

# Crypto Insights

A crypto assets  
newsletter

April 2024



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## Welcome to the EY India's Crypto Insights: a crypto assets newsletter

The purpose of this periodic email alert is to provide a summary of the latest regulatory and industry-wide market developments with respect to crypto-assets and central bank digital currencies.

In the following pages, you will find a summary of the below notable developments made publicly available by the global regulatory community, industry working groups and/or infrastructure providers.

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## Cryptocurrency prices by Market Cap\*

Name	Price (US\$)	Market Cap (US\$)	Circulation Supply	60 Day Chart	60d return
Bitcoin (BTC)	US\$70,544.8	\$1,386,685,949,917	19,669,931 BTC		67.75%
Ethereum (ETH)	US\$3,606.46	\$433,141,423,478	120,070,824 ETH		59.48%
Tether (USDT)	US\$1.00	\$104,474,010,276	104,446,647,127 USDT		0.06%
USD Coin (USDC)	US\$1.00	\$32,491,930,289	32,494,417,155 USDC		0.01%
BNB (BNB)	US\$594.86	\$88,979,885,210	149,535,901 BNB		99.45%
XRP (XRP)	US\$0.6276	\$34,479,943,667	54,942,400,126 XRP		25.94%
TRON (TRX)	US\$0.1231	\$10,802,090,090	87,734,040,610 TRX		9.42%
Cardano (ADA)	US\$0.6461	\$22,993,376,117	35,587,932,002 ADA		31.13%
Solana (SOL)	US\$202.00	\$89,799,173,205	444,711,941 SOL		116.06%
Dogecoin (DOGE)	US\$0.2156	\$30,975,939,408	143,702,166,384 DOGE		173.55%

\*As of 31 March 2024

Source: <https://coinmarketcap.com/>

## Regulatory highlights

### Regulatory Space

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## Law Commission: Consultation on digital assets as personal property<sup>1</sup>

Law Commission has issued a consultation on digital assets as property. This follows the publication of a June 2023 final report on digital assets<sup>2</sup>, which argued that certain types of digital assets could be assigned property rights, despite not fitting into the classes of personal property traditionally recognized by English law. The report recommended legislation to confirm the existence of a third category of personal property rights that could accommodate certain digital assets including crypto tokens. The intended effect of the draft Bill is to confirm that crypto-tokens, and potentially other assets such as voluntary carbon credits, are capable of being recognized by the law as property. Law Commission considers the law of England and Wales.

The Law Commission is using the third category to describe a category of a thing distinct from both things in possession and things in action. The Law Commission argues that a statutory confirmation would send a signal to the industry of a commitment to protect personal property rights and provide greater clarity.

## HKMA: Commencement of new wholesale central bank digital currency project<sup>3</sup>

HKMA announced the commencement of Project Ensemble to develop interbank settlement of tokenized money through wholesale central bank digital currency (wCBDC). As the key part of the new project, a wCBDC sandbox will be launched by the HKMA in 2024 to test different tokenization use cases (including settlement of tokenized real world assets) and help to explore new financial market infrastructure to bridge the existing gap between tokenized assets and money in transactions. The HKMA will also engage local and multinational banks, key players in the digital asset industry, technology companies and the CBDC Expert Group in a wCBDC Architecture Community to set industry standards and future strategies. Subject to the outcome of the wCBDC sandbox, the HKMA is open to conduct a "live" issuance of the wCBDC at appropriate time if the project generates sufficient interest from the industry.

## Indonesia to potentially reassess cryptocurrency taxes<sup>4</sup>

Indonesian Commodity Futures Trading Supervisory Agency (CoFTSA or commonly referred to as Bappebti) requested the Ministry of Finance to assess the current digital assets tax regime. This comes after the total national 2023 tax revenue generated from cryptocurrency transactions declined by 62% compared to 2022, which has been attributed to a 51% decrease in cryptocurrency transactions.

Since May 2022, the cryptocurrency tax regime has taxed cryptocurrency as a commodity or asset and imposed dual taxation, including VAT on cryptocurrency transactions conducted on registered platforms and income tax on crypto asset transactions. Tirta Karma Senjaya, the head of CoFTSA's Market Development and Development Bureau, justified the request for an assessment on the premise that VAT and income taxes should be assessed in accordance with other annual tax reviews, noting it has been nearly two years since the tax was imposed. Further changes to the tax classifications of cryptocurrency are expected to be implemented by January 2025, when the national cryptocurrency supervision is set to be transferred to the Financial Services Authority (commonly referred to as OJK or Otoritas Jasa Keuangan). The Ministry of Finance has welcomed CoFTSA's input and noted that the tax rates will be internally assessed.

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<sup>1</sup>Feb-2024-digital-assets-and-personal-property-CP.pdf  
(cloud-platform-e218f50a4812967ba1215eaecede923f.s3.amazonaws.com)

<sup>2</sup>Digital assets - Law Commission

<sup>3</sup>Hong Kong Monetary Authority - HKMA unveils Project Ensemble to support the development of the Hong Kong tokenisation market

<sup>4</sup>Bappebti Urged Indonesia Reconsider Changes In Crypto Taxation (bitcoinworld.co.in)





## Revised bill proposes Japanese investment funds and venture capital firms to hold crypto assets<sup>5</sup>

The Japanese Ministry of Economy, Trade and Industry confirmed that Prime Minister Fumio Kishida's cabinet approved the Bill to partially amend the Industrial Competitiveness Enhance Act to promote the creation of new business and investment in industry.

The Bill seeks to provide intensive support to Japanese medium-sized companies and start-ups. Among other revisions, the Bill proposes to allow investment funds and venture capital firms (VCs) to directly hold digital assets by implementing measures to add cryptocurrency assets to the list of assets that can be acquired and held by investment limited partnerships (LPS). Currently in Japan, restrictions are in place that prevent LPS from holding cryptocurrency assets and VCs investing in Web 3 firms, which limits overseas VCs sourcing. If the revision is approved, the new legislation would provide greater support and prospects for Japanese-based Web 3 firms and widen the scope of the Japanese investment sector in digital assets. The Bill has been submitted to the 213th Ordinary Session of the Diet for debate and a vote, which is currently in session.

## South Korea: Measures to increase protection of virtual assets users and oversight of digital asset taxes<sup>6</sup>

South Korea has sought to increase protection of virtual assets users and virtual asset oversight in the last month, as the country continues to prioritize cryptocurrency regulations. On 8 February 2024, South Korea's Financial Services Commission (FSC) announced enforcement mechanisms under the Act on the Protection of Virtual Asset Users (Act). The Act aims to protect users of virtual assets and maintain order in virtual assets transactions by, among other things, prohibiting unfair trading activities in the virtual asset market and enforcing supervision and sanctions over virtual asset service providers (VASPs).

More recently, on 11 March 2024, The National Tax Service of South Korea (NTS) announced plans to launch a Virtual Asset Integrated Management System (VAIMS). The analytical system seeks to oversee and analyze transactional data associated with digital currencies obtained through new mandatory reporting requirements in the Corporate Tax Act and Income Tax Act. To address digital asset-related tax evasion and bolster compliance and oversight within the expanding cryptocurrency sector, the VAIMS is set to take effect in 2025.

South Korea's most populated province, Gyeonggi, has collected US\$4.6 million from crypto tax evaders. The tracing and collection of the crypto accounts of the tax evaders was made possible by the implementation of a digital tracking system, which is being used for the first time in the country.

The process involved using the local registration number of violators or delinquents, as they are referred to in South Korea, held by local governments. This revealed the mobile numbers of the violators, which were then used to track the linked accounts on crypto exchanges. The system reduced the previous six-month long process of requesting case-to-case information from crypto exchanges to a mere 15 days.

## FSTB: Stablecoin OTC licensing regime<sup>7</sup>

Financial Services and the Treasury Bureau (FSTB) issued a consultation paper on the proposed licensing regime for OTC virtual asset trading service (VA OTC service) providers. The proposed VA OTC service licensing regime will be implemented by amending the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) and regulate the provision of the service of spot trade of virtual assets in Hong Kong. Under the legislative proposal, any person who conducts a business in providing services of spot trade of virtual asset for money in Hong Kong must be licensed by the Commissioner of Customs and Excise, irrespective of whether the services are provided through a physical outlet or other platforms.

The consultation period ends on 12 April 2024. To facilitate the effective implementation of the VA OTC services licensing regime, the FSTB plans to provide a transitional period of six months for pre-existing VA OTC service providers before the commencement of the regime.

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<sup>5</sup>Cabinet Approved "Bill to Partially Amend the Industrial Competitiveness Enhancement Act to Promote the Creation of New Businesses and Investment in Industries" (METI)

<sup>6</sup>South Korean province implements digital system to track tax evaders' crypto (cointelegraph.com)

<sup>7</sup>VAOTC\_consultation\_paper\_en.pdf (fstb.gov.hk)



## Thailand approves income tax exemption for investment token earnings<sup>8</sup>

Thailand's cabinet approved a tax exemption for crypto earnings to encourage fundraising via investment tokens, multiple local news outlets reported. Under the exemption, holders of investment tokens that have had the 15% capital gains tax withheld don't need to include the profits when calculating their income tax, essentially ending a scenario of double taxation. The Ministry of Finance through the Revenue Department recognizes the importance of digital tokens for investment (Investment Token), which will be another tool for raising funds for business operators in the country. Thailand has recently approved a series of tax benefits for crypto firms and users, including a value-added tax (VAT) exemption for earnings until 2023 and a US\$1 billion tax benefit to firms issuing investment tokens. The new exemption applies to investment token earnings starting on 1 January 2024.

## US Government study concludes no NFT-specific legislation needed and the current copyright laws are adequate<sup>9</sup>

A comprehensive 112-page study conducted by the United States Patent and Trademark Office (USPTO) and the U.S. Copyright Office has determined that existing intellectual property laws are sufficient to address copyright and trademark infringement issues associated with non-fungible tokens (NFTs). Former Democratic Senator Patrick Joseph Leahy from Vermont and Democratic Senator Thom Tillis from North Carolina had requested this study in June 2022.

Throughout the study, which included three public roundtables and input from various stakeholders, it was found that most stakeholders believed current laws adequately addressed concerns, despite acknowledging instances of trademark misappropriation and infringement on NFT platforms. The USPTO and the U.S. Copyright Office concurred with these assessments, concluding that no changes to intellectual property laws or registration practices were necessary or advisable at this juncture.

## Hong Kong's central bank starts regulatory sandbox for stablecoin issuers<sup>10</sup>

The Hong Kong Monetary Authority (HKMA) has initiated a regulatory sandbox aimed at providing potential stablecoin issuers with an environment conducive to developing and testing specific operations without facing penalties.

This sandbox framework offers regulatory flexibility and is in line with Hong Kong's efforts to regulate fiat-backed stablecoins, which are cryptocurrencies pegged to the value of sovereign currencies such as the U.S. or Hong Kong dollar. According to the HKMA notice, applicants interested in participating should demonstrate a genuine interest in establishing a stablecoin issuance business in Hong Kong, accompanied by a reasonable business plan. Additionally, operations conducted under the sandbox arrangement must adhere to a limited scope and be managed in a manner that mitigates risks.

In December, regulatory authorities in the jurisdiction began soliciting public feedback on their regulatory proposals for stablecoins, including the requirement for issuers to obtain licenses to operate in Hong Kong. The HKMA aims to utilize the sandbox framework to communicate supervisory expectations to entities interested in issuing fiat-referenced stablecoins in Hong Kong, while also gathering feedback from participants on the proposed regulatory requirements, as outlined in the notice.

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<sup>8</sup>Good news! Cabinet gives green light to withholding investment token gains It does not have to be used to calculate income tax. (efinancethai.com)

<sup>9</sup><https://www.copyright.gov/policy/nft-study/Joint-USPTO-USCO-Report-on-NFTs-and-Intellectual-Property.pdf>

<sup>10</sup><https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/03/20240312-4/>



## Nigeria's central bank enlists Gluwa Nigeria to boost eNaira systems and adoption<sup>11</sup>

The Central Bank of Nigeria has partnered with blockchain technology firm Gluwa Nigeria to enhance the efficiency of the eNaira digital currency's systems and promote its adoption in the country, which has a population exceeding 226 million.

In this collaboration, the central bank intends to provide Gluwa with application programming interfaces (APIs) for integration with the company's Credal blockchain technology. APIs serve as software intermediaries, facilitating communication between different applications. The primary objective is to leverage blockchain technology to improve financial inclusion, enhance eNaira functionality, and stimulate financial innovation. Integration through Credal aims to streamline loan origination, tracking, settlement, and credit scoring processes for local FinTech lenders. Connecting through Credal is intended to ensure easier loan origination, tracking, settlement, and credit scoring for local FinTech lenders.

## Hong Kong's central bank announces new wholesale CBDC project to support tokenization market<sup>12</sup>

The Hong Kong Monetary Authority (HKMA) has initiated Project Ensemble, a wholesale central bank digital currency (wCBDC) project aimed at fostering the development of the tokenization market. The project aims to explore innovative financial market infrastructure (FMI) to facilitate seamless interbank settlement of tokenized money through wCBDC, focusing initially on tokenized deposits.

Hong Kong has been exploring wholesale CBDCs since 2017 and commenced official research on retail payments CBDC in 2021. Despite conducting two rounds of market consultations on issuing a digital Hong Kong dollar (e-HKD), the HKMA has yet to decide on the introduction of an e-HKD, although acknowledging the potential unique value of a retail CBDC in October 2023. Project Ensemble joins the HKMA's existing portfolio of projects in the CBDC space, including Project mBridge, Project Dynamo, and Project Genesis.

At the core of Project Ensemble is a wCBDC Sandbox that the HKMA plans to launch this year for further research and testing of tokenization use cases, including settlement of tokenized real-world assets such as green bonds, carbon credits, aircraft, electric vehicle charging stations, electronic bills of lading, and treasury management.

The project will establish a "wCBDC Architecture Community" comprising stakeholders from public and private entities to establish industry standards. It may lead to the creation of a new financial market infrastructure bridging the gap between tokenized real-world assets and money in transactions. If the wCBDC sandbox attracts sufficient interest from the industry, the HKMA stated that a "live" issuance of the wCBDC could be conducted at an appropriate time.

## Frankfurt to host new EU money laundering watchdog tasked with monitoring crypto<sup>13</sup>

Frankfurt, Germany, has been chosen as the headquarters for the European Union's new Anti-Money Laundering Authority (AMLA), which will have direct oversight over the cryptocurrency sector. Comprising both the authority itself and national authorities from the EU's 27 member states, the Frankfurt-based agency will be responsible for ensuring compliance with all anti-money laundering and counter-terrorist financing obligations established by the bloc. The establishment of AMLA is part of a comprehensive legislative package aimed at combating money laundering and terrorism financing across the EU, aiming to create a unified rulebook for all member states. Additionally, the EU has recently finalized revisions to its transfer of funds rules (TFR) to enable the tracing of cryptocurrency transactions.

<sup>11</sup><https://www.coindesk.com/policy/2024/03/07/nigerias-central-bank-enlists-gluwa-nigeria-to-boost-enaira-systems-adoption/>

<sup>12</sup><https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/03/20240307-5/>

<sup>13</sup><https://www.coindesk.com/policy/2024/02/22/frankfurt-to-host-new-eu-money-laundering-watchdog-tasked-with-monitoring-crypto/>



## Market highlights

- ▶ London Stock Exchange to launch Crypto ETNs
- ▶ Swift sets industry up for seamless introduction of CBDCs
- ▶ HSBC's Gold Token goes live for retail investors in Hong Kong
- ▶ Crypto exchange KuCoin registers with FIU-IND
- ▶ Bitcoin's correlation to Nvidia strongest in over a year
- ▶ Galaxy Digital to introduce exchange-traded products in Europe
- ▶ Citi and Brazilian Development Bank join Hyperledger Foundation
- ▶ BlackRock enters asset tokenization race with new fund on the Ethereum Network

### London Stock Exchange to launch Crypto ETNs<sup>14</sup>

The London Stock Exchange (LSE) is gearing up to launch exchange-traded notes (ETNs) tracking Bitcoin and Ether's performance on 28 May. These crypto ETNs will be available for trading following approval from the Financial Conduct Authority (FCA), with applications opening on 8 April 2024<sup>15</sup>.

Despite widespread investor interest, access to these ETNs will be limited to professional investors, in line with the FCA's regulations on crypto derivatives and ETNs. To secure approval, the ETNs must meet strict criteria, including physical backing, non-leverage, and reliable valuation of the underlying assets. Issuers can submit up to three currency lines for the ETNs, with the standard admission timeline not applicable due to the unique nature of the product.

This move mirrors the U.S. Securities and Exchange Commission's recent approval of spot Bitcoin exchange-traded funds (ETFs), albeit without retail investor participation. It also aligns with the FCA's efforts to strengthen measures against crypto market abuse. This reflects a broader trend towards integrating digital assets into traditional financial systems, supported by regulatory initiatives aimed at fostering a crypto-friendly environment in the UK.

### SWIFT sets industry up for seamless introduction of CBDCs<sup>16</sup>

SWIFT has recently concluded its latest collaborative CBDC sandbox experiments, showcasing significant advancements in the utilization of CBDCs and digital tokens across various domains. This initiative, conducted in partnership with 38 global institutions, represents one of the largest known CBDC experiments to date.

The experiments focused on demonstrating the potential of SWIFT's CBDC interlinking solution across simulated digital trade, tokenized asset and FX networks, and payments. Noteworthy outcomes include:

- ▶ Streamlined trade flows
- ▶ Enhanced liquidity in tokenized securities markets
- ▶ Efficient FX settlement mechanisms
- ▶ Industry Impact

The findings underscore the importance of interoperability in fostering innovation and scalability within the digital finance landscape. SWIFT's commitment to addressing fragmentation and enabling seamless transactions across diverse networks is highlighted through this initiative.

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<sup>14</sup>London Stock Exchange to launch crypto ETNs on May 28 – TradingView News

<sup>15</sup>n0324.pdf (londonstockexchange.com)

<sup>16</sup><https://www.swift.com/news-events/news/new-collaborative-experiments-explore-more-complex-cbdc-use-cases>





Industry leaders such as Deutsche Bank, HSBC, Intesa Sanpaolo, Santander, and CLS have praised the initiative for its role in overcoming fragmentation and fostering collaboration across the industry. Upon concluding this phase, SWIFT intends to broaden its solution to encompass a wider array of emerging digital networks, beyond CBDCs, including platforms for tokenized deposits.

## ○ HSBC's Gold Token goes live for retail investors in Hong Kong<sup>17</sup>

HSBC is making waves as the first bank to introduce a blockchain-based real-world asset tailored for retail investors. Accessible through HSBC Online Banking and the HSBC HK Mobile App, the tokenized gold product marks a significant milestone in the financial world. HSBC Gold Token, minted on the bank's Orion digital assets platform, provides retail investors in Hong Kong with access to tokenized gold, revolutionizing traditional gold investments.

HSBC's move aligns with the growing trend of bringing real-world assets onto blockchains, known as tokenization. In partnership with Metaco, a Swiss-based crypto safe-keeping specialist, HSBC unveiled plans for a tokenized gold offering last November as part of its digital asset custody platform. Initially launched for institutional trades, the tokenized gold is now available to retail investors in Hong Kong. This expansion follows regulatory approval from Hong Kong's Securities and Futures Commission (SFC), signaling the bank's commitment to meeting the evolving demands of its clientele.

Maggie Ng, General Manager and Head of Wealth and Personal Banking Hong Kong at HSBC, highlighted the increasing interest in digital assets and the familiarity of customers with gold investments.

HSBC's foray into tokenized gold adds to the growing list of similar initiatives worldwide. While crypto firms have dominated the tokenized gold market, with Tether and Paxos Trust leading the way, HSBC's entry into retail-focused tokenization is a significant development. Other global players, including Russian state-controlled bank Sber and Turkey's Takasbank, have also ventured into tokenized gold. However, HSBC's offering stands out as one of the largest and most accessible to retail investors. In a landscape dotted with both successful and abandoned gold token initiatives, HSBC's move underscores the bank's commitment to innovation and meeting the evolving needs of investors in an increasingly digital world.

## ○ Crypto exchange KuCoin registers with FIU-IND<sup>18</sup>

KuCoin, an offshore crypto exchange, announced on 23 March that it is now compliant with India's Financial Intelligence Unit (FIU-IND) regulations. This announcement follows months of scrutiny and a show-cause notice for non-compliance with local anti-money laundering laws. In contrast, OKX, another global exchange, recently revealed its decision to halt services for Indian users from 30 April due to regulatory challenges in the country.

KuCoin's compliance makes it the first among these exchanges to register in India. Previously, nine offshore exchanges, including KuCoin, Binance, and OKX, were found to be non-compliant with FIU-IND regulations and the Prevention of Money Laundering Act (PMLA) in December 2023. Consequently, the Indian government ordered the blocking of their URLs and the removal of their apps from major app stores.

In response to achieving compliance, KuCoin plans to establish a localized team to cater to the specific needs of Indian investors and users. The exchange aims to collaborate with local banks and fiat partners to provide tailored payment solutions. Additionally, KuCoin intends to make strategic investments in India to support blockchain projects and educate the public on blockchain technology and Web 3 .

Johnny Lyu, CEO of KuCoin, emphasized the importance of user asset security and reaffirmed the exchange's commitment to compliance and security. He expressed eagerness to support local innovation and build enduring educational partnerships to contribute significantly to India's blockchain ecosystem.

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<sup>17</sup>HSBC's Gold Token Goes Live for Retail Investors in Hong Kong (coindesk.com)

<sup>18</sup>Crypto exchange KuCoin registers with FIU-IND, months after its URL was blocked (moneycontrol.com)



## Bitcoin's correlation to Nvidia strongest in over a year<sup>19</sup>

Bitcoin (BTC) continues to closely track Nvidia (NVDA) shares, leading some analysts to question the significant rise in the Nasdaq-listed chipmaker's valuations. Over the past five years, Bitcoin's market capitalization has surged from US\$70 billion to US\$1.43 trillion, mirroring Nvidia's market value, which has soared from around US\$100 billion to over US\$2 trillion. The increased demand for Nvidia processors, particularly from ChatGPT and other generative artificial intelligence (AI) projects, has been a key driver behind the chipmaker's valuation surge.

The 90-day correlation coefficient between Bitcoin and Nvidia has reached 0.86, marking the highest level since May 2023, with a positive shift observed since November. The 52-week correlation has remained consistently positive since July 2020 and currently stands at 0.88, the highest since January 2023. A coefficient exceeding 0.80 suggests a strong correlation between Bitcoin and NVDA, indicating that they tend to move in the same direction.

## Galaxy Digital to introduce exchange-traded products in Europe<sup>20</sup>

Galaxy Digital (GLXY), led by Michael Novogratz, will soon launch cryptocurrency exchange-traded products (ETPs) in Europe. Last April, Galaxy Digital joined forces with asset manager DWS to create ETPs aimed at providing Europeans with access to digital asset investments through conventional brokerage accounts. ETPs encompass various investment products traded on exchanges, including exchange-traded funds (ETFs) and exchange-traded notes (ETNs), which the UK's Financial Conduct Authority (FCA) recently signaled openness to approving, albeit restricted to institutional investors.

## Citi and Brazilian Development Bank join Hyperledger Foundation<sup>21</sup>

Citi and the Brazilian Development Bank (BNDES) have recently joined the Hyperledger Foundation, aiming to collaborate on advancing enterprise-grade services and solutions utilizing blockchain technology. Enterprise blockchains, characterized by permissioned access, restrict entry solely to the verified users, distinguishing them from public blockchains.

The Hyperledger Foundation, serving as a global ecosystem for enterprise blockchain technology, boasts 134 supporting members, including industry giants such as IBM and American Express. These members are actively engaged in developing products and solutions based on Hyperledger's code bases.

Furthermore, the foundation has introduced the Besu Financial Services Working Group, a collaborative initiative focused on serving enterprise users and code contributors utilizing Hyperledger's Besu platform. Besu, an open-source Ethereum client tailored for enterprise applications across both public and private network scenarios, enables users to interact with the Ethereum blockchain.

Among the participants in this working group are Accenture, Mastercard, Santander, and Visa. Chaired by the Depository Trust and Clearing Corporation (DTCC), another member of the Hyperledger Foundation, the group seeks to drive collaborative efforts towards enhancing blockchain solutions within the financial services sector.

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<sup>19</sup><https://www.coindesk.com/markets/2024/03/15/bitcoins-correlation-to-nvidia-strongest-in-over-a-year/>

<sup>20</sup><https://www.cryptotimes.io/2024/03/19/galaxy-digital-to-launch-european-crypto-etps-with-dws/>

<sup>21</sup><https://www.prnewswire.com/news-releases/hyperledger-foundation-adds-citi-and-brazilian-development-bank-as-new-members-launches-financial-services-working-group-to-support-rapid-industry-adoption-of-hyperledger-besu-302092072.html>



## BlackRock enters asset tokenization race with new fund on the Ethereum Network<sup>22</sup>

BlackRock (BLK) has officially introduced its tokenized asset fund on the Ethereum network. Named the BlackRock USD Institutional Digital Liquidity Fund, it is represented by the blockchain-based BUIDL token. The fund is fully backed by cash, U.S. Treasury bills, and repurchase agreements, and it will distribute yield to token holders daily via blockchain rails. Securitize will serve as the transfer agent and tokenization platform, while BNY Mellon has been appointed as the custodian of the fund's assets, according to BlackRock. Anchorage Digital Bank NA, BitGo, Coinbase, and Fireblocks are also key participants in the fund's ecosystem. Additionally, BlackRock has made a "strategic investment" in Securitize, although the specific terms of the agreement are not disclosed.

The announcement followed a regulatory filing disclosing that BlackRock had established a fund with Securitize, prompting speculation about a tokenized fund. BlackRock joins a growing list of traditional finance giants, including Citi, Franklin Templeton, and JP Morgan, that have made strides in the field of tokenization. Tokenization of real-world assets (RWA), which involves creating blockchain-based tokens representing traditional investments such as bonds and funds, is emerging as a rapidly growing use case for blockchains. This trend reflects the increasing convergence between digital assets and traditional finance (TradFi).

### Decentralized finance (DeFi) highlights

DeFi borrower behavior key to gauging tokenization risks: BIS Study

Lithuania-licensed crypto bank meld to offer tokenized RWAs to retail investors

Orange Domains seeks to broaden the capabilities of the Bitcoin Name System

XRPL blockchain plugs into cross-chain DeFi

Retik Finance releases DeFi debit cards ahead of schedule

## DeFi borrower behavior key to gauging tokenization risks: BIS Study<sup>23</sup>

A study conducted by the Bank for International Settlements (BIS) highlights the significance of borrower behaviors within the decentralized finance (DeFi) space and its impact on tokenized asset platforms. As financial institutions globally delve into tokenizing traditional assets like bonds and securities, insights from DeFi lending platforms become crucial in understanding the associated risks and potential disruption to conventional finance.

The study reveals that DeFi borrowers tend to exhibit cautious behavior due to the risk of substantial losses during automatic liquidation, wherein collateral is sold off if positions become too risky. Consequently, borrowers typically avoid excessive leveraging and maintain a conservative approach with a substantial buffer. Moreover, the study notes that past returns influence users to deposit more into DeFi platforms.

Authors Lioba Heimbach and Wenqian Huang claim to be the first to document individual DeFi wallets' leverage, emphasizing the relevance of their findings in assessing financial stability concerns arising from DeFi. Utilizing data from the Ethereum blockchain, the study focuses on lending resilience and strategic substitution behavior during the period between January 2021 and March 2023.

The study underscores the importance of investigating user behavior and pool dynamics within DeFi lending, given that DeFi protocols have facilitated collateralized borrowing on a significant economic scale, with deposits surpassing US\$35 billion and outstanding debt reaching over US\$25 billion at its peak.

<sup>22</sup><https://www.businesswire.com/news/home/20240320771318/en/>

<sup>23</sup><https://www.bis.org/publ/work1171.pdf>



## Lithuania-licensed crypto bank meld to offer tokenized RWAs to retail investors<sup>24</sup>

Meld, a bank known for its crypto-friendly approach, is gearing up to introduce lending and borrowing services backed by tokenized real-world assets (RWAs) for retail investors. This move is anticipated to enable investors to increase their exposure to bitcoin and other cryptocurrencies.

In collaboration with the layer-1 blockchain, also named Meld, the bank has inked a memorandum of understanding with Swarm Markets, a decentralized finance (DeFi) platform. Swarm Markets, licensed by Germany's financial regulator BaFin, initiated a permissionless RWA trading platform in December. Meld plans to leverage Swarm's platform to facilitate on-chain lending and borrowing for these assets, thereby offering retail investors cross-asset margining opportunities not currently available through traditional channels.

The spokesperson from Swarm noted the potential of this partnership, particularly highlighting the ability for investors to leverage their stocks to invest more heavily in bitcoin, especially during bullish market phases. With Meld obtaining its virtual asset service provider (VASP) license in Lithuania, the path is cleared for easier acquisition of similar licenses in other European Union member states under the Market in Crypto Assets (MiCA) regulation. Tokenized RWAs involve the representation of traditional asset classes such as stocks, bonds, and real estate on blockchains, and are expected to become a multitrillion-dollar sector within certain segments of the crypto industry.

## Orange Domains seeks to broaden the capabilities of the Bitcoin Name System<sup>25</sup>

Trust Machines, a Bitcoin infrastructure development firm, has unveiled a new venture called Orange Domains. The objective of Orange Domains is to enhance the capabilities of the Bitcoin Name System (BNS) by integrating decentralized applications and establishing stronger connections between the traditional Domain Name System (DNS) and Web3 digital identity. In today's internet powered by DNS, there is a lack of direct integration with modern blockchains. Orange Domains seeks to address this by establishing direct connectivity between traditional DNS addresses and Bitcoin-based BNS addresses.

The upcoming Web3 domains will be tokenized as nonfungible tokens, granting users ownership of their corresponding domains. This ownership enables users to perform various actions, such as website creation, email sending, smart contract deployment, and financial management, all from a single blockchain-based domain. Orange Domains plans to expand the capabilities of the BNS namespace, which is constructed on Stacks, a leading Bitcoin layer-2 network featuring smart contract functionality. Currently, users can purchase Bitcoin Web3 identities on BNS, with registration being finalized directly on the Bitcoin network.

## XRPL blockchain plugs into cross-chain DeFi<sup>26</sup>

Ripple, in close collaboration with the XRP Ledger blockchain community, has spearheaded the development of an automated market maker (AMM) protocol, enriching the XRPL ecosystem with robust decentralized finance (DeFi) capabilities. The recently unveiled XLS-30 AMM protocol, a product of Ripple's partnership with the XRPL community, promises to bolster the DeFi functionalities within the XRPL ecosystem while facilitating cross-chain DeFi applications across 50 different blockchains.

Notably, XRPL's existing decentralized exchange (DEX) has traditionally relied on conventional order book mechanisms, lacking some of the advanced features prevalent in newer DeFi protocols. However, Ripple's introduction of the AMM marks a significant step towards enhancing DeFi offerings on the XRPL blockchain.

According to Ripple, the AMM represents a foundational element for future DeFi innovations on XRPL. Moreover, integration with cross-chain messaging services like Axelar is expected to enhance the interoperability and utility of DeFi solutions built on the XRPL blockchain.

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<sup>24</sup><https://www.coindesk.com/business/2024/03/20/lithuania-licensed-crypto-bank-meld-to-offer-tokenized-rwas-to-retail-investors/>

<sup>25</sup>Orange Domains aims to expand Bitcoin Name System functionality (cointelegraph.com)

<sup>26</sup>XRPL blockchain plugs into cross-chain DeFi (cointelegraph.com)



The development of the AMM protocol has been underway since June 2022, as highlighted by Ripple's Chief Technology Officer and XRPL co-founder David Schwartz. By seamlessly integrating the AMM with existing order book mechanisms, traders stand to benefit from improved price discovery, while liquidity providers can capitalize on enhanced yield opportunities. While the AMM does not currently feature built-in compliance functionalities, Ripple envisions its utility for a broad spectrum of users, from retail traders to institutional players.

Looking ahead, Ripple and XRPL are exploring the incorporation of on-chain regulatory compliance features to further bolster institutional adoption of the protocol. Additionally, Ripple anticipates that cross-chain messaging protocols will play a pivotal role in attracting capital, developers, and traders from diverse blockchain ecosystems.

## Retik Finance releases DeFi debit cards ahead of schedule<sup>27</sup>

Retik Finance (RETIK) has unveiled beta versions of its virtual DeFi debit cards, launched a year ahead of schedule. These cards empower users with direct control over their cryptocurrency assets, bypassing traditional banking systems. The DeFi debit cards bridge the gap between traditional and digital finance, utilizing cutting-edge Web 3.0 wallet technology. Users can conduct seamless global transactions, free from the constraints of conventional banking.

Retik Wallet consolidates decentralized exchanges (DEXs) into a single, secure platform. Offering access to diverse liquidity sources, users can engage in various DeFi activities, from swapping to borrowing, within a safe environment.

Retik Pay, a crypto payment processor, facilitates cost-effective and secure transactions for e-commerce businesses. Leveraging blockchain technology, it ensures lower fees and enhanced security. In addition to traditional DeFi services, Retik Finance offers AI-powered lending and innovative trading features. These cater to the diverse needs of traders and investors, providing advanced tools and resources.

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<sup>27</sup>Retik Finance (RETIK) Dominates Headlines With Virtual DeFi Debit Cards Launch, Meme Coins Dogecoin (DOGE) And Shiba Inu (SHIB) Struggle To Keep Up (ndtv.com)



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Glossary:

HKMA	The Hong Kong Monetary Authority	SWIFT's	Society for Worldwide Interbank Financial Telecommunication
WCBDC	Wholesale Central Bank Digital Currency	CBDCs	Central Bank Digital Currencies
VAT	Value-Added Tax	SFC	Hong Kong's Securities and Futures Commission
LPs	Limited Partnerships	FIU-IND	India's Financial Intelligence Unit
FSC	Financial Services Commission	PMLA	Prevention of Money Laundering Act
VASPs	Virtual Asset Service Providers	NVDA	Nvidia shares
VAIMS	Virtual Asset Integrated Management System	GLXY	Galaxy Digital
FSTB	Financial Services and the Treasury Bureau	BNDES	Citi and the Brazilian Development Bank
NFT	Non-Fungible Token	BLK	BlackRock
USPTO	United States Patent and Trademark Office	TradFi	Traditional Finance
APIs	Application Programming Interfaces	BIS	Bank for International Settlements
e-HKD	Digital Hong Kong Dollar	RWAs	Real-world assets
AMLA	Anti-Money Laundering Authority	Defi	Decentralized Finance
TFR	Transfer of Funds Rules	DNS	Domain Name System
EU	European Union	AMM	Automated Market Maker
LSE	London Stock Exchange	DEX	Decentralized Exchange
ETNs	Exchange-traded notes	RETIK	Retik Finance
FCA	Financial Conduct Authority		
ETFs	Exchange-traded funds		



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