

## Global Digital Forum Report

**London, 3<sup>rd</sup> October 2023** - Last week, the Global Digital Forum, convened and curated by GBBC Digital Finance (GDF) and DLA Piper, brought together leaders from government, international business, and regulatory bodies. The forum was dedicated to exploring the implications of operating in the evolving digital landscape and its impact on global businesses and capital markets.

Throughout the event, a quorum of experts delved into how technological innovation is transforming how products and services are structured, traded, held and delivered in global markets and economies. They also discussed how policymakers and regulators can work towards achieving a balance between fostering innovation and establishing the necessary regulatory and legal frameworks to support a digital future.

The day began with two keynotes. The first was delivered by Peter Goodrich - Member of the Secretariat at the Financial Stability Board (FSB) - who shared insights on the FSB's global regulatory framework for cryptoasset activities. The framework is built on the principle of "same activity, same risk, same regulation" and aims to establish consistent and comprehensive regulation for cryptoasset activities and stablecoins, aligning with the risks they pose and encouraging responsible technological innovations.

The framework sets out high-level recommendations for regulating and supervising both cryptoasset activities and markets, as well global stablecoin arrangements – excluding Central Bank Digital Currencies (CBDCs) which are considered separately as digital representations of central bank liabilities.

These recommendations address risks to financial stability, taking into account lessons learned from recent events in cryptoasset markets and input received during the FSB's public consultation.

Caroline Malcolm – Vice President of Global Public Policy at Chainalysis – then delved into the road ahead for digital assets, money and markets, and what's needed to get there. Caroline shared insights from Chainalysis' 2023 [Global Crypto Adoption Index](#), which finds that Central and Southern Asia are leading the way in grassroots crypto adoption. Key takeaways from this elaborate research piece included:

- **Bans are ineffective:** Bans on digital assets have not been effective, as the strongest adoption rates are seen in countries where bans are in place.
- **Innovative thinking is critical:** Policymakers and regulators need to think creatively about how distributed ledger technology (DLT) can facilitate aspects of our society that are not currently feasible within the existing financial system.
- **Regulating a global technology needs a global perspective:** Discussions about digital asset adoption should extend beyond G7 countries. The most significant year-over-year growth is observed in the Middle East (ME) and Asia-Pacific (APAC) regions, driven by younger populations in lower-income brackets.

Following a session on the opportunity created by resilient digital infrastructure and clear regulatory framework, a deep-dive into how regulatory frameworks are developing around the world unfolded. The sessions were curated to balance the voice of industry with that of regulators and policymakers.

Starting in the ME, we heard from the Virtual Assets Regulatory Authority's (VARA) on their innovative approach, and lessons learnt from developing and issuing the world's first, tailor-made regime that regulates cryptoasset activities, including:

- **Digital assets sit on a spectrum:** This spectrum ranges from non-native cryptographic assets to native cryptographic assets. This perspective is critical for developing a common regulatory approach.
- **Regulatory clarity can help mitigate regulatory fragmentation:** While a common approach is necessary, some degree of regulatory fragmentation is inevitable, and it has historically existed. Tokenization can bring efficiencies in post-trade and settlement processes compared to traditional markets. Most importantly though, market participants need a clear distinction between cryptocurrency and crypto service provisions. It is essential to determine whether one is building on a new economic paradigm or the existing one.

VARA's Managing Director & Vice Chair, Deepa Raja Carbon, added: "Let's learn and hear from the sector, and let's craft our regulatory framework from the voices of the market."

In contrast to the novelty of VARA's approach, Peter Kerstens - the Advisor for Technological Innovation and Cyber Security of the DG FISMA of the European Commission - outlined the strong foundations on which the Markets in Cryptoassets (MiCA) regulation was built, starting with the 2008 financial crisis and the publication of Satoshi Nakamoto's white paper on bitcoin, to the first significant crypto bubble in 2017-2018, and the launch of Libra in the spring of 2019. The thought-process and structure behind MiCA emerged alongside the development of the industry.

An approach building on existing regulations and common law principles was equally prominent in the UK discussions, and only emphasised during Akash Sharma's - Senior Policy Manager in the Post-Trade Innovation group of the Bank of England (BoE) – keynote on the Digital Securities Sandbox.

Regulatory clarity remained a prevalent topic throughout the day, spanning various jurisdictions, including the United States. In a fireside chat, Rostin Behnam, the Chairman of the Commodity Futures Trading Commission (CFTC), underscored the agency's dedication to promoting such clarity by actively engaging with stakeholders in the digital asset industry.

While acknowledging the existing regulatory gap for non-security tokens, Chairman Behnam stressed the CFTC's commitment to advocating for a comprehensive nationwide framework. He emphasized the significance of this effort, especially in light of the United States' close collaboration with global standard-setting organizations. As any domestic policy



developments have far-reaching international implications, a clear and robust regulatory framework is crucial for the global digital asset landscape.

Although a degree of regulatory fragmentation is inevitable, an encouraging theme emerged from these analyses, supported by both regulators and the industry. Collaboration among regulatory bodies, particularly within the ME and APAC regions, stands out as essential for maintaining competitiveness.

Regulators must prioritize building trust among one another and fostering regulatory interoperability. This approach will not only bolster investor confidence but also contribute to the sustainable growth and resilience of global businesses and capital markets. Ultimately, this collaborative effort will ensure that these markets are well-equipped for the challenges and opportunities presented by the digital future.

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