FSB FINANCIAL STABILITY BOARD

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FSB Statement on International Regulation and Supervision of Crypto-asset Activities

Crypto-assets, including so-called stablecoins, are fast-evolving. The recent turmoil in crypto-asset markets highlights their intrinsic volatility, structural vulnerabilities and the issue of their increasing interconnectedness with the traditional financial system. The failure of a market player, in addition to imposing potentially large losses on investors and threatening market confidence arising from crystallisation of conduct risks, can also quickly transmit risks to other parts of the crypto-asset ecosystem. It may have spill-over effects on important parts of traditional finance such as short-term funding markets. An effective regulatory framework must ensure that crypto-asset activities posing risks similar to traditional financial activities are subject to the same regulatory outcomes, while taking account of novel features of crypto-assets and harnessing potential benefits of the technology behind them.

Crypto-assets and markets must be subject to effective regulation and oversight commensurate to the risks they pose, both at the domestic and international level. Even as jurisdictions consider potential changes to their frameworks, so-called stablecoins and other crypto-assets do not operate in a regulation-free space and must adhere to relevant existing requirements where regulations apply to address the risks these assets pose. Crypto-assets and markets may perform an equivalent economic function to one performed by instruments and intermediaries of the traditional financial sector. As such, they are subject to relevant regulations applicable to the underlying economic and financial nature of crypto-assets, in line with the principle of "same activity, same risk, same regulation". Crypto-assets are predominantly used for speculative purposes and many currently remain mostly outside the scope of or in non-compliance with financial safeguards, of which participants of these activities should be fully aware.

Crypto-asset service providers must at all times ensure compliance with existing legal obligations in the jurisdictions in which they operate. That includes requirements specific to crypto-assets as well as those general requirements that are also applicable. Any persons and entities operating in crypto-asset markets must be aware that they should meet all applicable regulatory, supervisory and oversight requirements of a particular jurisdiction before commencing any operations. In case they have questions on such requirements, they should consult domestic regulators to ensure their activities comply. FSB members are committed to using the enforcement powers within the legal framework in their jurisdiction to promote compliance and act against violations.

The 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 crypto-assets, including so-called stablecoins. The FSB will continue to facilitate cross-border and cross-sectoral cooperation among national

financial authorities and international standard-setting bodies as they work towards developing a common understanding of the wide spectrum of crypto-assets as well as regulatory and supervisory policies that are risk-based technology-neutral, and grounded in the principle of "same activity, same risk, same regulation". This work includes: the assessment of existing applicable standards; the identification of potential gaps with a view to inform possible adaptations of existing standards; and the development of new standards or implementing guidance to address new types of risks that may not adequately be captured by the existing regulatory frameworks in a manner that promotes international consistency and responsible innovation.

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. A stablecoin that enters the mainstream of the financial system and is widely used as a means of payments and/or store of value in multiple jurisdictions could pose significant risks to financial stability in the absence of adequate regulation. Such a stablecoin needs to be held to high regulatory and transparency standards, maintain at all times the reserves that preserve stability of value and meet relevant international standards.

FSB members support the full and timely implementation of existing international standards. FSB member authorities will implement applicable international standards into national regulatory and supervisory frameworks to the extent not already reflected, such as *FATF Recommendation 15 (e.g., registration/licensing from AML/CFT standpoint), and FATF Recommendation 16 (travel rule),* and will adopt guidance, recommendations and best practices of international standard-setting bodies, as appropriate.

The FSB is working to ensure that crypto-assets are subject to robust regulation and supervision. The FSB will report to the G20 Finance Ministers and Central Bank Governors in October on regulatory and supervisory approaches to stablecoins and other crypto-assets. The FSB will submit to that meeting a public consultation report on the review of its high-level recommendations for the regulation, supervision and oversight of "global stablecoin" arrangements, including how existing frameworks may be extended to close gaps and implement the high-level recommendations. The FSB will also submit a public consultation report that proposes recommendations for promoting international consistency of regulatory and supervisory approaches to other crypto-assets and crypto-asset markets and *strengthening international cooperation and coordination*. These combined efforts of the FSB and the international standard setting bodies are aimed at minimising the risk of fragmentation and regulatory arbitrage. FSB members welcome the CPMI-IOSCO guidance, *Application of the Principles for Financial Market Infrastructures to stablecoin arrangements*, which is a major step forward in applying "same activity, same risk, same regulation" to systemically important stablecoins that are used primarily for making payments. FSB members also support BCBS's ongoing work on the prudential treatment of banks' crypto-asset exposures and IOSCO's ongoing work on Decentralized Finance (DeFi) and crypto assets through its FinTech Taskforce, including the published IOSCO Decentralized Finance Report. While focusing primarily on investor protection and market integrity, IOSCO's work aims at reducing vulnerabilities and supports the FSB's coordinated efforts to address financial stability risks associated with the crypto-asset ecosystem.