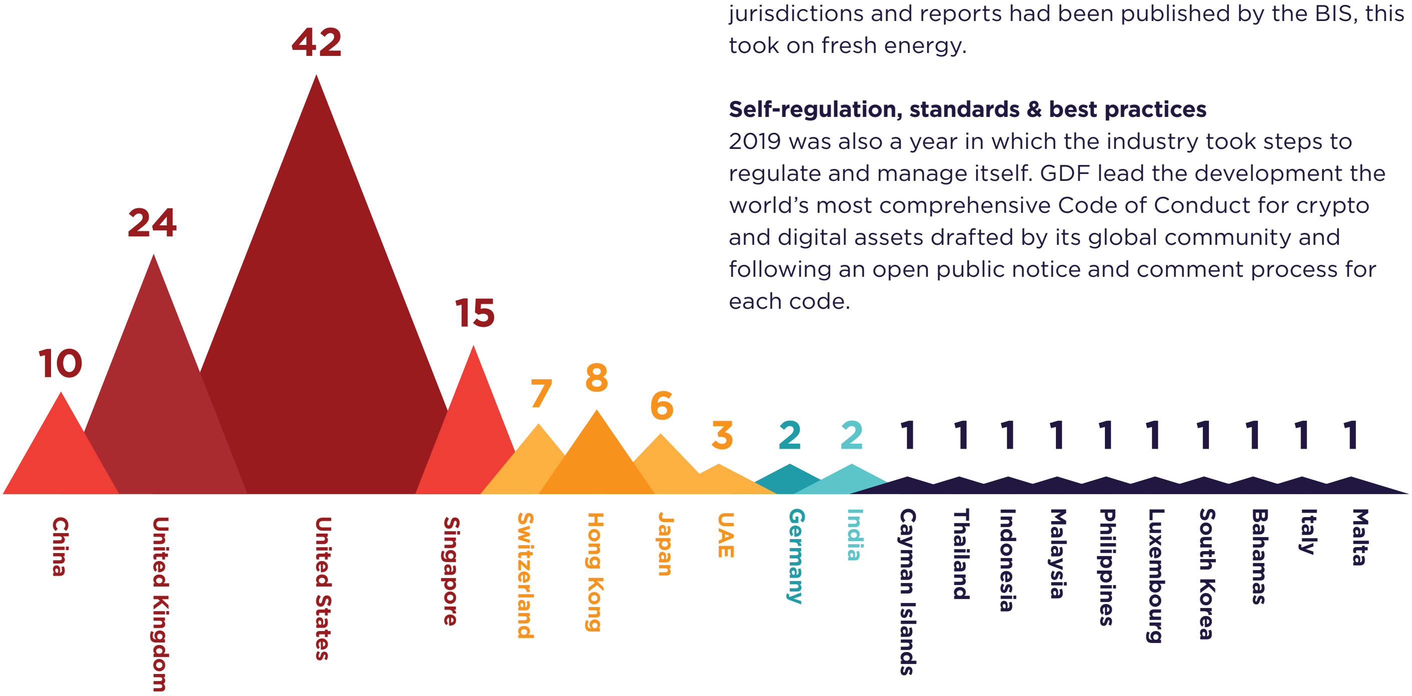
The arc of regulatory progress for digital assets is not linear, it zigs and zags, leaving in new vocabulary in its wake.

2019
Last year's industry lexicon expanded to include VASP, stablecoin, GSCs and more. These changes were driven by milestone industry advancements and important regulatory areas of convergence.

Chief among these was the FATF process culminating in June 2019 with new guidance and definitions for cryptoassets (which they call "virtual assets"). FATF focuses on anti-money-laundering and counter-terrorist-finance measures. So-called "VASPs" (virtual asset service providers) – a category that includes custodial "exchanges" for example – will be subject to the "Travel Rule" traditionally applied to banks and financial institutions for wire transfers of fiat currency.

Stablecoins surged in number, value and mindshare. In the beginning there was Tether. A number of other stablecoins were launched or announced in 2018-2019 including Binance stablecoins, MakerDao's Dai, Circle's US Dollar Coin (USDC) on the "CENTRE" network, Gemini Dollar (GUSD), and Paxos Standard Dollars (PAX).

Prioritised Jurisdictions
GDF Member Survey 2019



The long tail of Libra
Facebook's Libra announcement in June 2019 was a lightning rod.

Regulators and policymakers reacted to its massive scope and scale in light of Facebook's estimated 2.8 billion+ customers across its platforms. Bodies monitoring cryptoassets, such as the Financial Stability Board (FSB) had previously assessed them as too small (thus far) to implicate financial stability – this changed.

Concerns were expressed as to whether Libra should be allowed to proceed, and if so in what form, how, and by whom should it be regulated? France and Germany issued strong opposing statements in September. Amongst other objections listed a primary concern was the potential intrusion by a private company on the ability of sovereign states to conduct monetary policy.

In response to Libra working groups were established by various international regulatory and policy bodies. In October 2019 the Bank of International Settlement (BIS), the G7 and the International Monetary Fund (IMF) produced a report on stablecoins focusing on the risks and implications of Global Stablecoins (GSCs).

The emergence of Libra also accelerated development and assessment CBDCs in jurisdictions from China, to the EU, to the Bahamas. While work had been underway in many jurisdictions and reports had been published by the BIS, this took on fresh energy.

Self-regulation, standards & best practices
2019 was also a year in which the industry took steps to regulate and manage itself. GDF lead the development the world's most comprehensive Code of Conduct for crypto and digital assets drafted by its global community and following an open public notice and comment process for each code.

Top 5 Regulatory Challenges
GDF Member Survey 2019

1. Inconsistent/unaligned cross-border regulatory guidance
2. Lack of clarity on regulatory perimeter
3. Not all market actors are regulated, creating commercial challenges to partner and/or collaborate
4. Limited internal resources to proactively engage with regulators and stay appraised of regulatory issues
5. Legislative framework doesn't mandate regulatory action

In addition, close to 75 firms around the world have undertaken to follow the GDF Code of Conduct through a self-certification process. In Japan, the Japan Virtual Currency Exchange Association (JVCEA) is the first self-regulatory organisation to be launched pursuant to delegated statutory authority, which Japanese legislators provided to the Japanese Financial Services Agency (JFSA).

2020
Enabling & regulating innovation
Looking ahead at 2020, I expect that regulators and policymakers will continue to become increasingly well informed about crypto and digital assets.

We will see the implementation of the Travel Rule for VASPs, including transposition into national law. This will also test the utility and adoption of certain industry initiatives to comply with the challenges of the Travel Rule, such as TRISA and the Independent Joint Working Group (JWG) for InterVASP Messaging Standards.

Libra, Stablecoins and GSCs will stay in the news. The Libra Association proceeded with its formation in October 2019 and is understood to be adding new members. I expect that Libra will not launch in its originally proposed form, nor will its sole regulator be FINMA, the Swiss market regulator, but that it may launch in a substantially modified form, perhaps with a college of regulators, undoubtedly with extensive regulatory coordination, and not necessarily in 2020.

More reports are forthcoming from various international regulator bodies on GSCs, these can be expected to identify risks and recommendations. A new European Commission and European Parliament are in place, and I would be surprised if they do not begin in 2020 to issue new legislation regarding a range of aspects regarding cryptoassets. The Commission published a public consultation in December 2019 that closes in March 2020, and also issued a FinTech Action Plan in 2018.

Under current EU law, broadly speaking, many cryptocurrencies and other cryptoassets generally fall outside of definitions of "commodity" and "financial instrument" and I would be surprised if these gaps are not addressed in some way, either by broadening those definitions or by creating a more bespoke framework. That said, even if this work makes rapid progress in 2020, it would likely be some time before any such measures come into force. This should leave space for continued regulatory innovation in EU member states.

Digital fiat & institutional inflection points
In China Xi Jinping made statements publicly in October 2019 (and was reported on official Chinese news sources) that the integrated application of blockchain technology plays an important role in new technological innovation and industrial transformation. We may start to see these come to fruition in 2020: President Xi called for the acceleration of the development of blockchain technology; it has also been widely reported that China may be close to issuing central bank digital currency.

Many observers predicted that 2018 would be the year that institutional investors moved into the cryptoasset space. Then 2019. Will 2020 be that tipping point? What has to happen to promote confidence and adoption?

Work has been underway in broadening out and/or establishing trustworthy regulated market infrastructure – not just trading platforms, but custodians, transfer agents, broker-dealers and others. Establishing these regulated entities complements the work GDF is doing in establishing self-regulation or Codes of Conduct for these emerging platforms.

A Message From Our 2019 Advisory Council Chair
A journey of partnership between industry and regulators

BENEDICTE NOLENS
Former Head of Regulatory Affairs Asia, Circle*

Where we came from
GDF held its inaugural Global Summit in February 2018 to informally convene the global digital asset and crypto community. The association was conceived a few months earlier by Lawrence Wintermeyer, Simon Taylor and Jeff Bandman. Jeff, having been referred through a common contact at the US SEC, asked whether I could assist in drafting a "Code of Conduct" for the crypto asset sector.

At that time, the potential of blockchain was perceived as high, and a diverse ecosystem of participants was growing to enable a new age of finance, where peer-to-peer cross border transfers can be instant and low cost – the very promise of Bitcoin. At the same time, however, abuse was rampant, in the form of fraudulent Initial Coin Offerings (ICOs), unregulated exchanges, and the use of digital assets for financial crime.

As an ex-regulator, I believed that drafting the Codes of Conduct was the right thing to do to future proof the industry for the time where eventually digital assets would become mainstream and the early promise of crypto would come to fruition. I took up the assignment, and over the course of the following three weeks, in the middle of the Argentinian pampa, far away from the usual human distractions (the nearest town was 30 km away), wrote the first draft of the GDF Overarching Code of Conduct.

It took a group of crypto aficionados from across the globe, most of whom never had a chance to meet in person, but all of whom were equally well-versed at the new, free global communication tools (Zoom and Google docs being our preferred), barely two months to get the first code – the GDF Overarching Code of Conduct – to publication.

Having created consensus among a significant subset of the nascent crypto industry around these overarching principles of good behaviour, we felt the code work was not complete. We went on to produce a total of 6 codes on increasingly topical and complex matters, including exchanges, asset managers, STOs, stablecoins and Anti Money Laundering (AML)/ Counter Terrorism Financing (CTF) compliance.

This work not only drew positive attention and support from an increasing number of crypto asset players who became our members and attested to the GDF Codes of Conduct, but also from a large cross-section of regulatory authorities, including central banks, securities regulators, the OECD, and increasingly FATF, with whom we maintained an active and open dialogue.

By the second half of 2018, it became increasingly apparent that while the crypto sector would be able to adopt best practices akin to remittance, payment or e-money for fiat tokens or securities regulation for STOs, that compliance with Recommendation 16 the FATF principles presented very unique challenges.

February 2019 became another key moment in the brief history of the GDF as we finalised the submission to FATF, explaining the complexities of marrying Recommendation 16 with the crypto sector. We then presented the same at the FATF Consultative Forum in March, followed by the "Virtual 20" (V20) on the sidelines of the G20 in Osaka in June 2019.

FATF's guidance was issued the same month, June 2019, and was soon followed by a long series of national regulatory consultations on a broad range of crypto topics. Given the broad representation and deep expertise of our GDF members, very much became a year of formulating input in the form of regulatory submissions, and of assisting regulatory authorities around the world as they sought to draft regulatory pronouncements or in certain cases dedicated legislation.

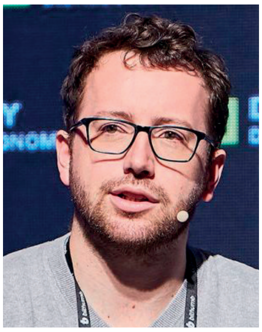
And where we are going
Going into 2020, the sand is shifting under our feet yet again. From ICOs, exchanges and crypto investment being the hot topics in 2018, STOs and Recommendation 16 compliance in 2019, 2020 is setting out to be the year where regulators seek to achieve a common ground on stablecoins, including fiat tokens. While we cannot preempt what the future may hold in this regard, for the earliest players in the sector it appears to be a homecoming to the original goals of Bitcoin: low cost, instant global payment.

"2020 is setting out to be the year where regulators seek to achieve a common ground on stablecoins, including fiat tokens."

I look forward to what 2020 and beyond will bring. The "coming of age" of the sector, appears to be one of greater acceptance of the digital assets by incumbents and regulators alike, but by the same token, will take place in a more clearly defined remit of the law. It remains to be seen how crypto start-ups (some with an anarchist past) and incumbents (many of whom on the opposite end of the spectrum) will be able to move to a middle ground and adapt to the new era of digital commerce where regulated crypto goes mainstream.

*Circle is a founding GDF Member. Benedicte Nolens is now the Managing Director of Standard Chartered Ventures.


Fintech
insider

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BLOCKCHAINLIVE

2019 in Review
Achieving our goals

LAWRENCE WINTERMEYER
Exec. Co-Chair, GDF

Membership growth
We began our first official year as an organisation with the support of six Patron Members and one Advisory Council member. We launched full membership in March, and as our reputation and influence has grown, so has our membership. Today, we have 75 entity members and 175 registered community members.

In addition to membership, we developed the Partner Programme from May to expand our reach and collaboration efforts to national member associations, trade bodies, academia, think tanks and not-for-profit foundations, all of whom support the crypto and digital asset ecosystem. We are delighted to have welcomed 14 new partners to the GDF community.

GDF Code of Conduct development
In January, the GDF community ratified the Overarching Code of Conduct, with supporting Principles for Trading Platforms, Token Issuance, Funds, and Rating Websites. This milestone enabled GDF to commence our inaugural year with a strong community and advocacy platform.

Building upon this foundation, we initiated a community working group to create a framework for the GDF Code of Conduct Self-Attestment Registration Programme, which launched in April. Within 6 months, more than 50% of our membership has registered their adoption of the GDF Code.

We successfully convened more than 350 participants within 8 community-led working groups to continue to develop and expand our Code of Conduct and explore global operational standards for industry practices. Three of these working groups have championed new code principles from inception, through public consultation, to ratification, leading to Codes of Conduct for Stablecoins, Security Tokens and AML/KYC and our Custody working group has produced Key Considerations for Cryptoasset Safekeeping and Custody paper.

We anticipate additional code principles to be finalised by the end of this year, addressing Cryptoasset Custody and Market Integrity.

Ecosystem development
GDF continues to bring together market participants to regularly collaborate with their peers and partners from around the world at our quarterly Global Summits, which have grown exponentially in attendance and demand for new locations. Due to expansion of our membership reach, in October we added 2 new summit locations, Bogota and Johannesburg to our current location footprint of New York, Washington, London, Paris, Hong Kong, Singapore, Tokyo and Sydney. Summit participation also continues to increase quarter on quarter with more than 600 attendees joining the summits in 2019.

The GDF Patron Board has formally convened twice this year. At the beginning of the year, the board met to establish the 2019 GDF Programme and met again mid-year to assess progress and provide guidance on performance and objectives.

The GDF Advisory Council officially convened in March, and continues to meet on a monthly basis to review and discuss draft code principles, identify and evaluate future working group themes, respond to regulatory consultations and set the overall priorities for code and consultation development.

In the 4th quarter of this year, GDF launched 2 new working group groups dedicated to addressing specific market challenges:

- **The GDF Digital Asset Market Practice working group,** comprised of global banks and financial institutions, is evaluating "infrastructure readiness" to enter the crypto and digital asset market: liquidity; non-securities; digital asset execution; pre-trade; post-trade; and custody best practices, through the lens of established financial marketplaces.

- **The FATF R16 working group** will be convening all market participants impacted by the R16 travel rule requirement, to articulate operational and technology standards as well as a compliance governance model.

"We began our first official year as an organisation with the support of 6 Patron Members and 1 Advisory Council member. We launched full membership in March, and as our reputation and influence has grown, so has our membership. Today, we have 75 entity members and 175 registered community members."

"GDF reach and engagement with policymaker observers has significantly increased this year from 20 to more than 35 organisations around the world participating in GDF activities ..."

Regulatory outreach
GDF undertakes policymaker, regulator and industry outreach to inform and build a shared understanding of the risks and opportunities presented by crypto and digital assets. We are dedicated to assisting our members as the industry navigates the uncertain and ever-changing regulatory landscape.

GDF reach and engagement with policymaker observers has significantly increased this year from 20 to more than 35 organisations around the world participating in GDF activities such as bilateral reviews of draft GDF codes principles, speaking at GDF and partner events and roundtables, and attending GDF Global Summits and regulator-only events.

In May, we launched Global Regulator Forum calls, which are held quarterly following GDF Summits. This forum is an opportunity for GDF to seek specific feedback on working group progress and draft codes of conduct, as well as a forum for regulators to update their international colleagues on recent or upcoming publications, policy announcements, events and other matters.

The initiative has been a huge success – we have received highly positive feedback from the regulatory community on the format and quality of the information exchanged, and participation continues to grow every quarter.

GDF launched regulator-only webinars in October, which are designed to provide information and knowledge on key themes, as well as create a forum to answer questions and promote cross-agency dialogue. Our first webinar provided an update on how the industry is approaching compliance with the forthcoming FATF and AMLD5 directive implementation.

Future topics will include an overview of key themes such as custody, privacy coins and market integrity, as well as special projects, such as Project Participate, a cross-industry initiative GDF contributed to which aims to educate exchanges, law enforcement and regulators on indicators which raise suspicion of money laundering, terrorist financing and human trafficking.

This year, the GDF community and Advisory Council have responded to 10 regulator consultations from 6 agencies across 6 different jurisdictions, which led to deeper engagement on specific policy initiatives:

- In May, GDF delegates were invited to attend and speak at the 2019 FATF Private Sector Consultative Forum at the United Nations Office on Drugs and Crime (UNODC) headquarters in Vienna, where GDF was given the opportunity to present our GDF response to the FATF Interpretative Note, drafted by our KYC/AML/CTF working group.
- During the course of Q2, GDF contributed to ongoing discussions with the FCA, both bi-laterally and within public roundtables and workshops related to the UK's perimeter guidance for cryptoasset regulation.
- Over Q2 and Q3, GDF representatives were invited to participate in numerous policymaker roundtables relating to the transposition of AMLD5 into the UK legislative framework and regulatory guidance.
- Following the issuance of the FATF Public Statement on Virtual Assets and Related Service Providers in June, GDF partnered with multiple national trade bodies to coordinate the V20 Summit in Osaka, alongside the G20 Summit.

The V20 brought together market participants with representatives from FATF, finance ministers, regulators and legislators from around the world to discuss possible solutions for the industry to comply with FATF Recommendation 16. GDF curated the 2-day agenda, attained invitations for our members to attend at no cost and facilitated workshops with FATF on Day 2.

GDF had the privilege to meet bi-laterally with regulators and monetary authorities during our Asia Roadshow in August, during which we responded to their questions related to FATF R16 compliance, AML and KYC best practices and policy updates from other jurisdictions, as well as progress being made on establishing market integrity and custody best practices.

We also learned that privacy coins, transaction monitoring and trade surveillance are key areas where GDF is uniquely positioned to leverage our network to fill a knowledge gap with policymakers, which will be addressed through our regulator-only webinar series in the coming months.

GDF was invited to attend and present at the OECD Blockchain Policy Forum in September, attended by regulators, finance ministers, central banks and the blockchain community participants. GDF had the privilege of joining blockchain industry bodies from around the world to discuss the key challenges our members face and how we see the policy and regulatory landscape evolving.

In November, the GDF Tax working group will commence a series of bi-lateral workshops with tax authorities from multiple jurisdictions to seek feedback on the GDF Considerations for Tax Treatments paper and to provide crypto and digital asset tax expertise to the specific authorities who have requested insight from the working group.

Events and promotion

Our expanded calendar of events and activities continue to be rooted in promoting our members, convening the crypto and digital asset ecosystem, bringing the traditional financial community together with the emerging digital asset market and engaging with regulators and policymakers.

In 2019, the GDF team spoke at 44 industry events, and of these, we were asked to curate content and provide speaker recommendations from our membership for more than 50% of these events.

Industry event highlights include:

- **Money 2020 Europe:** GDF curated the “Bit & Blocks, Coin’s and Ledgers” tract on Day 2 of the conference and recruited speakers from our member and partner community.
- **V20 Summit:** GDF partnered with multiple national trade bodies to bring market participants together with FATF representatives, finance ministers, regulators and legislators from around the world to discuss possible solutions to comply with FATF Recommendation 16. GDF curated the 2-day agenda, attained invitations for our members to attend at no cost and facilitated workshops with FATF on Day 2.
- **Digital Asset Exchange Expo:** In partnership with CoinDesk and the City of Busan, GDF curated the full agenda for this one-day conference convening regulators, industry leaders and policy experts from around the world to discuss regulatory issues and policy developments. 19 of the 36 speakers were GDF members or partners.

In August, GDF conducted an Asia roadshow and co-hosted 3 community roundtables with our members for more than 80 attendees in Singapore, Hong Kong and Tokyo. GDF members presented insights gleaned from working groups, sought community feedback on draft codes and shared thought leadership on market infrastructure and adoption, custody, market integrity and AML and KYC best practices.

GDF launched our Knowledge Sharing webinar series in October, during which we feature presentations from our members to the wider community on key themes impacting our industry. Past topics include FATF compliance, Distributed Systems and the Fintech Revolution and a deep dive into privacy coins. Future webinars will explore third-party custody, transaction monitoring, market surveillance and self custody for financial institutions.

On promotion, GDF continues to secure coverage for our industry-leading Code of Conduct and our members across a number of media outlets including The Wall Street Journal, the FT, CNBC, The Banker, FN Financial News, CoinDesk and Forbes. In addition to our newsletter, we also highlight the accomplishments of our members through social media channels.

Our GDF Member Blog went live in July, and provides a channel for our members to share their thought leadership on industry themes, supported and promoted by GDF.

I am sure you will join me in commending the GDF community and team for the prolific quality achieved in advancing digital finance in 2019.

Understanding & Adopting Digital Assets
Ambitious use cases become a reality

TODD MCDONALD
Co-Founder & Chief Product Officer, R3

2019
Last year could certainly be described as one where blockchain technology came into its own. Regulators and policymakers came up the learning curve substantially, understanding the differences between cryptocurrencies and blockchain and between permissioned and permissionless ledgers.

They moved forward with global coordination along with the private sector through various groups, including the International Association of Trusted Blockchain Applications (INATBA), the OECD's Blockchain Expert Policy Advisory Board (BEPAB) and of course GDF.

On the technology side, as adoption and development of blockchain solutions continued at a clipping pace, 2019 saw once ambitious use cases becoming a reality.

In the area of digital assets, both traditional institutions and newcomers to the space made significant waves. The industry has long sought additional regulatory clarity, and last year's advancements in digital assets – particularly the debate surrounding the Libra project – jolted regulators into the conversation.

Seemingly caught off-guard by the speed of development and potential impact to monetary policy posed by stablecoins, the last half of the year saw these policymakers take action to expand their understanding and consider potential benefits and consequences of digital assets including the creation of a G7 working group.

The Libra effect
The result of the immense scrutiny applied to the Libra project propelled many central banks into giving serious consideration to launching their own digital currencies. Amidst this, six of the world's central banks convened to assess CBDC together alongside the Bank of International Settlements. Although none are ready for a public launch at scale, we expect central banks worldwide to keep CBDCs on their list of priorities.

Further, we anticipate regulators will keep focused on their work to comprehend the impact of digital assets. With the EU releasing an extensive consultation on the many aspects of digital finance, and many others taking similar action, we are hopeful the joint efforts of industry and government will result in increased regulatory clarity.

The emergence of digital assets as legitimate in the eyes of regulators has hastened the ability of government agencies to see beyond wildly fluctuating Cryptoasset markets and evaluate how they themselves could benefit from the adoption of blockchain technology. In 2019, we witnessed a transition in many from merely the consideration of blockchain adoption toward the identification of specific use cases best suited to their needs.

What's next
Moving forward, we expect to see more formalised strategies for adoption, especially in the fields of decentralised identity and procurement processes. One such example is the German government, who announced their evaluation of blockchain for digital identity. This will be a highly tracked project this year, which if successful, will encourage others to follow suit.

In the industry itself, as digital assets and other token forms continue their development, we expect interoperability between platforms will remain a prominent theme. Standards are maturing in the space to enable interoperability, for example data standardisation through GS1, ISO, or ACCORD, as well as industry specific standards, for example in trade finance where the International Chamber of Commerce (ICC) Digital Trade Standards Initiative is making progress.

While 'interchain' connectivity is garnering attention, organisations are actively considering the extent to which their platform can integrate with new and existing payment and settlement networks to deliver on the promise of atomic digital asset exchange. Also, additional benefits can be unlocked when two or more blockchain applications using the same underlying technology can interact. Just because two applications run on the same protocol, it doesn't mean they will work seamlessly together by default, or that digital assets will transfer between these networks. Organisations are actively considering intrachain scenarios and whether underlying platforms were designed to facilitate them.

Taken together, it seems certain that industry and government will continue their progress on digital assets throughout 2020. We anticipate regulators and central banks will form more concrete opinions on stablecoin policies, as well as the usefulness of their own digital currencies, and that this will fuel the desire of other public agencies to request solutions that use blockchain technology. In the years to come, blockchain and digital assets will catalyse on mainstream recognition, gaining momentum toward a critical mass of adoption.

Blockchain Benefits
The potential of distributed ledger technologies

LEX SOKOLIN
Global Co-Head, ConsenSys Codefi & Chief Marketing Officer, ConsenSys

Method in the madness
An impartial observer may look upon the blockchain ecosystem and come away thinking it is pure chaos. One year, we talk of early stage venture capital and token investments. Another year, we focus on reinventing the global money supply. Yet another year is all about shared workflows and supply chains.

Now, regulated digital assets and CBDCs are on everyone's mind. But this is not chaos – it is the waves of innovation and practical experience hitting the shores of financial services.

Complex systems have a way of creating information exhaust that may be difficult to parse and understand. And yet, a careful analyst will see the thread amidst the turbulence. All these themes are connected, driven forward with a common logic.

That logic is a core transformation of how financial services are manufactured, how capital is applied, stored and transformed, and how consumers and institutional constituents will interact with the infrastructure of their financial products. Enterprise blockchains, tokenised illiquid investments, and decentralised finance (DeFi) are all parts of the same elephant in the room.

At ConsenSys, we interact with all the parts of this beautiful, innovative industry including great industry led initiatives like GDF and the Codes of Conduct. In industry, for example, we work with large organisations to build enterprise consortia like Komgo and Covantis, mutualising industry data into shared private ledgers using open source Ethereum chains, deployed for purpose. Such data often leads to the definition and programming into smart contracts the workflows powering incumbent organisations.

Once industries are able to do something on a blockchain, they begin to need an object to which that "something" is applied. Negotiating a legal agreement is meaningful when the legal agreement presupposes some financial instrument, for example.

This leads us quickly to the realm of tokenisation and the digitisation across asset classes on a common infrastructure. Your payment rail is your core banking rail, is your portfolio management rail, is your lending and collateral rail, as a result.

Of course, on and off ramps still remain challenging today, especially as global regulation churns differently depending on the varying contexts of national economies. But once you try a sports car on the highway, there is less appetite for the horse and buggy.

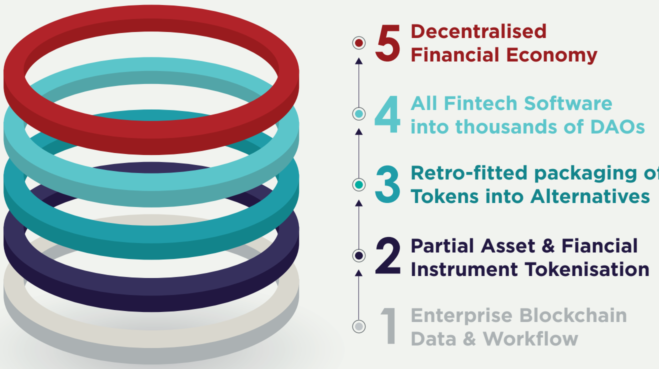
Why do we need yet another payment method?
CBDCs would be a major catalyst for distributed finance. We would have a blockchain-interoperable money anchored in traditional sovereignty and government creditworthiness for the global digital economy. It can be built to be compliant and transparent. It can have the attributes of privacy and scalability – features demonstrated already to work on open source programmable blockchains.

Why do we need yet another payment method? Well, just as you would not use cash to pay for an Uber or swipe a credit card into a point of sale system on eBay, you could not use bank-accounted digital money (e.g., Faster Payments) within a blockchain-based world. You simply need a different payments processor and a different packaging of that familiar unit of account.

CBDCs would spur innovation by lowering friction for entrepreneurs to build on emergent systems without the need to create private, fragile moneys. And while these private monetary systems have so far been subscale relative to the global exposure levels that central bankers deem meaningful, the efforts of Facebook and China across billions of individual constituents (whether users or citizens) should give any recalcitrant financiers some significant pause.

Furthermore, DeFi on public blockchains is one of the most interesting technological innovations to happen in financial services. The billions of venture capital invested in Fintech over the last decade has been incremental improvement, while DeFi has the potential to be a step function. Standards and regulations should develop in line to protect the consumer, and this is best done when everyone can rely on strong, open systems to underpin the innovation.

We now can issue, save, lend, trade, insure, and pay on Ethereum without invoking any of the previous value chains of financial services. Given the massive systemic impact such a statement could have on both industry and people's actual financial lives – if it were true on a national level – we owe it to the world to be more than impartial observers.



Regulating & Enabling Innovation
A policymaker's perspective

GREG MEDCRAFT
Director-Directorate of Financial & Enterprise Affairs, OECD

The past twelve months have served to illustrate the rate at which blockchain and other distributed ledgers technologies (DLTs) are maturing and integrating into mainstream financial products and market infrastructures. The decentralised systems set up by a multitude of banks, insurers and major exchanges are fast moving from experimental to operational.

Few shifts have been more significant than the development and expanding adoption of stablecoins (a name, it must be said, which does not accurately represent these assets), from advances in Fnality's Utility Settlement Coin and launch of J.P. Morgan's JPM Coin at the wholesale level, to the new Facebook's Libra proposal at the retail level.

For several years the OECD's research has highlighted the need for digitally native currency to truly unlock the promise of blockchain and distributed ledger technologies (DLT) to drive efficiency, speed and cost savings in finance – including, as the Libra model underlined, the urgent need to bring down cost and time of international transfers. In this sense, the emergence of stablecoins are a turning point, enabling a new wave of tokenisation, adding liquidity to markets and creating new asset classes.

> **"For several years the OECD's research has highlighted the need for digitally native currency to truly unlock the promise of blockchain and distributed ledger technologies (DLT) to drive efficiency, speed and cost savings in finance ..."**

The pace of change has challenged existing public and private institutions alike. From policymakers' perspective, concerns over consumer welfare, financial stability, impacts on monetary policy, competition issues, and the potential for regulatory arbitrage prompted the kinds of reservations that led the US Congressional Financial Services Committee to request a halt to Libra's development. French Finance Minister Bruno declared "the monetary sovereignty of states is under threat" at the OECD's annual Global Blockchain Policy Forum in September.

> **"Governments must recognise that, if risks are appropriately managed, innovation's creative destruction ultimately leads to better outcomes for citizens, consumers and business."**

These concerns are legitimate. Yet at the same time, governments must recognise that, if risks are appropriately managed, innovation's creative destruction ultimately leads to better outcomes for citizens, consumers and business. The rapid development of blockchain and DLT demands close engagement between policymakers and industry, so that regulatory responses are developed with a full understanding of the technology and how it interacts with policy goals.

It also demands international cooperation between governments, because many decentralised financial products are global by their very nature. Regulators will need to clarify cross-border regulatory frameworks and explore cooperative oversight arrangements and information sharing between jurisdictions. A common policy approach will also be important to give business the regulatory certainty it needs to innovate and operate on an international scale.

Public institutions are responding, and 2020 will be an important year in shaping the policy environment for distributed ledger technology (DLT). Major central banks are edging towards development of their own digital currencies to meet demand and overcome barriers to cross-border payments – some, including the People's Bank of China, are reportedly well progressed.

> **"2020 will be an important year in shaping the policy environment for DLT. Major central banks are edging towards development of their own digital currencies to meet demand and overcome barriers to cross-border payments."**

Central bank digital currencies will only accelerate tokenisation and the development of decentralised financial products mentioned above. Leading international standard setters, including the FSB, the Committee on Payments and Market Infrastructures (CPMI), FATF and the OECD, are also carrying out detailed analysis, articulating common approaches and formulating international guidance.

Industry's voice is critical, and we look forward to continuing to work with GDF and others to ensure we get these efforts right.

Analysing the Regulatory Response
Cryptoassets and digital assets

KEITH BEAR
Fellow, Cambridge Centre for Alternative Digital Finance (CCAF)

Over the last 2 years we have witnessed multiple trends in the world of digital assets, with the rise and fall of ICO's, the roller coaster of Cryptoasset prices, the emergence of decentralised finance, and the announcement of Libra. It is perhaps not surprising that the response from regulators has been fragmented and slow to react by crypto-world standards–though maybe relatively quickly by traditional financial services standards.

To examine the current state of play and future outlook, it is probably beneficial to first clarify the distinction between Cryptoassets and digital assets. At CCAF (as discussed in our 2019 Cryptoasset Regulatory Landscape Study) we view Cryptoassets as a subset of digital assets – tied to an open/permissionless network where their presence is a fundamental part of the network's operation, and for which there is no formal issuer, as shown below.

So, given the onslaught of innovation, change and a certain number of nefarious practices, how have regulators around the world reacted?

"Regulatory clarity has been impacted by both a lack of consistent terminology and a tendency to conflate the nature of an asset (bond, equity etc) and the form it takes (be it a token, ledger entry, or physical certificate)."

The reaction so far
The regulatory response has been varied to say the least. Regulatory clarity has been impacted by both a lack of consistent terminology and a tendency to conflate the nature of an asset (bond, equity etc) and the form it takes (be it a token, ledger entry, or physical certificate).

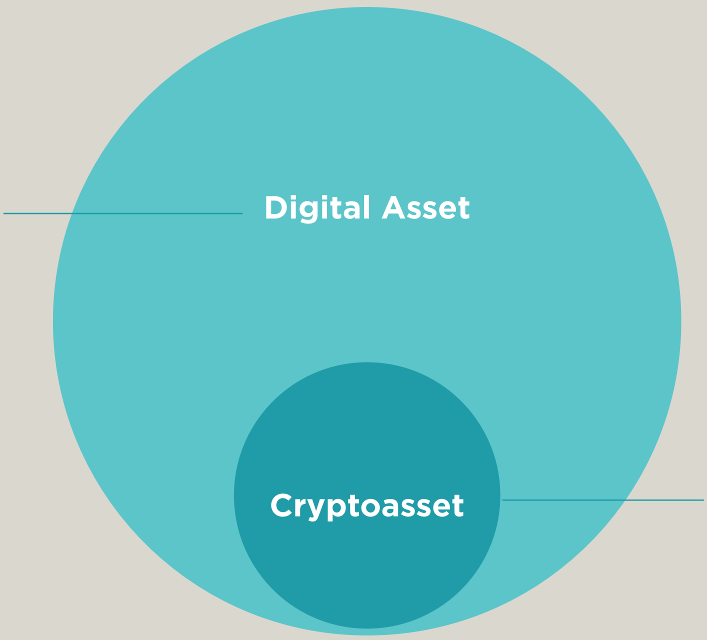
Having said that, we have seen multiple response by regulators worldwide, which can be broken down into four categories:

1. Using existing regulations (such as Korea's Financial Investment and Capital Markets Act)
2. Developing a new bespoke regulatory framework (such as Thailand's Emergency Decree)
3. Retrofitting existing regulations (such as in Japan, Switzerland and Estonia)
4. Developing a broader bespoke regulatory regime which cover cryptoassets and other activities (as in Mexico).

Digital Asset:

A digital unit of data in a shared system jointly maintained and updated by multiple parties that (i) can be directly controlled by the asset holder via cryptographic keys, and (ii) may represent a set of rights.

Digital assets are
(i) expressive,
(ii) controllable via cryptographic keys, and
(iii) compatible.



Cryptoasset:

A digital token that
(i) has no formal issuer,
(ii) is exclusively issued and transferred via open, permissionless DLT systems, and
(iii) plays an indispensible role in the economic incentive design of the underlying distributed ledger or application such that separating the asset from the underlying network would impair the system as a whole.

1. Existing Regulation
Application of existing laws or regulations to cryptoasset activities.

2. Bespoke Regulatory Regime
A distinct regulatory framework applied to a set of activities, of which cryptoasset activities are but one aspect.

3. Retrofitted Regulation
Amendment of existing laws or regulations to include one or more cryptoasset activities.

4. Bespoke Regulation
New law or regulation enacted or issued specifically to regulate cryptoasset activities.

> **"It appears that we are past the point of recognition of the importance of role that Cryptoassets and more generally digital assets will play in the broader economy."**

It is interesting to note that retrofitting of current regulation is a much more likely path in those jurisdictions with a high level of Cryptoasset activities (just under half doing so in our 2019 survey).

Looking forward
It is clear that the significance and impact of digital assets is increasingly recognised by regulators globally, if only through the wake-up moment facilitated by Facebook's Libra announcement.

So, what might we see over the next couple of years? Will the variety of regulatory reactions seen to date consolidate into a smaller number of approaches with a focus on international collaboration and best practice? Whilst in many ways it is too early to say, there are a number of developments which should give us hope:

1. Anecdotally, greater consistency in definitions and treatments should gradually emerge. In our experience many regulators are taking note of the digital asset regulatory pioneers such as Liechtenstein, Wyoming, Switzerland and the UK Justice Task Force efforts; to ensure that they learn from these initiatives and apply relevant elements in their own jurisdictions.

   In addition, the number of international central bank DLT and digital asset collaborations (BoJ/ECB's Project Stella, Bank of Thailand/HKMA's Lionrock-Inthanon, MAS/Bank of Canada's UBIN/Jasper) also point to a more consistent future with greater clarity in the role that digital assets can play in the broader economy.

2. Emerging standards: examples such as the Token Taxonomy Initiative with some big-name backers (including Accenture, Microsoft, R3 and IBM) given hope of standards that aid interoperability across token-based networks.

3. And of course, the work in fostering collaboration and best practices across the industry as led by organisations such as Global Digital Finance.

In summary, from a position of fragmented and inconsistent responses from regulators around the world, it appears that we are past the point of recognition of the importance of role that Cryptoassets and more generally digital assets will play in the broader economy.

The indicators from industry initiatives, collaboration across regulators and central banks, and the lessons learnt from pioneering regulatory regimes all point to a more homogenous approach to the regulation of the expanding role of digital assets.

Championing Messaging Standards

Establishing the joint working group for intervasp messaging standards

MALCOLM WRIGHT
GDF Advisory Council Chair & Global Compliance Officer, Diginex

The major concern of regulators globally is that criminals and terrorists may have unfettered access to the financial system by being able to transfer virtual assets (VAs) freely from one VA exchange to another without having to identify themselves. To counter this, the FATF have implemented an approach similar to traditional banking; namely, that counterparty exchanges must also transmit the originator and beneficiary information for any transaction involving their customers. Informally, this particular requirement is known as the 'Travel Rule'.

When this was first announced in February 2019 the industry challenged the feasibility of such an approach but by the time the Recommendations were ratified in June 2019 a broader acceptance was adopted and technology solutions even began to appear.

However, the rapid emergence of technology solutions and lack of global coordination ran the risk of global fragmentation that would not meet with regulatory expectations, and that might even breach data privacy laws. Closely linked to the work of the AML Working Group, the group's co-lead Malcolm Wright formulated a directional plan for the industry to ensure compliance with regards to one particular aspect of the FATF Recommendations.

"The rapid emergence of technology solutions and lack of global coordination ran the risk of global fragmentation that would not meet with regulatory expectations, and that might even breach data privacy laws."

This directional plan was circulated with multiple regulators as well as major virtual asset industry participants to refine into an approach that could accurately convey the requirements from both groups of stakeholders. Key to this was to ensure a globally consistent approach underneath which a set of messaging standards would form the key language that would enable one virtual asset service provider to exchange information with another in a consistent, reliable way regardless of the technology that was adopted.

At the same time, Sian Jones, an ISO standards technical committee member and former distributed ledger advisor to the Gibraltar regulator, was also advancing the conversation on the need for standards and Sian, Malcolm, with support of Global Digital Finance, the Chamber of Digital Commerce, and IDAXA came together in November 2019 to form the Joint Working Group (JWG) for interVASP Messaging Standards.

"The JWG is set to agree and ratify the messaging payload standard by early May 2020 for presentation to the FATF Plenary in June 2020."

The JWG is a working collaboration including virtual asset service providers, banks, academics, and technology providers with the sole aim to address the message format which, at its simplest level, will be what format to transmit a date of birth. The JWG is set to agree and ratify the messaging payload standard by early May 2020 for presentation to the FATF Plenary in June 2020.

Measuring Market Integrity

Creating more transparent, fair and credible markets

ALISSA OSTROVE
Chief of Staff,
CryptoCompare

2019 saw substantial progress for crypto markets. Increasing professionalisation, routing out of bad actors and product growth have seen the industry come a long way since 2017.

There has been an explosion in the size, range and accessibility of crypto derivatives products with both regulated and non-regulated exchanges rapidly expanding their offerings, DeFi has emerged as a major force in the industry and regulators and industry bodies worldwide have ramped up efforts to shore up the space.

Despite greater industry awareness of the need for more clarity surrounding exchange quality and legitimate markets, however, a great proportion of exchange volume still resides on less reliable exchanges. Our latest research shows that Top-Tier Exchanges (as defined by our Exchange Benchmark) still only account for 27% of the total crypto spot market.

Our Exchange Benchmark proceeds from the acknowledgement that volumes and liquidity can be easily manipulated, and that any exchange can provide data. There are many ways an exchange can incentivise trading activity – including trading competitions, airdrops and trans-fee mining. To arrive at a more representative assessment of exchange quality, therefore, a host of other factors has to be evaluated in tandem with volume and liquidity.

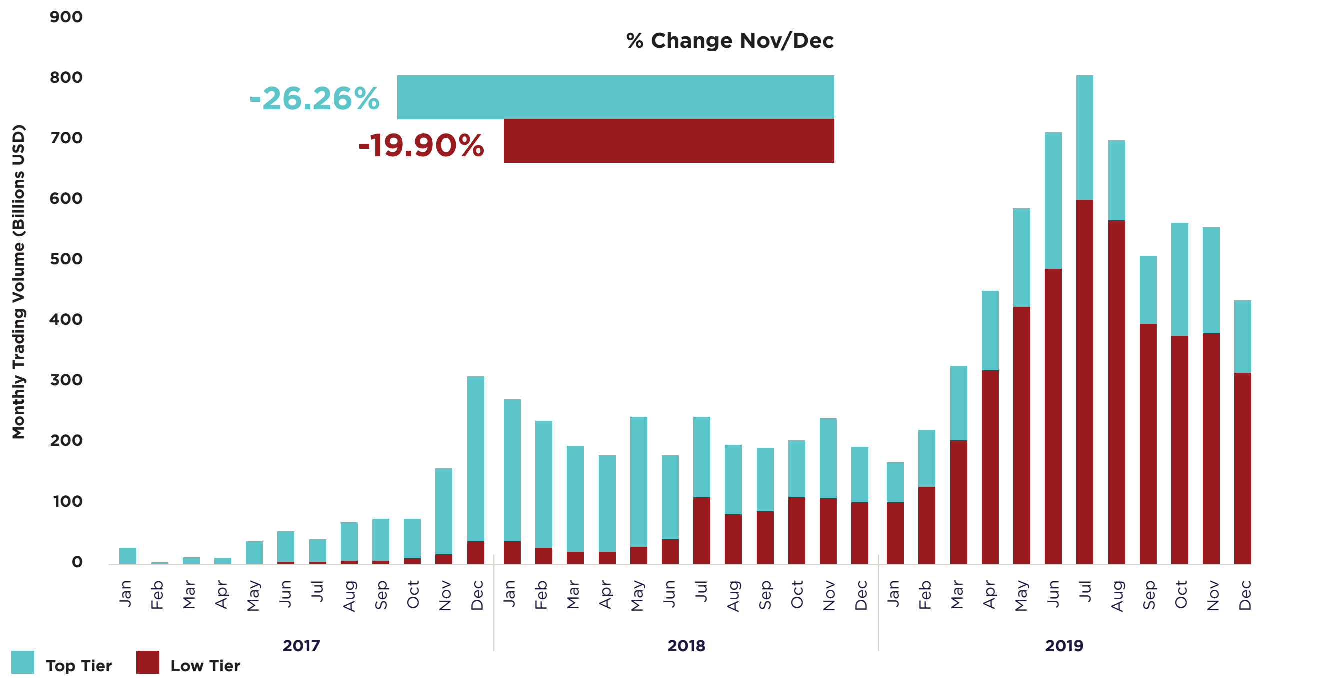
This is why our benchmark includes 8 categories comprising 64 metrics, embracing a broad ranking methodology that utilises a combination of qualitative (due diligence) and quantitative (market quality based on order book and trades) metrics, without using volume directly in the ranking.

The 8 categories included in the Benchmark include:

- Legal/Regulation
- Data Provision
- Security
- Team/Exchange
- Investment
- Trade Monitoring
- Market Quality
- A Penalty Factor for incidents such as cryptoasset hacks and thefts.

Each metric is converted into a series of points based on clearly defined criteria and we assign a grade to each exchange which will help identify the lowest risk and most reliable exchanges in the industry.

While it remains to be seen how the exchange landscape will unfold in 2020, we remain committed to ensuring that the most legitimate actors in the exchange sector are brought to the fore.



Source: CryptoCompare

Member-led Working Groups
What we have accomplished

Stablecoins Code of Conduct
During 2019 the GDF Stablecoin Working Group produced a Key Considerations document, setting out some of the key features and differentiating factors between types of stablecoin that the group considered relevant for classification within the scope. The document also highlighted some areas of potential overlap with other structures, in particular security tokens and some areas that were not considered sufficiently developed at the time for Code coverage, such as central bank digital currencies.

From that clearly scoped basis, the group drafted a Code of Conduct for Stablecoin issuers, covering topics such as disclosure and terms, technology and backing arrangements. This was presented to the GDF community, refined and following public consultation, approved during the year.

During 2020, the Stablecoin Working Group members are aware that these tokens have come high on the public and political agenda in recent times, with Tether, Libra and CBDCs regularly making the headlines. There have been a number of regulatory advancements, including clarificatory classification guidance and some new legislation, together with advancements in use cases, collateral arrangements and insurance in the space. These developments mean that we hope to reopen the Working Group during 2020 as part of a "refresh" project, to ensure that the Code remains relevant and up to date for more members to be able to approve and attest in due course."

BRYONY WIDDUP
GDF Advisory Council Secretariat & Partner, DLA Piper

CLAIRE WELLS
EMEA Head of Regulatory Affairs, Circle

Security Tokens Code of Conduct
Blockchain came about ten years ago as the underlying infrastructure for implementing Bitcoin. One interesting area that has recently been emerging is the use of blockchains in the capital markets world to tokenise real-world assets (both physical and financial) to facilitate fractional ownership.

2019 has seen the maturation of the space through increasing institutional interest in how a regulated activity that has grown organically will be disrupted by this technology. Regulators around the world are getting to grips with the opportunities and implementation ricks this technology brings, only when this is complete can the space really begin to grow and realise its potential.

2020 looks like being the year that the resulting security token offerings will really begin to take off, bringing global liquidity to illiquid and hard to trade assets, and helping democratise financial markets around the world. We believe that as the technology evolves its use will become much more mainstream over the next decade, and that it will revolutionise traditional financial markets too.

The benefits blockchain brings to activities like managing cap tables and handling corporate actions are clear. But in post-trade it will ultimately bring huge benefits too, as it has the potential to streamline, remove friction and disintermediate parties from what is currently a comparatively slow, inefficient and cumbersome process.

JOHN SALMON
Technology Partner, Hogan Lovells

MATTHEW POLLARD
Founder & CEO, Archax

"The AML Working Group leads have continued to push the dialogue of both an appropriate regulatory framework as well as robust best practices with both regulators and the industry globally."

GDF Have Released 9 Codes of Conduct To Date

- OVERARCHING CODE OF CONDUCT
- FUNDS
- RATINGS WEBSITES
- REGISTRATIONS
- STABLECOINS
- SECURITY TOKENS
- TAXONOMY
- TOKEN INSURANCE
- TRADING PLATFORMS

KYC/AML Code of Conduct

2019 was a year of substantial change for the virtual asset industry. It was the year that virtual asset firms saw the definition of anti-money laundering (AML) requirements begin to take shape.

This started in February when the global AML standard-setter, the (FATF) issued preliminary guidance alongside a consultation on the expectation of countries to regulate virtual asset firms for AML. Following a forum in Vienna in May, the FATF ratified the new recommendations in June alongside a comprehensive document for countries and virtual asset service providers.

Global Digital Finance played an instrumental role in this process, ensuring that the voice of members was fully heard initially through a 22-page consultation response in April, then via interactive discussions at the forum in Vienna that was attended by regulators and the industry over two days.

Subsequent to this, GDF has continued to ensure it is raising the bar for the industry by assisting with arrangements for international conferences, speaking at international events including at the OECD in Paris in September, and responding to numerous regulatory consultations including the FATF, FCA, and MAS. The AML Working Group leads have continued to push the dialogue of both an appropriate regulatory framework as well as robust best practices with both regulators and the industry globally.

Alongside this work, the AML Working Group produced the Code of Conduct Part VIII – Principles for KYC / AML in June 2019. This was opened to public consultation ahead of final ratification in November 2019. The Code of Conduct now forms an integral part of the either codes currently available that GDF members can attest their compliance to. The principles embedded into them the requirements of the new FATF recommendations issued in June 2019, so future proofing them from change.

Moving into 2020, the AML Working Group sees the rapid implementation of national regulations alongside an uptick in enforcement for those countries that already have regulations. As countries implement the recommendations the group will continue to focus on consultation responses and ensuring that members' voices are heard. The group will also continue to participate in international events such as the FATF forum in May, and to promote AML best practices for members. Unlike other working groups with a defined piece of work and defined end, the AML Working Group is unique in that it is an ongoing exercise to support regulators and industry alike.

MALCOLM WRIGHT
CCO, Diginex & GDF Advisory Council Chair

JACK GAVIGAN
Product & Regulatory Affairs, ZCash

Member-led Working Groups
What we are working on

Custody Code of Conduct
The digital asset industry has been maturing for the last three years, but 2019 witnessed a decisive leap forward. Industry players are professionalising, often inspiring themselves from traditional capital market best practices, standards, and industry issued codes of conduct among which those published by the GDF.

Enterprise-grade infrastructure service providers have emerged and strengthened in the space of custody, issuing platform, market-making, among others. Regulators, especially in Asia, have been issuing guidelines and licensing regimes demonstrating digital assets are there to stay.

Libra, despite its teething issues, has contributed to establishing crypto and blockchain as a mainstream topic in the general public forcing all regulators and governments to acknowledge the reality and seriously look at the phenomenon.

Standardisation work around crypto has also seriously kicked off with, among other efforts, the establishment by an ISO committee working group (ISO TC68 / SC8 / WG 3) of a draft standard for the identification and registration of digital token identifiers (DTI).

Security in the crypto industry has evolved dramatically. The technological solutions offered by non-custodial and custodial wallet providers are more and more robust with hardware or software-based multi-signature wallet access, encryption of operating environments, whitelisting of addresses, tightening of operating procedures, etc. Wallet management systems powered by multi-party computation (MPC) or Hardware Secure Modules (HSM) enable the secure, fast, and effective transfer of assets needed on a day to day basis.

When hacks are happening, the community is communicating about it, blacklisting addresses used to siphon stolen funds, reducing cash-out attempts. But the simple fact these hacks have continued to happen in 2019 demonstrates that many in the industry are still not geared up properly to handle these cyber-security incidents.

In 2020, more education and awareness will be required around safety, not only cybersecurity but also the establishment of the proper business practices and, in some cases, regulations to ensure legal protection for the underlying customers' investments. Exchanges, funds, projects, foundations, all crypto players servicing underlying customers will hopefully put in place the proper transparent and secure processes, based on GDF recommendations, around the safekeeping of the assets of their customers. Many will rightfully opt for the outsourcing of that critical task to third-party custodians whose job is to do precisely that.

2020 will hopefully also be the year where virtual asset service providers such as crypto exchanges and custodians will not only collaborate about the implementation of the FATF travel rule but also about the exchange of information on hackers' modus operandi and blacklisting of addresses. By the end of the year, the cashing out of rarer and rarer hacked funds should be so difficult, thanks to a more formal collaboration between players, that thieves will focus on other exploits.

The future is bright. But only if the industry continues, as it did well in 2019, with the establishment of the necessary business practices to comfort traditional and less established investors and users in their decision to seize the enormous potential of cryptocurrencies, securities token, and other digital assets.

IAN TAYLOR
Investment Banker & Chair,
CryptoUK

ALEXANDRE KECH
CEO & Co-Founder
Onchain Custodian

Market Integrity Code of Conduct

The Market Integrity Code of Conduct Working Group first convened in June, assigned with the task of "devising a set of pragmatic, implementable guidelines that, if adopted by digital asset service providers, will promote a fair, ethical and transparent industry."

Over the past seven months, representatives of more than 40 entities across digital and traditional finance have contributed hundreds of hours to the development of the code, during and between our weekly meetings. The working group includes professionals from exchanges, brokerages, market makers, lending services, infrastructure providers, data companies, academics, settlement services and non-profit organisations, enabling a rigorous debate based on diverse expertise and perspectives.

Some of the major themes discussed throughout the development of the document include:

- How prescriptive and granular, versus non-binding and generic, should the code be? On the one hand, a stricter code can send a powerful message of increased standards in an industry suffering from a bad image when it comes to integrity. On the other, we reckon the code's goal isn't to prescribe to crypto firms how to run their business and is meant to be inclusive.
- How much should the code resemble existing frameworks from regulated asset classes, making it more familiar to regulators and institutions, vs. innovative and crypto-specific?
- How can the code remain broad enough to address the defined scope of work, but also be specific enough to maintain relevance for the many different kinds of actors influencing crypto market integrity?
- While trading platforms naturally get a lot of attention when it comes to integrity challenges, how do we make sure all other factors are addressed by the code?

"More than ever before in digital assets, it's clear that compliance, transparency, and market integrity are the key for growth, institutional adoption and regulatory progress. Our working group is establishing pragmatic yet ambitious standards that can help guide the industry there."
Chen Arad, Chief Operating Officer, Solidus Labs

In late September, the first draft of the code was introduced to the GDF Global Summit. The feedback was positive, with much of the constructive criticism centered around redundancy, and the fact that it might be hard for specific actors to easily find themselves within the code.

In the months since, the work focused on restructuring the document in a 'waterfall' framework to consolidate principles, while also making it easier for different kinds of actors to find the parts of the code directly relevant for them. The document was presented at February's GDF Global Summit and the feedback received is now being incorporated into the next iteration.

CHEN ARAD
Chief Operating Officer,
Solidus Labs

DIANA BARRERO ZALLES
Blockchain Initiative,
Yale University

Crypto and Digital Asset Tax White Paper

The Global Digital Finance Tax Working Group commenced at the end of June 2019. Comprised of a diverse membership representing the cryptoasset community, this group has brought together fintech entrepreneurs, academics, accountants and tax lawyers to survey the international tax landscape as it relates to cryptoassets and to articulate common themes and standards gleaned from the existing regulatory guidance available.

The main objective for the group has been the production of a working paper on the Taxation of Cryptoassets. The paper aims to provide a comprehensive overview of how the digital asset industry is taxed, including common tax approaches by certain major jurisdictions, such as taxing cryptoassets similar to property for example.

Some unique issues that have arisen from cryptoassets are highlighted, such as the taxation of hard forks and airdrops, as well as issues that are more challenging for cryptoassets, such as valuation and determination of basis. Another issue is the lack of guidance by tax regulators.

Although some jurisdictions have provided initial guidance on the taxation of cryptocurrency held for investment or used for payment, most jurisdictions have not even acknowledged the multiple functions of cryptoassets – payment tokens vs security tokens vs utility tokens – and to what extent that corresponds to the eventual tax treatment.

Finally, the paper calls attention to further challenges for the industry as well as possible recommendations for regulation going forward.

The first draft was presented at the GDF Mini Summit in October for membership feedback and a subsequent draft was thereafter presented to different tax authorities in November and December. Having convened with multiple regulators (including the US, the UK and Hong Kong), the paper is currently undergoing further revisions to reflect feedback from both industry players and tax authorities.

In 2020, the Tax Working Group expects to publish the final version of the Working Paper, leaving room for future refreshes to reflect regulatory developments. One major development on the horizon pertains to significant guidance by the OECD in articulating a unified approach to a digital services tax and to what extent this may affect cryptoasset activity.

Forthcoming Codes

These working groups are active and will be releasing codes soon:

- Custody
- Custody Insurance
- Digital Asset Market Practices
- Joint Working Group for InterVASP Messaging Standards (Independent)
- KYC/AML./CTF
- Market Integrity
- Tax

Contribute To Our Codes

These working groups are open to new members

Simply email us at hello@gdf.io

- Artificial Intelligence / Machine Learning
- Code Refresh (Stablecoins & Security Tokens)
- DeFi Lending
- Digital Dollar Wallet
- Digital Identity
- Sustainable Finance and Digital Assets

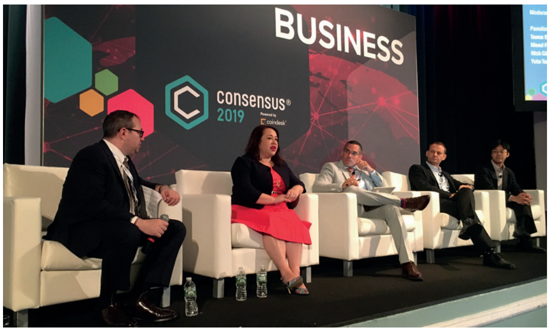
The Tax Working Group also expects additional regulatory developments in 2020. Many jurisdictions have begun to increase their focus on enforcement and information reporting and realise that guidance is needed to let taxpayers know the proper tax treatment of cryptoassets.

> **"The paper aims to provide a comprehensive overview of how the digital asset industry is taxed, including common tax approaches by certain major jurisdictions ..."**

LISA ZARLENGA
Co-Chair of Tax Group,
Steptoe

KRYSTLE GAN
Seconded Counsel, Wells Fargo
& Legal Consultant, Axiom

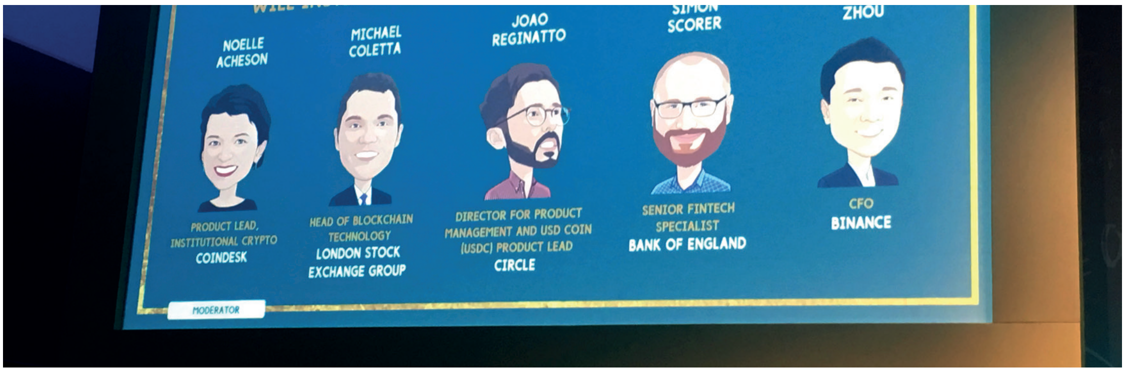

OCDE
DES POLITIQUES MEILLEURES POUR UNE VIE MEILLEURE
Tom Neylan


BUSINESS
consensus
2019


CRYPTO IMPACT
STAGE


Money
20/20


DAXPO BUSAN 2019
Digital Asset Exchange Expo


NOELLE ACHESON
PRODUCT LEAD, INSTITUTIONAL CRYPTO
COINDESK
MODERATOR
MICHAEL COLETTA
HEAD OF BLOCKCHAIN TECHNOLOGY
LONDON STOCK EXCHANGE GROUP
JOAO REGINATTO
DIRECTOR FOR PRODUCT MANAGEMENT AND USD COIN (USDC) PRODUCT LEAD
CIRCLE
SCORER
SENIOR FINTECH SPECIALIST
BANK OF ENGLAND
ZHOU
CFO
BINANCE

Talent & Governance
Building a global community

ABDUL HASEEB BASIT
Board Member & Treasurer, GDF

The saying goes, it takes a village to raise a child. In GDF's case it has taken a community to raise a fledging organisation in our early phase of development.

GDF benefits from an extraordinary community of talented, driven and collaborative professionals that have convened to build a global organisation from the ground up, one that is truly member led. Our achievements to date have been possible through a combination of a dedicated Executive team, a Board of Directors with experience of global not-for-profit industry associations, FinTech ventures, traditional financial services institutions and regulatory oversight, supported by a proactive founding membership base and an engaged wider digital finance community.

Board and Executive Team
Our inaugural board of directors in 2019 consisted of two Co-Chairs, our guarantors **Simon Taylor** and **Lawrence Wintermeyer**, Non-Executive Directors **Jeff Bandman**, with oversight for Policy and Regulatory Affairs, **Abdul Haseeb Basit** with oversight of Legal, Talent and Finance, and **Teana Baker-Taylor** as Executive Director.

During 2019 we welcomed **Sandra Ro** to our Board as an additional Non-Executive Director who brought a wealth of experience in the digital finance industry and from industry association, the Global Blockchain Business Council.

We continually seek to strengthen our Board's depth of experience and diversity in order to grow our capability and reach. At the end of 2019 we also welcomed **Colin Murdoch**, Business Director at Google Deepmind as a Board Observer for 2020.

Our Executive team was led in 2019 by Teana Baker-Taylor before she moved on to pursue other opportunities. On Teana's watch we built our core team, with **Emma Joyce** joining as Head of Community and **Natalie Hall** joining as Head of Communication & Growth.

Since December 2019, **Lawrence Wintermeyer** and **Abdul Haseeb Basit** have assumed Executive roles as Executive Co-Chair and Treasurer respectively. In addition, significant additions to the Executive Team have been made for 2020. **Anastasia Kinsky** joins as Programme Manager.

A partnership with advisory firm FS Vector sees **John Beccia** assume the Head of Regulatory Affairs – US part-time and **Lavan Thasarathakumar** joins on a part-time secondment as Head of Regulatory Affairs – EMEA from law firm Hogan Lovells.

Governance
2019 was also an important year in the formalisation of our governance model. With the support of law firm DLA Piper, our 2019 operating governance structure was enshrined in our articles of association. Our three tier governance model consisting of the Board and Executive, Patron Board and Advisory Council ensures we remain member led as we scale the organisation. Our guarantors retain the overall control of organisational decision making with an operational Board of Directors. Strategic direction is developed by the Board and reviewed with the Patron Board, who not only provide the largest financial contribution via membership fees, but have also been generous in their additional pro-bono support of GDF.

The Advisory Council (AC) provides oversight of the code development programme and member led working groups. During 2019, we were privileged to have the expertise of **Benedicte Nolens**, from founding Patron Member firm Circle as AC Chair and **Ian Taylor** as AC Secretariat. Both Benedicte and Ian moved on to assume new roles in 2019, we thank them for their contribution to GDF and look forward to working collaboratively with them in their new roles.

Malcolm Wright, from founding Patron Member firm Diginex has been elected as the AC chair for 2020, with **Bryony Widdup** from DLA Piper appointed as AC Secretariat, supported by her DLA Piper colleague **Malithi Fernando**.

Working Groups are member led and would not have been possible without the support of many members who co-chaired and contributed to these groups to drive the core code development work of GDF.

2020

With the additions to the GDF team for 2020, we are well placed to build on the success to date. It is an important metric that our Board and Team has gender, geographic, and ethnic diversity to be truly representative of the industry we advocate for.

In addition partnerships secured for 2020 with conference platform FinTech Worldwide, media partners Molinari Media and more partnerships in development will allow GDF to extend geographic coverage and capabilities in media outreach and in other areas.

We would like to thank all those who have contributed to a successful 2019 for GDF. We look forward to working with those who have moved on from formal roles as continuing members of the GDF community in 2020.

Meet the team

SIMON TAYLOR
Co-Chair

LAWRENCE WINTERMEYER
Exec. Co-Chair

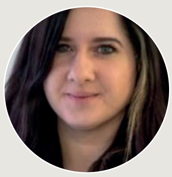
JEFF BANDMAN
Board Member

ABDUL HASEEB BASIT
Board Member & Treasurer

SANDRA RO
Board Member

COLIN MURDOCH
Board Observer

EMMA JOYCE
Head of Community



NATALIE HALL
Head of Communication & Growth

ANASTASIA KINSKY
Programme Manager

JOHN BECCIA III
Head of Regulatory Affairs – U.S.

LAVAN THASARATHAKUMAR
Head of Regulatory Affairs – EMEA

A Final Word of Thanks From the GDF Team

Special Thanks
To our Patron member **DLA Piper** who acts as our General Counsel and delivers all of the legal work related to the GDF governance structure, and also for providing the facilities for hosting GDF Global Summits.

To our Patron member **Hogan Lovells** for providing the facilities for GDF office hours and additional facilities for GDF Global Summits.

Our Patron Members

ConsenSys
Circle
Diginex
DLA Piper
Hogan Lovells
Huobi
r3.

Our Advisory Council Members

Archax
Bandman Advisors
Bequant
Cambrial
Coinbase
Crypto Compare
11FS
Elipses
Messari
Metaco
Radix
ShapeShift
Solidus Labs
Steptoe
Templum

Our Partners

ACCESS Singapore Cryptocurrency and Blockchain Industry Association
Blockchain for Europe
Blockchain Transparency Institute
coinscrum
Crypto Valley
CryptoValues
DAA
The Digital Economist
ethereum classic cooperative
Fintech Worldwide
FIX Trading Community Industry-Driven • Independent • Neutral
FS Vector
IDAXA
Molinari Media
RUSI www.rusi.org

Our Working Members

ABE, ALACO Analytics, ARGOS KYC · AML · CFT, Bancambios, BACI, B2C2

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changeangel, CipherTrace, Clifford Chance, Coinfirm, Coinsuper, CoolBitX

Crowd for Angels, Crypto Asset Rating, Crypto Garage, Custody Digital Group, CYBAVO, DTCC Securing Today. Shaping Tomorrow.

Electric Coin Co., Elliptic, FinFabrik, HashKey HashKey Digital Asset Group, Industria, Koine

LCX, Ledger, Luno, Merkle Science, Moonwhale, Onchain Custodian

Parfin, pigzbe, Propine, Prycto, Pure Digital, Quant

Redo Custody Network, Silk Legal, Smith Compliance Consulting Inc., taxmap Digital Tax Stamps, Thea Capital, tokeny The Compliant Tokenization Platform

torca, TRM, Trustology, Velocity, Verady, VerumCapital

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