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Regulators in Multiple Jurisdictions Call for More Oversight of Crypto-Assets and Stablecoins



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The last week has seen a number of announcements or statements from financial regulators calling for more oversight of crypto-assets, particularly stablecoins.

Federal Reserve Vice Chair Lael Brainard gave a speech, titled “[Crypto-Assets and Decentralized Finance through a Financial Stability Lens](#),” at a Bank of England Conference on July 8. On July 11, the Financial Stability Board (“FSB”) issued its [Statement on International Regulation and Supervision of Crypto-asset Activities](#). Yesterday, the Committee on Payments and Market Infrastructures (“OICU”) and the Board of the International Organization of Securities Commissions (“IOSCO”), through the Bank for International Settlements (“BIS”) issued guidance on the [Application of Principles for Financial Market Infrastructures to stablecoin arrangements](#).

Vice Chair Brainard's Speech

In her speech on Friday, Vice Chair Brainard stated her view on the importance “to ensure the regulatory perimeter encompasses crypto finance.” She stated that “the crypto financial system turns out to be susceptible to the same risks that are all too familiar from traditional finance, such as leverage, settlement, opacity and maturity and liquidity transformation,” and thus should be subject to similar regulation and supervision as traditional finance, citing recent losses suffered in numerous stablecoins. Notwithstanding the recent losses, Vice Chair Brainard noted that “the crypto financial system does not yet appear to be so large or so interconnected with the traditional financial system as to pose a systemic risk.”

Vice Chair Brainard also discussed central bank digital currency (“CBDC”). She noted that “there may be an advantage for future financial stability to having a digital native form of safe central bank money ...” While she noted that, in the United States, no decision has been made about whether to issue a CBDC, her

statement may be the strongest support a member of the Federal Reserve Board has given for a CBDC.

FSB Statement

The July 11 FSB Statement followed a similar theme to Vice Chair Brainard's speech. The FSB noted that "[t]he recent turmoil in crypto-asset markets highlights the importance of progressing ongoing work of the FSB and the international standard-setting bodies to address the potential financial stability risks posed by the crypto-assets, including so-called stablecoins." The FSB went on to note that "stablecoins should be captured by robust regulations and supervision of relevant authorities if they are to be adopted as a widely used means of payment or otherwise play an important role in the financial system." The FSB stated that it will report to the G20 Finance Ministers and Central Bank Governors in October with possible approaches.

OICU-IOSCO Guidance

The OICU-IOSCO report "provides guidance on the application of the Principles for Financial Market Infrastructures ("PFMI") to stablecoin arrangements ("SAs") that are considered systemically important financial market infrastructures ("FMIs"), including the entities integral to such arrangements." The fact that the guidance focuses on how to apply the existing PFMIs to the emergence of stablecoins follows another theme articulated in Vice Chair Brainard's speech – that like risks should have like regulations. The OICU-IOSCO report highlights four principles from the PFMI that are particularly relevant to stablecoin arrangements: (1) governance; (2) comprehensive risk management; (3) settlement finality; and (4) money settlements.
