



Digital Finance Forum

Key Takeaways

Wednesday 21 February 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, it is likely that 2024 will also see consultations and policy developments continue at pace. Notably, from the standard setters in the past couple months the following consultations have been of note:

Basel Committee on Banking Supervision (BCBS)

In December of last year, the Basel committee issued a [consultation](#) on the prudential treatment of banks' exposures to cryptoassets. This closes on March 28th.

Bank of International Settlements (BiS) Innovation Hub

The Bank of International Settlements (BiS) Innovation Hub also continues to work on research and to test in prototype new technologies for specific use cases using new forms of digital money. In December they published [a paper](#) on high-level technical requirements for a functional central bank digital currency (CBDC) architecture.

International Organization of Securities Commissions (IOSCO)

Just before Christmas IOSCO published their [final report](#) on policy recommendations for DeFi. GDF [responded](#) to this consultation individually, as well as part of a joint response with fellow IOSCO AMCC member (GFMA).

International Monetary Fund (IMF)

In early January, the International Monetary Fund published a [note](#) on the possible implications of digital money for the international monetary system from the perspective of cross-border payments, international reserves and the supply of global safe assets, and the global financial safety net.

Financial Stability Board (FSB)

Finally, most recently on the global front the Financial Stability Board (FSB) have just published their [2024 work plan](#). This also includes the [IMF/FSB Crypto Road Map](#) which will comprise the main body of work for their policy agenda this year.



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Asia – Key Takeaways

Wednesday 21 February 2024

8am BST / 3pm HKT / 4pm JST / 5pm AEST

XR²eg.Consulting

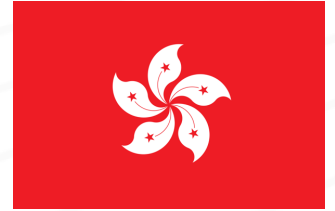


Policy Overview:
Asia-Pacific

February 2024



Hong Kong



Current framework:

Virtual Asset Trading Platform Operators/Fund Managers/Intermediaries dealing, advising or distributing virtual assets; are regulated by the Securities and Futures Commission under the Securities and Futures Ordinance (Cap 571) (SFO) and/or the AMLO

Recent Developments:

- Unlicensed VASPs have until 29 February to apply to register with the SFC or cease operations by 31 May.
- SFC recently revised minimum insurance requirements for VAs under custody – Now 50% for all assets under custody (Was previously 50% for VAs held in cold storage and 100% for VAs in hot storage)
- Regulatory regime for stablecoins at consultation phase

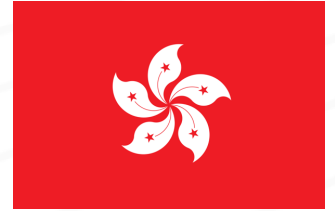
Live Consultations:

FSTB/HKMA - [Proposal to implement a regulatory regime for stablecoin issuers](#) (Closes 29 February)

FSTB - [Proposal to regulate over-the-counter trading of virtual assets](#) (Closes 12 April)

HKMA - [Proposal for implementing new regulations on the prudential treatment of cryptoasset exposures](#) (Closes 6 May)

Hong Kong



HKMA circular 20 Feb (yesterday!)

Provision of custodial services for Digital assets

- Set standards on authorised institutions on DA custodial services
- Discuss in advance (obtain approval?)
- Meet standards in 6 months
- Governance, risk management, segregation
- Safeguarding
- Storing keys and seeds in HK
- Use of custodian and outsourcing – only a regulated entity in HK
- Disclosures to client – a delicate balance

Singapore



Current framework:

The Monetary Authority of Singapore regulates Digital Payment Token Service Providers under the Payment Services Act

Recent Developments:

- In November 23, MAS published its final tranche of responses to its 2022 consultation paper on proposed regulatory measures for DPT services
- MAS plans to issue guidance on business conduct, consumer access measures, and technology and cyber risk for DPT service providers in early 2024 – There will be a 9-month transition period for implementation
- In January, MAS blocked the offer of Bitcoin ETFs to retail investors.

Live Consultations:

None



Australia



Current framework:

Digital asset exchanges are required to register with AUSTRAC and comply with AML/CFT obligations

ASIC enforcement action against those offering “financial products”

Recent Developments:

- The Australian Government's consultation paper on regulating digital asset platforms closed in December 2023
- Further consultation on exposure draft legislation is expected in 2024
- Future licensing regime will have a 12 month transition period

Live Consultations:

None

Korea



Current framework:

Crypto asset service providers regulated under the Electronic Financial Transactions Act

Recent Developments:

- The Korea FSC consultation on proposals for consumer protection rules for crypto users. This closed in January. Expected to take effect in July.
- Korean FIU plans to introduce new regulations on digital asset mixing services

Live Consultations:

SKFSC – [Amendments to reporting requirements for crypto executives](#) (Closes 4 March)



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Europe / US – Key Takeaways

Wednesday 21 February 2024

3pm BST / 4pm CET / 10am EDT

United Kingdom

Digital Securities Sandbox

In the UK, there have already been several developments this year. An [exploratory memorandum](#) was published on the 8th of January for the Digital Securities Sandbox or DSS. The Statutory Instrument was laid for the DSS on December 18th, and it is expected that the BoE will consult on the sandbox this spring.

Digital Pound

The BoE and HMT published their [response](#) to the Bank of England and HM Treasury Consultation Paper on the digital pound.

Stablecoin Regulatory Framework

The BoE and FCA's consultations closed February 6th on their respective proposals for the regulation of systemic stablecoins for retail payments and the UK's regulatory approach to stablecoin issuers and custodians.

[Key Industry Feedback Areas in the BoE DP on Systemic Stablecoins.](#)

[Key Industry Feedback Areas in the FCA DP on Stablecoin Issuance & Custody](#)

Maximal Extractable Value (MEV)

The FCA also recently published a [research note](#) analysing two novel concepts of blockchain technology, Maximal Extractable Value (MEV) and blockchain oracles.

Exchange Traded Products (ETPs)

Given the market news about the bitcoin Exchange Traded Products or ETPs in the US, a question was also recently put to the UK treasury on these products. [The response](#) was that the question of approving ETPs that reference specific cryptoassets is a matter for the FCA.

Isle of Man

The Isle of Man is considering developing tighter crypto regulation. They issued a [consultation](#) on February 13th. Which closes for comments on April 9th.

European Union

Markets in Crypto Assets (MiCA) Regulation

The EU continues to work on its level 2 and 3 Regulatory Technical Standards and Guidance. On the 29th of January they issued two consultations for MiCA on reverse solicitation & on the classification of crypto-assets as financial instruments. The GDF MiCA working group is actively responding to these consultations so please do reach out if you want to be involved.

European Securities & Markets Authority (ESMA) Q&A on the MiCA Regulation

ESMA has published the following new questions and answers in relation to MiCAR:

- [New CASPs established before \(and after\) 30 December 2024](#)
- [Passporting rights for entities benefiting from grandfathering](#)
- [Prohibition of monetary and non-monetary benefits](#)
- [Provision of crypto-asset services by credit institutions](#)
- [Notifications under Article 60](#)

European Union

Markets in Crypto Assets (MiCA) Regulation – Consultations on Proposed Guidance

For the [first consultation](#), ESMA is seeking input on proposed guidance relating to the conditions of application of the reverse solicitation exemption and the supervision practices that National Competent Authorities (NCAs) may take to prevent its circumvention.

- The proposed guidance confirms [ESMA's previous message](#) that the provision of crypto-asset services by a third-country firm is limited under MiCA to cases where the client is the exclusive initiator of the service. This exemption should be understood as very narrowly framed and must be regarded as the exception. A firm cannot use it to bypass MiCA.

In the [second consultation](#), ESMA is seeking input on establishing clear conditions and criteria for the qualification of crypto-assets as financial instruments. This initiative, which also follows on from [previous work by ESMA](#), is aimed at bridging the MiCA regulation and the Markets in Financial Instruments Directive II (MiFID II) and ensuring consistency across the EU. (XReg summary [report](#))

- The proposed guidelines aim at providing NCAs and market participants with structured but flexible conditions and criteria to determine whether a crypto-asset can be classified as a financial instrument.
- To do so, the draft strikes a balance between providing guidance and avoiding establishing a one-size-fits-all approach. Once finalised, these guidelines will provide much-needed.

European Union

AML & CFT Guidance

On the 16th of January, the European Banking Authority (EBA) published [guidelines](#) amending customer due diligence and the factors credit financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions ('The ML/TF Risk Factors Guidelines').

Digital Euro & Central Bank Digital Currencies (CBDCs)

At the beginning of January, the European Central Bank (ECB) published their [second update](#) on the work of the digital euro scheme's Rulebook Development Group.

The ECB also recently published a series of [slides](#) used at the EuroCommerce CEO Summit. The presentation notes the ECB's priorities for 2024 and the benefits the digital euro could provide.

The ECB also published another [paper](#) in their working paper series titled Central Bank Digital Currency: when price and bank stability collide

United States

Jurisdictions have been watching the US with interest, and while the market is still waiting on federal level legislation – there have been several interesting movements over the past couple months.

Tax Reporting

On new years day, 2024 new [tax reporting obligations](#) for cryptoassets took effect. The US Infrastructure Investment and Jobs Act, approved in November 2021 and which entered into force just this January, requires reporting crypto transactions over \$10,000 to the IRS within 15 days.

- Tax revenue is expected to increase alongside the new reporting requirements. The deal, coming in at roughly \$1.2 trillion, mandates tax reporting from digital currency brokers starting in January 2023. That measure alone is estimated to bring in \$28 billion over a decade.
- The law's criteria for evaluating the \$10,000 threshold and determining which form to use for reporting remain unclear, as the IRS has yet to offer guidance. The report must include, however, at least the name, address, and Social Security number of the person from whom the funds were received, the amount received, and the date and nature of the transaction

United States

Federal Reserve Research on Monetary Policy Implementation

Also notable in January the Federal Reserve Board [published](#) a A Field Guide to Monetary Policy Implementation Issues in a New World with CBDC, Stablecoin, and Narrow Banks.

Exchange Traded Products (ETPs)

Chair Gensler explained in the [notice on the approval](#) of the bitcoin ETP they noted that that the SEC had previously disapproved more than 20 such filings but recently these decisions have changed in the court of appeals. The SEC remains merit neutral and evaluates all proposals fairly under the exchange act with the aim of protecting investors and acting in the public interest.

Advocacy for Congressional Oversight

We have still have not yet seen federal level legislation in the US on crypto and digital assets, there have been calls for more oversight powers for crypto from congress.

- US Treasury Secretary Janet Yellen [urged congress](#) to pass more tailored legislation for cryptocurrencies, particularly for non-security tokens, to address systemic risks. Yellen's call for regulation also includes stablecoins and the spot market for crypto.
- US Treasury Department is seeking additional powers from Congress to combat illicit crypto activity. Secretary Brian Nelson in [written remarks](#) stated that to root out illicit finance by players in virtual asset markets and forums, they need additional tools and resources. These comments are some of the most recent in a series increased attention on crypto's role in money laundering from US lawmakers, especially around AML and CTF in the broader geopolitical context.

Canada

Federal Reserve Research on Monetary Policy Implementation

In Canada we have also seen a few developments this year, with the Canadian Securities Administrators [consulting](#) on a set of proposed regulatory requirements for public investment funds that seek to invest in crypto assets. The proposed amendments tailor requirements for public investment funds investing in crypto assets to better protect investors and reduce risk. Requirements include crypto asset investment restrictions and custodial obligations.

The proposed amendments are the second phase of a project to implement a Canadian regulatory framework for public investment funds holding crypto assets. In the project's third phase, the CSA will consult publicly on a broader framework.

Bank of Canada CBDC Working Paper

The Bank of Canada also published a [working paper](#) to examine to what extent a central bank digital currency (CBDC) competes with bank deposits. To answer this question, they developed a structural model where each household chooses which financial institution to deposit their digital money with. They concluded that a non-interest-bearing CBDC that does not provide complementary financial products can substantially crowd out bank deposits only if it provides an extensive service network. To mitigate this risk, the Bank of Canada believed imposing a large limit on CBDC holding would effectively reduce deposit switching.



Digital Finance Forum

Market Data Presentations –
CCDATA & Solidus Labs

YTD Trends 2024: Institutional & Enforcement Activity

The Global Standard for Digital Asset Data And Indices

Empowering financial institutions with
definitive, real-time digital asset data



Institutional Grade
Data Solutions



FCA Authorised
Since 2021



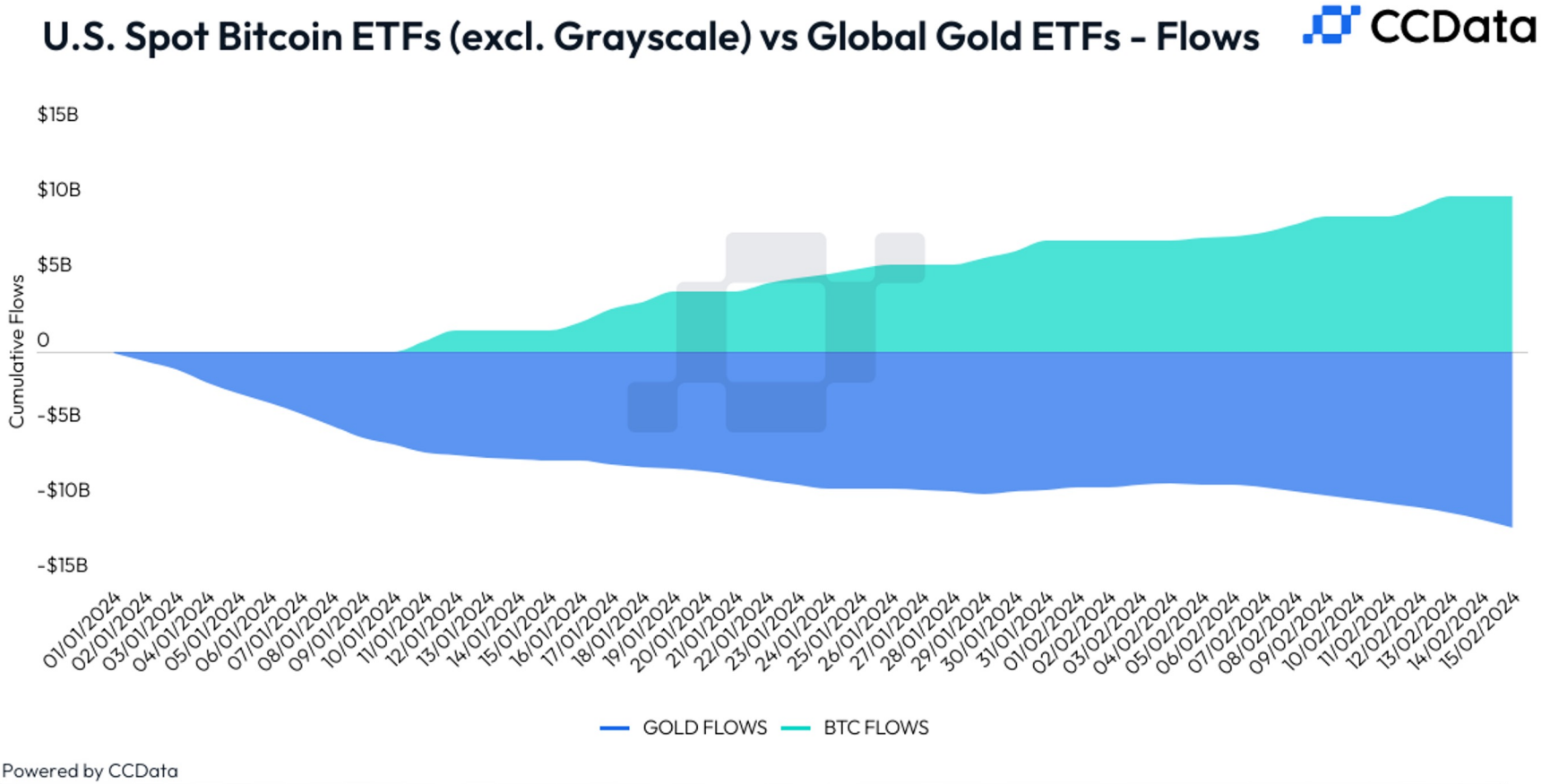
Leading Digital
Asset Index Suite



Robust and Trusted
Enterprise API

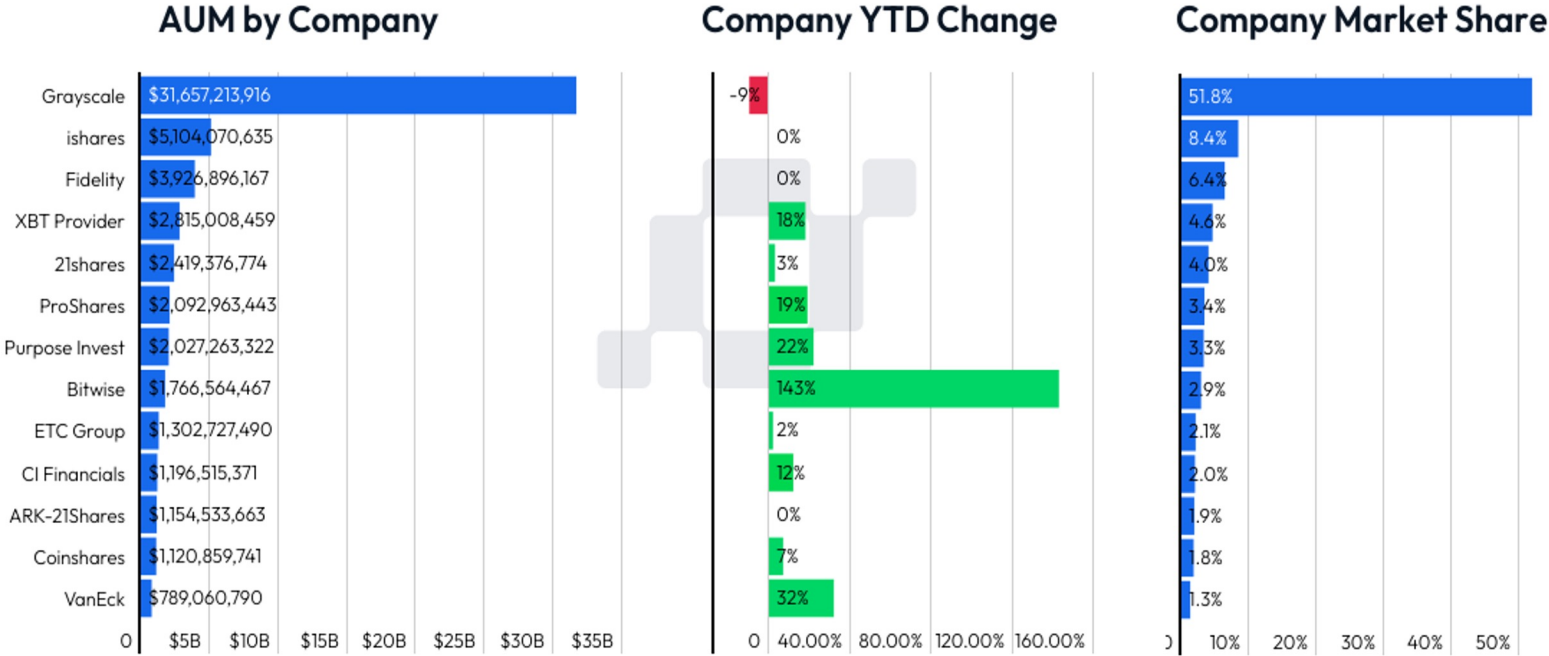
- Section 1: ETF Analysis

U.S. Spot Bitcoin ETFs vs Gold - Cumulative Net Flows



ETF Landscape - AUM by Company

AUM by Company

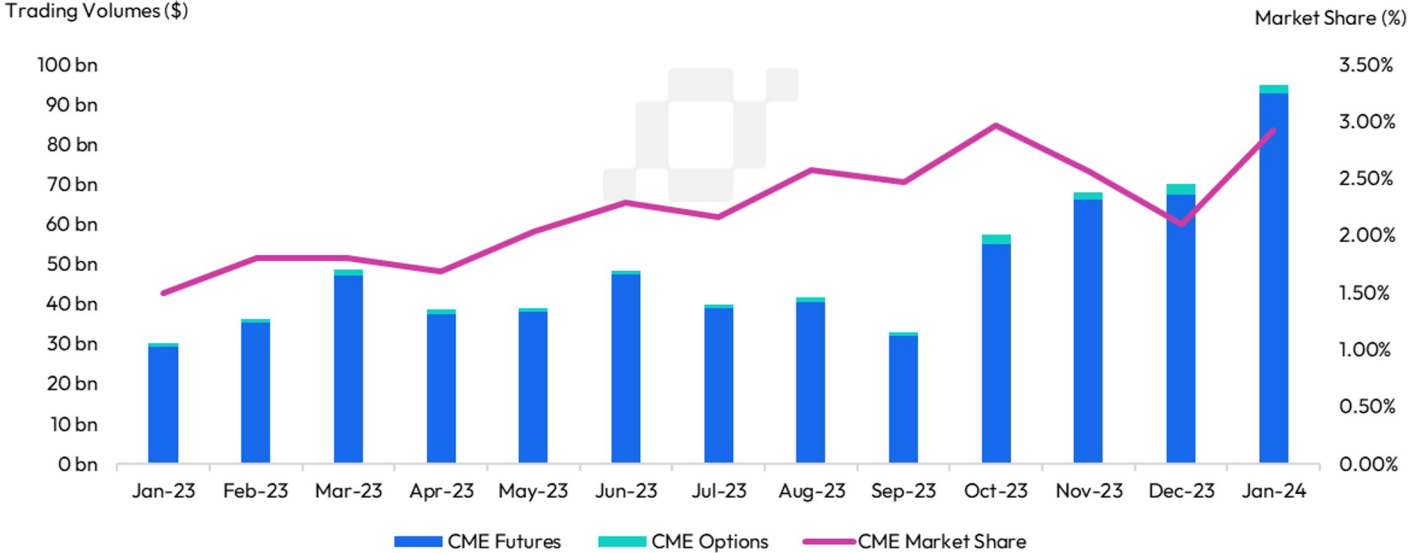


Powered by CCData

- Section 2: CME Analysis

CME Volumes and Market Share

CME Volumes and Market Share, 2023 - Present

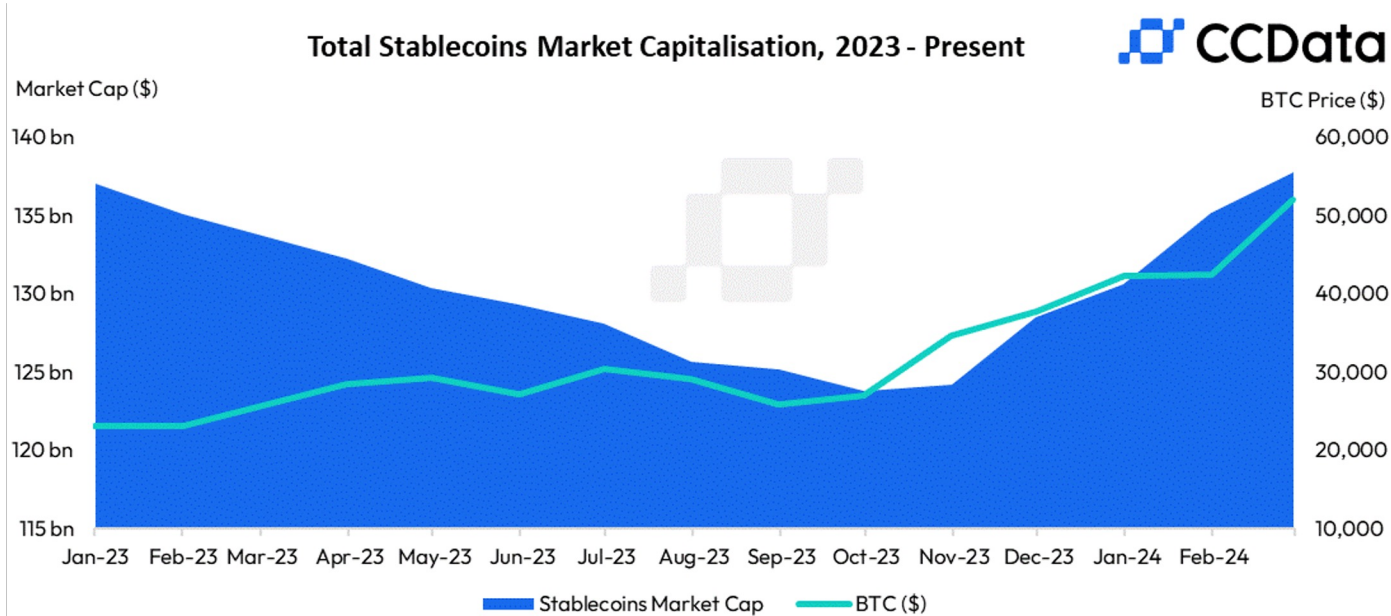
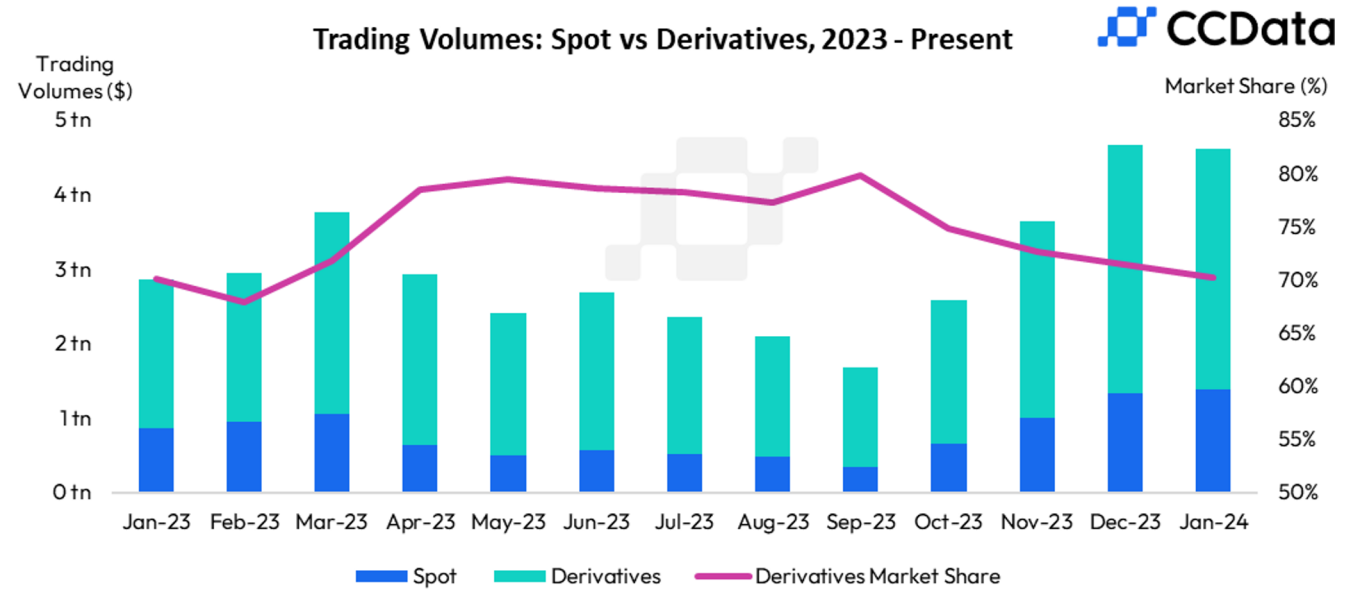


CME Volumes and Market Share, 2024 Year-to-Date

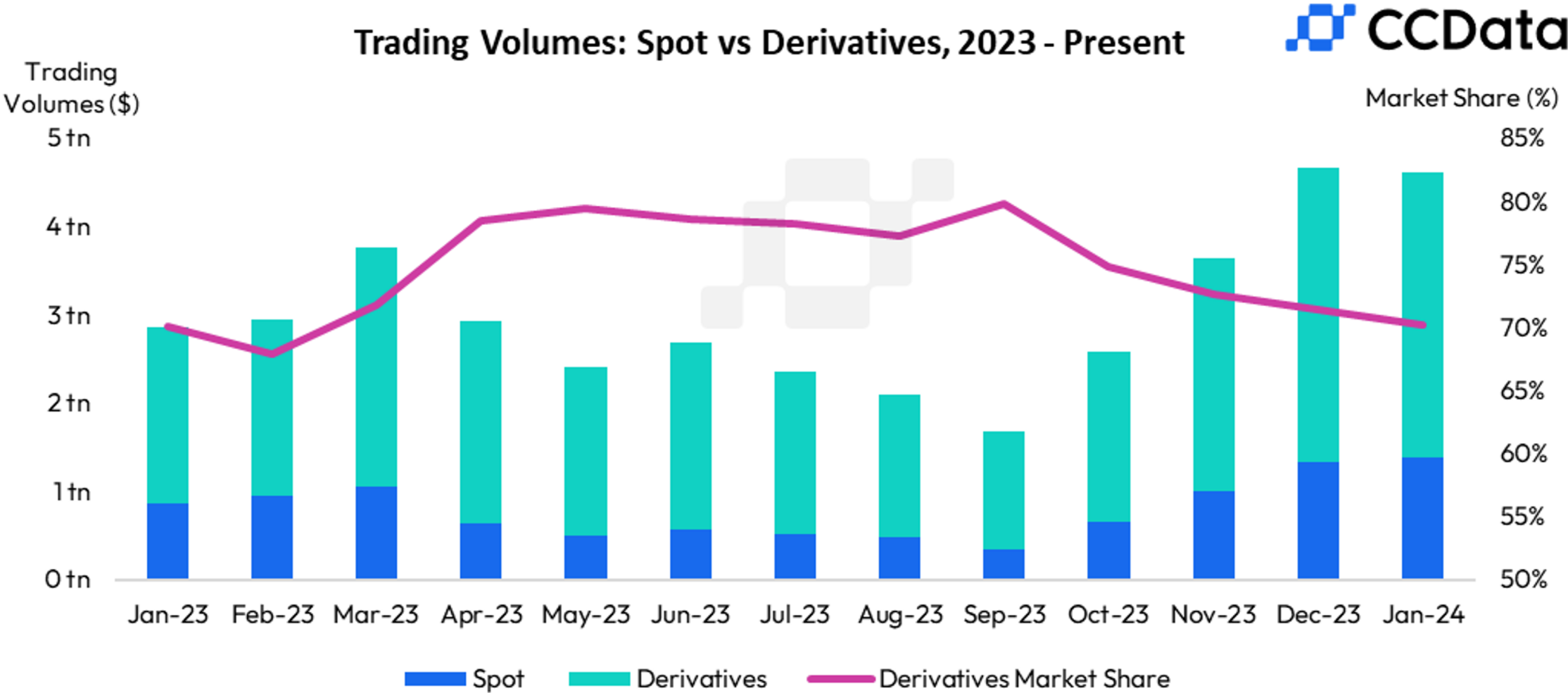


- Section 3: Market Analysis

Stablecoin Market Capitalisation



Spot vs Derivatives Volumes

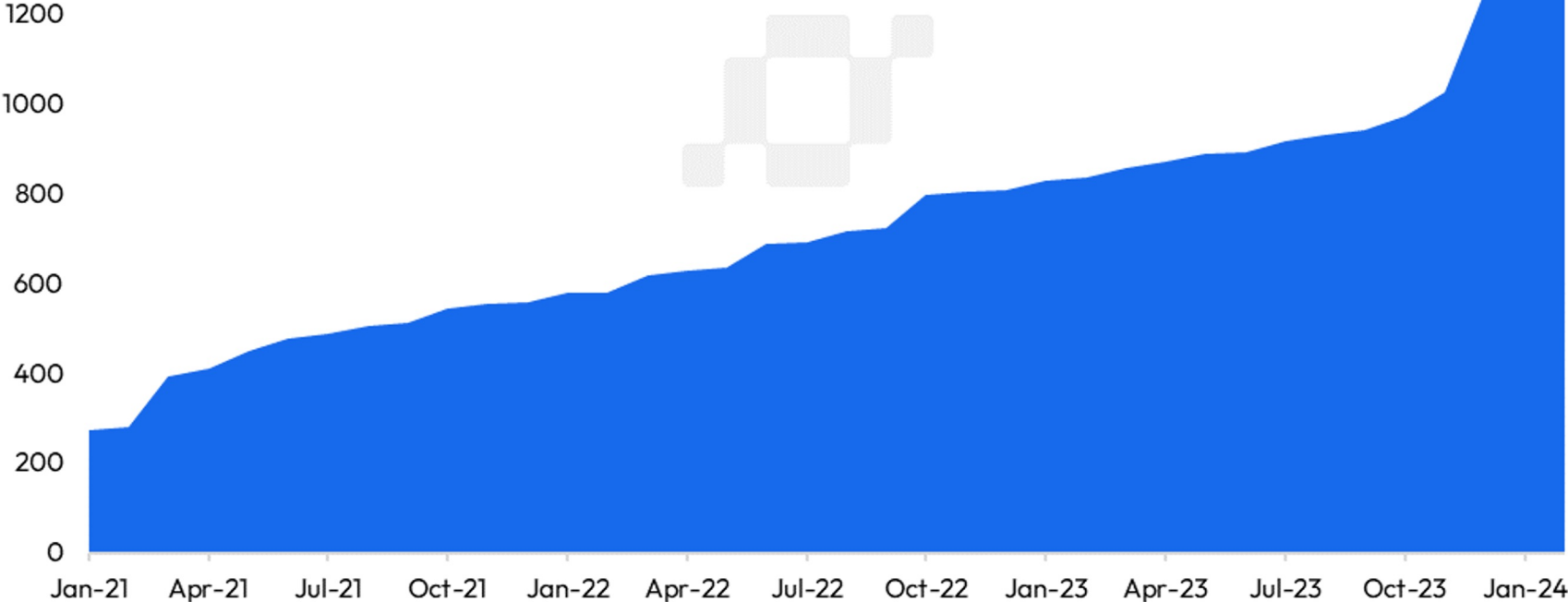


- Section 4: Enforcement Action

Number of Ethereum Wallets Banned by Tether

Number of
Wallets (#)
1400

No. of Ethereum Wallets Banned by Tether, 2021 - Present



Thank you!

Alissa Ostrove

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SOLIDUS
LABS



GLOBAL
DIGITAL
FINANCE

Research Brief: On- and Off-Chain Crypto Market Abuse

Will Kueshner, Research Lead
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February 21, 2024



Agenda

01 DEX-based Insider Trading

02 Hard-coded Scam Tokens

03 DEX-based Wash Trading

04 Ramping and cornering the market

05 The path forward for crypto markets

06 Where to read and learn more

DEX-based Insider Trading Detection

HALO

New **Insider Trading** alert detected

Risk	Account	Time
HIGH	0x5bf32...i9b	07:34:25



Analyze token swaps occurring on major DEXs



Plot suspicious swaps against token listing announcements



Investigate wallets with transaction patterns indicative of insider trading

56% of Crypto Token Listings Since 2021 Show Signs of Insider Trading



Solidus Labs Research

Summary statistics

ERC-20 token listing announcements	234
ERC-20 token listings with insider activity	131
Percentage of listings with insider activity	56%
Number of insider trading events	411
Number of distinct insiders	105
Number of distinct one-time insiders	54
Number of distinct serial insiders (≥ 2 listings)	51
Number of distinct serial insiders (>10 listings)	10
Number of distinct serial insiders (>25 listings)	3
Average number of insiders per listing with insider activity	3.14

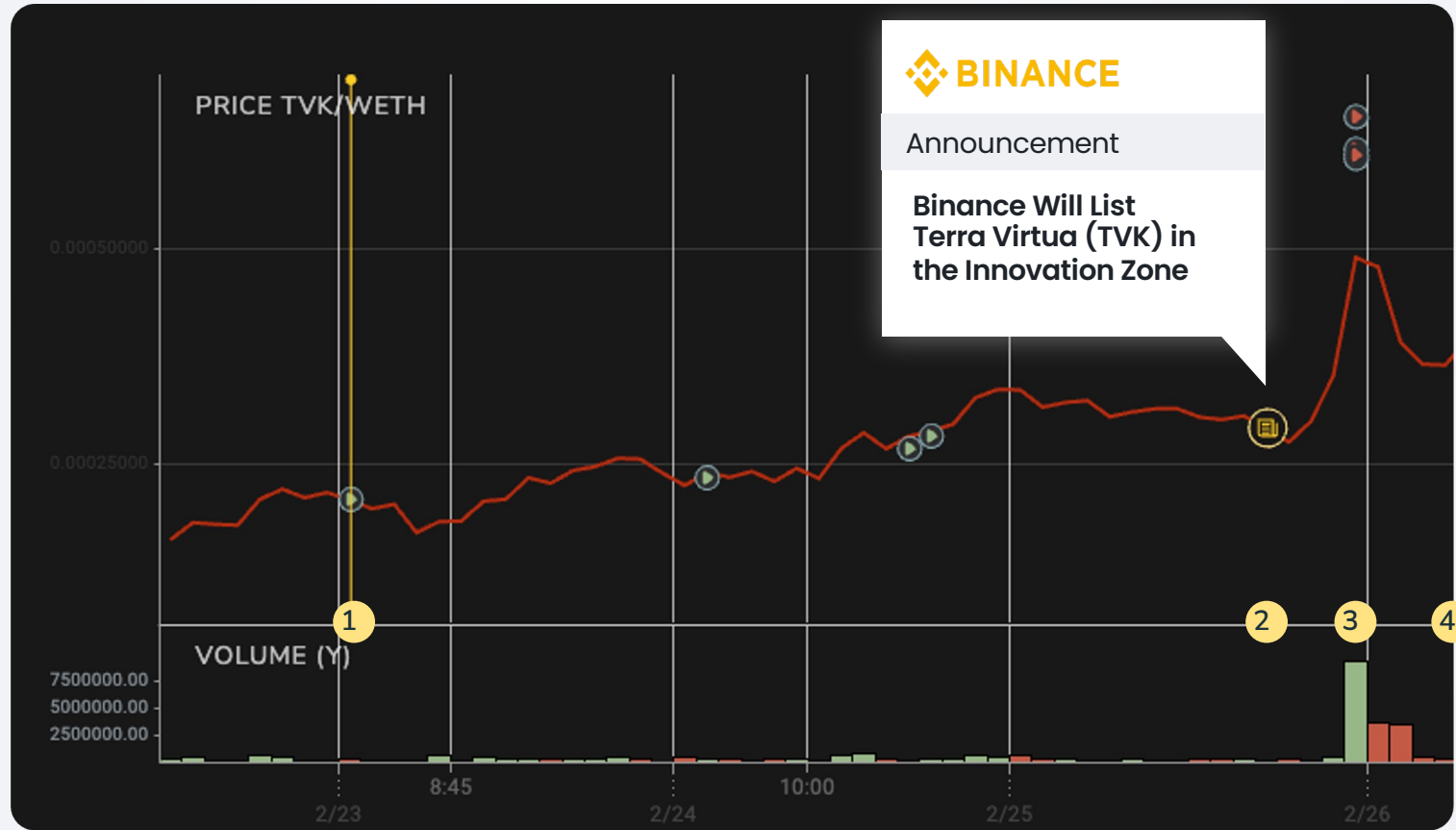
DEX-Based Insider Trading Detection in Action



Binance's TVK Listing



Wallet: 0xe1c...47
First bought: 3 days pre-listing
Last sold: 25 minutes post-listing
Transferred: 2.5 hours post-listing



- 1 Insider wallet starts buying 3 days pre-listing (2/23/21)
- 2 Binance lists TVK (2/26/21)
- 3 Same wallet sells TVK 25 minutes post-listing (Profit estimate: \$207,425,98)
- 4 Funds transferred: 2.5 hours post-listing

Hard-coded Scam Tokens

Solidus Research



TokenSniffer
By SOLIDUS LABS

Protecting Consumers

Actively monitoring **3,665,309** tokens
and **502,457** scams

On any given day, as many as **25%** of newly deployed tokens
include snippets of code designed to scam investors.

<https://tokensniffer.com/>

Scam Token Typologies

- Honeypot
 - LP block
 - blacklist / allowlist
 - external contract
- Hidden mint
- Balance modifier
- Hidden transfer
- Fake ownership renounce
- Hidden fee modifier
- Hidden max tx/wallet amount modifier

DEX-based Wash Trading

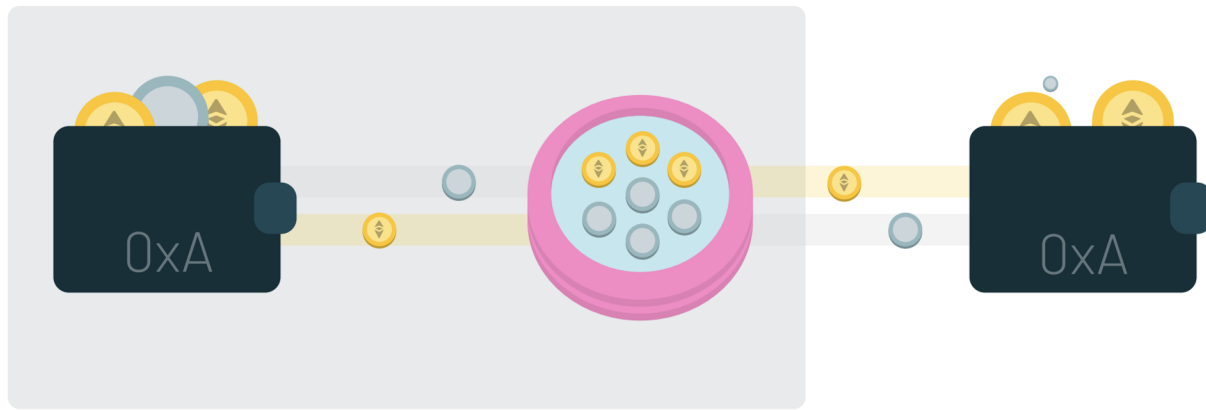
Solidus Research

A-A Wash Trading

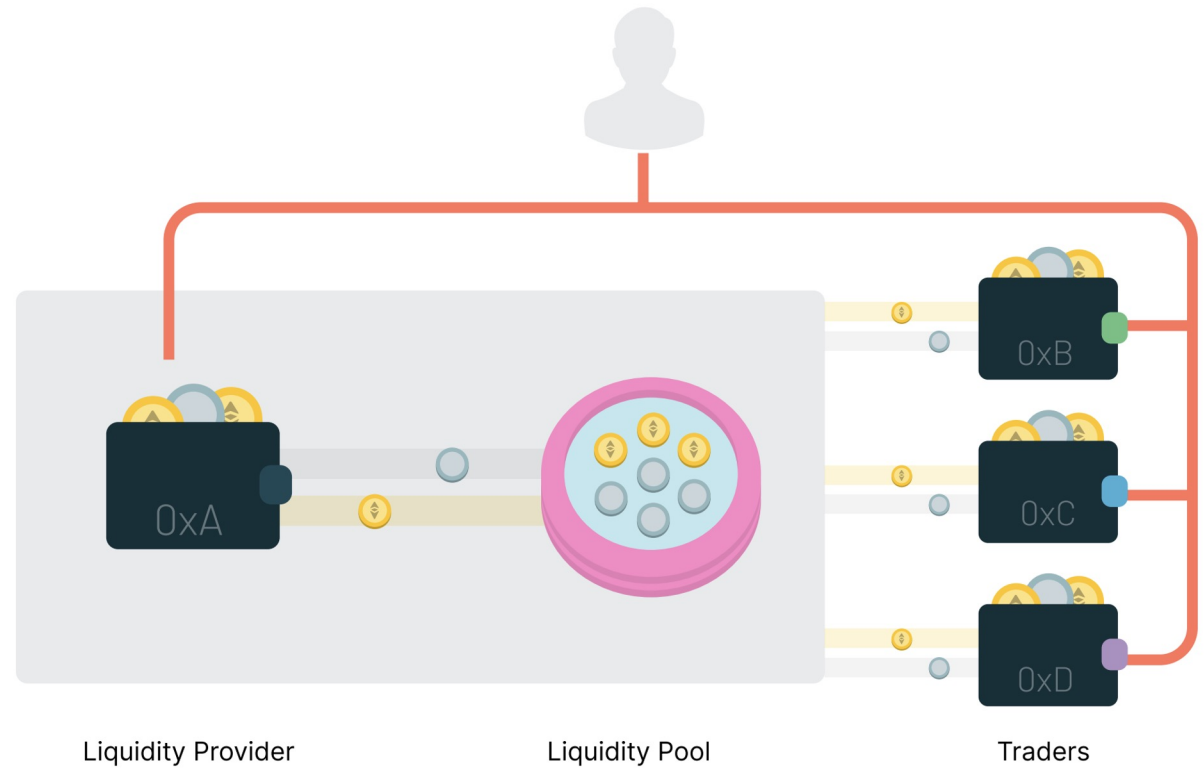
Liquidity Provider

Liquidity Pool

Trader



Multi-party Wash Trading



DEX Liquidity Providers Have Wash Traded More Than \$2 Billion to Date

\$2B+

worth of wash trading volume on DEXs

20k+

tokens' prices and volumes have been manipulated

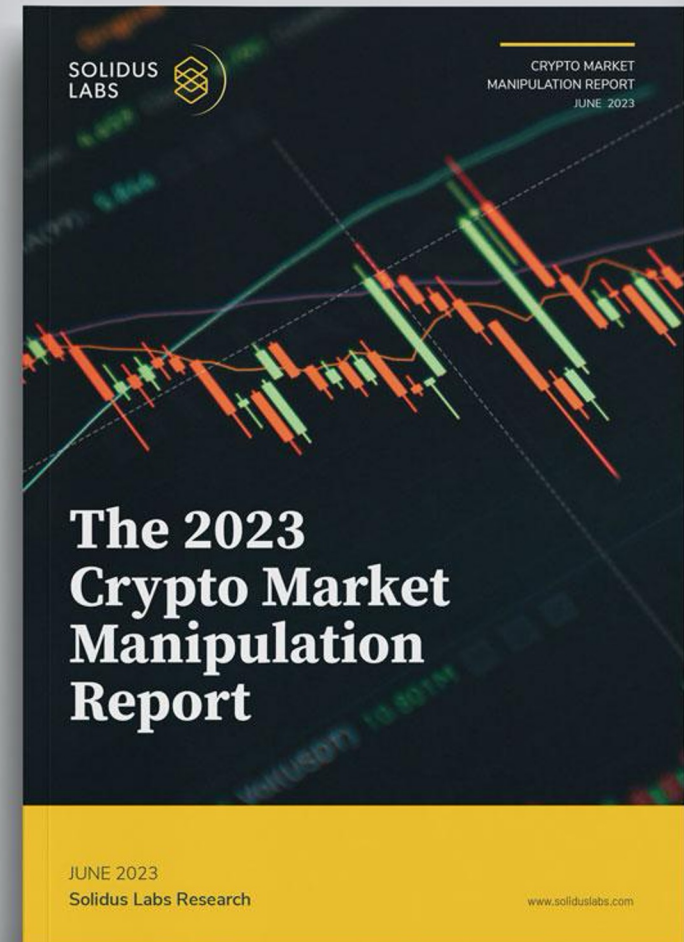
67%

of the ~30,000 DEX liquidity pools we studied were manipulated by wash traders

Major challenge -
Greater **Opportunity**:

Permissionless ecosystem
create **new ways to
manipulate markets.**

But unlike TradFi, their
**transparency allows
automatic, real-time
detection of market abuse**



The 2023 Crypto Market Manipulation Report

Featuring original research on:

- DEX-based insider trading
- Wash trading
- And more...

And other emerging forms of market abuse risk for institutions and regulators.

Reports are available for download [here](#)





Thank you for your time!

Get in touch

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Digital Finance Forum

Fireside Chat – TRM Labs


TRM Labs x GDF Fireside Chat

Global Crypto Policy Review & Outlook 2023/24: <https://www.trmlabs.com/eoy-policy-report-2023-24>


The fireside chat covered the highlights from the report including:

- Key policy developments of 2023 and what that means industry is likely to see in 2024
- The key jurisdictions that we should be paying attention to for policy and regulatory developments and why:
 - APAC Lighthouse jurisdictions were identified as Singapore and Hong Kong
 - In the EMEA/US session the jurisdictions identified were France, the US and LATAM
- How are regulation and supervision are impacting illicit activity around the globe
 - Regulation was seen as having a positive impact on cleaning up the market and driving down illicit activity



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