

Crypto Insights

A crypto assets
Newsletter

December 2023



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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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- ▶ UK Government publishes final proposals to Crypto, fiat-backed stablecoins regulation
- ▶ US Treasury Department and IRS proposed regulations on Sales and Exchanges of Digital Assets by brokers

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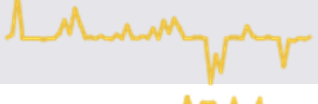






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- ▶ Blockchain start-up Kinto plans first KYC Ethereum Layer-2 network



Cryptocurrency prices by Market Cap*

Name	Price (US\$)	Market Cap (US\$)	Circulation Supply	60 Day Chart	60d return
Bitcoin (BTC)	\$37988.88	\$742,986,498,863	19,556,700 BTC		40.48%
Ethereum (ETH)	\$2,037.02	\$244,931,402,77	120,240,236 ETH		21.60%
Tether (USDT)	\$1.00	\$89,295,289,499	89,281,726,625 USDT		0.00%
USD Coin (USDC)	\$0.9999	\$24,443,043,872	24,443,643,806 USDC		0.01%
BNB (BNB)	\$228.70	\$34,693,164,152	151,698,890 BNB		6.20%
XRP (XRP)	\$0.6081	\$32,770,549,559	53,888,618,445 XRP		17.71%
BinanceUS D (BUSD)	\$0.1034	\$9,165,727,019	88,545,566,699 TRX		17.04%
Cardano (ADA)	\$0.3792	\$13,387,743,822	35,303,061,127 ADA		49.07%
Solana (SOL)	\$60.36	\$25,588,965,265	423,954,503 SOL		184.04%
Dogecoin (DOGE)	\$0.08173	\$11,605,988,286	142,037,276,384 DOGE		31.42%

*As of 30 November 2023

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

Regulatory highlights

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IMF and FSB publish synthesis paper on policies for crypto-assets¹

The FSB and IMF have collaboratively released a comprehensive paper outlining policy and regulatory measures in response to crypto-assets. This report delves into the macroeconomic and financial stability concerns linked to crypto-assets and builds upon prior FSB publications, including the Global Regulatory Framework for crypto-asset activities. Included in the report is a roadmap detailing the implementation of recommendations from both the FSB and the IMF. It also suggests that emerging markets and developing economies might consider implementing additional targeted measures to address specific risks in the realm of crypto-assets.

G20 unveils unified vision for Global Crypto Asset Regulation: leaders and finance ministers endorse comprehensive Roadmap^{2,3}

In a series of pivotal meetings, the G20 leaders, and Finance Ministers and Central Bank Governors (FMCBG), have solidified their commitment to a coordinated and comprehensive approach to the regulation and oversight of crypto assets.

During the New Delhi Leaders' Summit on September 9-10, 2023, leaders endorsed the Financial Stability Board's (FSB) high-level recommendations for crypto-assets and stablecoin arrangements. They welcomed the IMF-FSB Synthesis Paper, featuring a roadmap for a global policy framework. Emphasizing the need for consistency, leaders expressed their support for the comprehensive policy framework, considering risks specific to emerging markets and developing economies (EMDEs), and ongoing implementation of Financial Action Task Force (FATF) standards.

Fast forward to the 4th and Final FMCBG held in Marrakesh, Morocco, on October 12-13, 2023, where Finance Ministers and Central Bank Governors adopted the G20 Roadmap on Crypto Assets proposed in the Synthesis Paper. This detailed and action-oriented roadmap is deemed essential for achieving common goals related to macroeconomic and financial stability. The leaders and officials called for swift and coordinated implementation, including policy frameworks, outreach beyond G20 jurisdictions, global coordination, cooperation, information sharing, and addressing data gaps.

To ensure accountability, the IMF and FSB have been tasked with providing regular and structured updates on the progress of G20 Roadmap implementation. This unified approach reflects the G20's determination to create a secure and regulated environment for crypto assets globally, promoting collaboration and coordination to address the multifaceted challenges of this dynamic financial landscape.

Singapore Central Bank to start live Wholesale CBDC Trials⁴

The Monetary Authority of Singapore (MAS) announced to a live central bank digital currency (CBDC) for wholesale settlement. The MAS said that the plan is part of a broader set of initiatives aimed at expanding trials of asset tokenization and setting up the infrastructure for a digital Singapore dollar.

MAS's Orchid Blueprint⁵ outlines the technological framework essential for future digital money transfers. To assess various components, MAS will conduct four trials involving industry participants. The first trial, focusing on tokenized bank liabilities for retail payments, is scheduled to take place at the ongoing Singapore FinTech Festival 2023.

In its initial wholesale CBDC pilot, MAS aims to facilitate retail payments settlement among commercial banks. Subsequent tests may explore the possibilities of cross-border settlements. Singapore has already been actively exploring CBDCs for wholesale applications, aligning with global trends where countries are encouraged by international organizations to develop legislation and infrastructure for issuing digital versions of their fiat currencies to keep pace with advancements in payment technology.

¹IMF-FSB Synthesis Paper: Policies for Crypto-Assets

²New Delhi Leaders' Declaration Final Adoption (g20.org)

³Final_G20_FMCBG_October_2023_Communique.pdf

⁴<https://www.coindesk.com/policy/2023/11/16/singapore-central-bank-to-start-live-wholesale-cbdc-trials/>

⁵<https://www.mas.gov.sg/-/media/mas-media-library/development/fintech/project-orchid/orchid-blueprint-final.pdf>



International deal to combat crypto tax evasion to start in 2027

A group of 48 countries, including the United Kingdom, Singapore, and Luxembourg, have committed to implementing a new tax-transparency standard for cryptocurrency exchanges starting in 2027. The new standard, known as the Crypto-Asset Reporting Framework (CARF), will require these exchanges to automatically share information with tax authorities in order to combat tax evasion.

The CARF was finalized by the Organisation for Economic Co-operation and Development (OECD)⁶ in June⁷, and it builds on the organization's existing Common Reporting Standard (CRS). The CRS is an information standard that requires financial institutions to automatically exchange information about financial accounts with tax authorities. The United Kingdom has announced the first-of-its-kind global commitment to combat offshore crypto tax evasion. This means that cryptocurrency platforms will be required to start sharing taxpayer information with tax authorities, which they currently do not do. This will help ensure that tax authorities are able to exchange information and enforce tax compliance⁸.

The 2027 deadline for implementation of the CARF also applies to updates to the CRS. This means that countries that have already implemented the CRS will need to update their laws to comply with the new standard. The CARF is a significant step forward in the fight against tax evasion on cryptocurrency exchanges. It is estimated that cryptocurrency exchanges generate billions of dollars in revenue each year, and a significant portion of this revenue is not reported to tax authorities. The CARF will help to close this gap by ensuring that tax authorities have the information they need to identify and prosecute tax evaders.

Several countries with a large interest in cryptocurrency, such as Turkey, India, China, Russia, and all African countries, are not signatories to the statement. This suggests that these countries may not be willing to implement the CARF, which could create loopholes that tax evaders could exploit.

FCA and Bank of England publish proposals for regulating stablecoins⁹

The government plans to propose legislation on fiat-backed stablecoins by early 2024. The UK government published its final rules for the crypto ecosystem, saying it plans a phased introduction of regulation, with legislation for fiat-backed stablecoins being introduced early next year¹⁰.

Other crypto areas, such as algorithmic stablecoins, will follow as the government brings activities like lending and trading into the fold of conventional financial regulation. These rules will bring relevant activities under the purview of the Financial Conduct Authority (FCA).

The FCA will soon consult on an authorization regime for crypto companies, the document said. And the government also plans on formulating equivalence measures for overseas firms: An overseas-regulated trading venue could apply to authorize its UK branch, the government proposed, but it will be up to the FCA to determine what this looks like.

The government also said it does not intend to ban decentralized finance (DeFi), pointing out it's premature to regulate that aspect of the industry.

Further documents published by the government set out that issuance or custody of stablecoins backed by fiat currency will become regulated under existing 2001 rules designed for financial services, with further rules to ensure that any digital payment system can safely fail without bringing down the financial system. The central bank first launched its consultation on a regime for systemic stablecoins in May.

⁶<https://www.regulationasia.com/countries-to-start-sharing-tax-information-on-crypto-by-2027/#:~:text=Forty%2Deight%20countries%20and%20jurisdictions,to%20crypto%2Dassets%20by%202027.>

⁷<https://www.oecd.org/tax/exchange-of-tax-information/crypto-asset-reporting-framework-and-amendments-to-the-common-reporting-standard.htm>

⁸<https://www.gov.uk/government/publications/international-joint-statement-on-the-crypto-asset-reporting-framework>

⁹<https://www.bankofengland.co.uk/news/2023/november/fca-and-bank-of-england-publish-proposals-for-regulating-stablecoins>

¹⁰<https://www.bankofengland.co.uk/paper/2023/cross-authority-roadmap-on-innovation-in-payments>



The BOE's plans focus on stablecoins pegged to the value of the British pound because the central bank considers these to be likely to be used widely for payments. Among other things, the central bank is considering limits on individual stablecoin holdings. The PRA expects lenders in the country to mitigate risks "of contagion," it said in the letter, which clarified that the protections available to traditional deposit takers differ from those available for stablecoin users. "Contagion risks will be lower for stablecoins used in systemic payment systems regulated by the Bank, than for e-money or other regulated stablecoins captured by the FCA's regime," the letter said.

Meanwhile, the FCA said issuers will need to seek authorization to circulate fiat-backed stablecoins in or from the UK. It wants stablecoins to be backed by "appropriate" assets to equal the value in circulation. It also wants issuers to make sure that the crypto can be easily redeemed for fiat currencies regardless of technical or liquidity issues.

UK Government publishes final proposals to Crypto, fiat-backed stablecoins regulation¹¹

The Future Financial Services Regulatory Regime for Crypto-assets outlines the government's plans to introduce a phased approach to regulating crypto-assets. The report sets out the government's vision for the UK to become a global hub for crypto-assets, and the steps that will be taken to achieve this.

The first phase of the government's plans will focus on regulating fiat-backed stablecoins. These are crypto-assets that are pegged to a fiat currency, such as the UK pound or the US dollar. The government believes that fiat-backed stablecoins have the potential to become a widely used form of payment, and that it is important to regulate them in order to protect consumers and businesses.

The government will also introduce a new regulatory regime for crypto-asset exchanges and custodians. This will include requirements for these businesses to be authorized by the Financial Conduct Authority (FCA), and to comply with anti-money laundering and counter-terrorism financing (AML/CTF) regulations.

In addition, the government will establish a new Financial Markets Infrastructure Sandbox (FMIS) to support innovation in crypto-assets. The FMIS will allow businesses to test new cryptoasset products and services in a controlled environment before they are rolled out to the wider market.

The government's plans for regulating crypto-assets have been welcomed by some industry stakeholders, but others have expressed concerns about the potential for regulatory overreach. The government has said that it will continue to consult with industry stakeholders as it develops its plans.

The publication of the Future Financial Services Regulatory Regime for crypto-assets is a significant step forward in the development of the UK's crypto-asset regulatory framework. It is likely to have a major impact on the way that crypto-assets are used and traded in the UK.

Here are some key takeaways from the report:

- ▶ The government is committed to promoting innovation in crypto-assets.
- ▶ The government believes that fiat-backed stablecoins have the potential to become a widely used form of payment.
- ▶ The government will introduce a new regulatory regime for crypto-asset exchanges and custodians.
- ▶ The government will establish a new Financial Markets Infrastructure Sandbox (FMIS) to support innovation in crypto-assets.

US Treasury Department and IRS proposed regulations on sales and exchanges of digital assets by brokers¹²

Proposed regulations have been established regarding the information reporting, the determination of amount realized and basis, and backup withholding of certain digital asset sales and exchanges. These regulations, based on existing authority and recent changes to tax law, mandate that brokers, including digital asset trading platforms, payment processors, and certain hosted wallets, file information returns and provide payee statements for customer transactions involving digital assets.

Additionally, real estate reporting persons, considered brokers for reportable real estate transactions, must include the fair market value of any digital asset consideration received by sellers in their filed information returns and furnish payee statements. Moreover, these real estate reporting persons must file information returns and furnish payee statements for real estate purchasers using digital assets to acquire property.

¹¹https://assets.publishing.service.gov.uk/media/653bd1a180884d0013f71cca/Future_financial_services_regulatory_regime_for_cryptoassets_RESPONSE.

¹²Federal Register: Gross Proceeds and Basis Reporting by Brokers and Determination of Amount Realized and Basis for Digital Asset Transactions



Market highlights

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- ▶ Binance and MUTB collaborated to issue stablecoin in Japan
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- ▶ Chainalysis releases 2023 Geography of Cryptocurrency Report: India tops the Global Crypto Adoption Index

JPMorgan goes Live with first blockchain-based collateral settlement¹³

JPMorgan has executed its first live blockchain-based collateral settlement transaction, involving prominent financial institutions such as BlackRock and Barclays. The transaction utilized JPMorgan's Ethereum-based Onyx blockchain and the Tokenized Collateral Network (TCN). BlackRock employed the TCN to tokenize shares from one of its money market funds, which were subsequently transferred to Barclays for use as collateral in an over-the-counter (OTC) derivatives trade.

This marks a significant milestone in the tokenization of traditional financial assets, a domain where JPMorgan has been a pioneering force. Notably, other major players like Citi have also entered this arena. The entire tokenization process took only a few minutes, facilitated by seamless connectivity between the fund's Transfer Agent and TCN. The near-instantaneous transfer between BlackRock and Barclays is unprecedented for both BlackRock and the collaborating banks, as it involves the use of money market fund (MMF) shares as collateral in bilateral derivatives transactions.

Onyx Digital Assets, a platform by JPMorgan, already allows clients to access intraday liquidity through repurchase (repo) transactions. With the introduction of TCN, clients can now derive additional value from their MMF investments by posting tokenized MMF shares as collateral. This approach offers a swifter and more cost-effective means of fulfilling margin requirements.

The tokenization of MMF shares as collateral in clearing and margining transactions holds the potential to significantly reduce operational challenges in meeting margin calls, especially during periods of heightened margin pressures in specific market segments.

Binance and MUTB collaborated to issue stablecoin in Japan¹⁴

Cryptocurrency exchange Binance and Japanese financial giant Mitsubishi UFJ Trust and Banking Corporation (MUTB) are collaborating to explore the issuance of stablecoins in Japan¹⁵. The two companies are conducting a joint study to assess the feasibility of launching stablecoins linked to sovereign currencies like the yen, adhering to local regulations. Their ultimate objective is to promote the adoption of Web3 technologies in the country. The study aims to develop new stablecoins that will expedite the widespread adoption of Web3 in Japan. The companies anticipate initiating relevant operations by the end of 2023. While the study does not guarantee the issuance of stablecoins, Binance Japan must first obtain the necessary regulatory approvals before proceeding. However, Japan's favorable stance towards Web3 and its newly implemented stablecoin regulations may pave the way for such a project.

The involvement of MUTB, a prominent traditional finance (TradFi) institution, lends credibility to the initiative. MUTB leads a consortium of banks and trust banks planning to issue stablecoins on private and public blockchains through a compliant platform called Progmatic Coin, which Binance Japan also intends to utilize.

¹³https://www.bloomberg.com/news/articles/2023-10-11/jpmorgan-jpm-launches-blockchain-settlement-in-blackrock-barclays-trade?utm_source=website&utm_medium=share&utm_campaign=linkedin#xj4y7vzkg

¹⁴<https://www.coindesk.com/policy/2023/09/26/why-binance-and-banking-giant-mufg-want-to-issue-stablecoins-in-japan/#>

¹⁵https://www.tr.mufg.jp/english/pressreleases/pdf/20230926_1.pdf



This platform aligns with Japan's new stablecoin regulations, which were enacted in June and allows Japanese exchanges to apply for special licenses to trade stablecoins, including those issued overseas, such as Tether (USDT) and USD Coin (USDC). USDC issuer Circle has expressed interest in leveraging the new regulations to introduce its stablecoin to the Japanese market.

Unlike the European Union and the United Kingdom, which have adopted stricter regulatory approaches towards stablecoins, particularly following the de-pegging of TerraUSD from the U.S. dollar last year, Japan has embraced Web3 and stablecoins. In April, the country published a roadmap to foster Web3 growth and pledged enhanced oversight to safeguard consumer protection.

MUTB asserts that its Progmatt platform can effectively mitigate the risks associated with stablecoins, which are a concern for regulators.

Europe's First Spot Bitcoin ETF lists in Amsterdam¹⁶

London-based Jacobi Asset Management has listed Europe's first spot bitcoin exchange-traded fund (ETF) on Euronext Amsterdam nearly two years after it was approved. This innovative ETF, known as the Jacobi FT Wilshire Bitcoin ETF, distinguishes itself as the first digital asset fund to comply with SFDR Article 8 through its unique decarbonization strategy.

The Jacobi FT Wilshire Bitcoin ETF, regulated by the Guernsey Financial Services Commission (GFSC), will trade under the ticker symbol "BCOIN." Its custody will be handled by Fidelity Digital Assets, while Flow Traders, a prominent trading firm, will function as its market maker.

Exchange-traded notes (ETNs), often referred to as exchange-traded products (ETPs), are prevalent investment vehicles in Europe. However, Jacobi's offering stands out as the first true spot bitcoin ETF on the continent. ETF shareholders hold a portion of the fund's underlying shares, while ETN investors own a debt security. Notably, Jacobi's ETF is structured to prohibit leveraging and the use of derivatives, unlike ETNs.

Jacobi has implemented a verifiable built-in Renewable Energy Certificate (REC) solution, enabling institutional investors to reap the benefits of Bitcoin while simultaneously adhering to ESG principles. The Jacobi FT Wilshire Bitcoin ETF presents an ESG-aligned digital asset solution that allows environmentally conscious ETF investors to incorporate Bitcoin into their investment portfolios while independently verifying environmental claims¹⁷.

Unlike carbon offsetting products, Jacobi's solution quantifies the electricity consumption associated with the ETF's Bitcoin holdings and purchases equivalent RECs, the standardized instrument for acquiring clean energy. This approach provides digital proof of RECs, transparently recorded on a blockchain.

Deutsche Bank and Standard Chartered test swift killer for stablecoins and CBDCs¹⁸

In a collaborative effort, Deutsche Bank and Standard Chartered's SC Ventures are testing a novel system designed to facilitate communication between blockchain-based transactions, stablecoins, and central bank digital currencies (CBDCs). This initiative draws inspiration from the SWIFT messaging layer utilized in conventional banking infrastructure.

The banks are conducting a series of test cases on the Universal Digital Payments Network (UDPN), a permissioned blockchain system made up of validator nodes operated by a consortium of banks, financial institutions, and consultancies. These test cases involve activities such as transferring and exchanging USDC stablecoins.

Developed by tech consultancy GFT Group and Red Date Technology, a co-founder of the Chinese Blockchain-Based Service Network (BSN), the UDPN system enables and instructs transactions across a diverse range of networks, encompassing both CBDCs and stablecoins on public blockchains.

UDPN acts both as an interoperability bridge between various types of blockchain networks while also applying battle-tested decentralized digital identity standards (DIDs) to participants, allowing for a bank-friendly and regulated environment. The UDPN currently comprises about 25 organizations, including banks from the U.S., Australia, Latin America and Europe, running around ten proof-of-concept tests in parallel.

¹⁶<https://www.coindesk.com/business/2023/08/15/europes-first-spot-bitcoin-etf-lists-in-amsterdam/>

¹⁷<https://www.businesswire.com/news/home/20230815404630/en>

¹⁸<https://www.coindesk.com/business/2023/10/26/deutsche-bank-and-standard-chartered-ventures-test-swift-killer-for-stablecoins-and-cbdc/>



Chainalysis releases 2023 Geography of Cryptocurrency Report: India tops the Global Crypto Adoption Index¹⁹

Chainalysis unveiled their fourth annual Global Crypto Adoption Index as an excerpt to their 2023 Geography report. The index is designed to identify countries where most people are putting the greatest share of their wealth into Cryptocurrency. The Global Crypto Adoption Index is made up of five sub-indexes. Each of those sub-indexes is based on countries' usage of different types of cryptocurrency services. According to the report, global adoption for crypto is down, but not in one crucial subset of the world. More specifically, the segment of countries where grassroots adoption has seen much stronger recovery than anywhere else was lower middle-income countries.

Decentralized Finance (Defi) Highlights

Central banks test WholeSale CBDC for cross border using Defi



IOSCO publishes consultation report on policy recommendations for Defi



Ethereum Layer 2 networks hit \$13billion TVL



Blockchain startup Kinto plans first KYC Ethereum Layer-2 network

Central banks test WholeSale CBDC for cross border using Defi²⁰

A collaboration between the Bank for International Settlements (BIS) and central banks in France, Singapore, and Switzerland has successfully tested cross-border trading of wholesale central bank digital currencies (wCBDCs).

Project Mariana, the proof-of-concept behind this initiative, employed hypothetical euro, Singapore dollar, and Swiss franc wCBDCs in simulated transactions between financial institutions. The project utilized "a common token standard on a public blockchain," fostering interoperability and enabling seamless wCBDC exchange across diverse local payment and settlement systems maintained by participating central banks.

As more nations, including those in Europe and Asia, explore issuing wholesale CBDCs to facilitate interbank transfer settlements, Project Mariana sought to envision how foreign exchange settlement might operate in a CBDC-enabled global financial landscape. It pioneered the application of novel technology in interbank foreign exchange markets, demonstrating the feasibility of cross-border wholesale CBDC exchange using innovative concepts like automated market makers (AMMs). Additionally, the project employed smart contracts to empower central banks to manage their wCBDCs without directly operating or controlling the underlying platform.

IOSCO publishes a consultation report on policy recommendations for Defi²¹

The International Organization of Securities Commissions (IOSCO) has released a consultation report outlining policy recommendations to address market integrity and investor protection concerns in the decentralized finance (DeFi) space. This report follows an initial IOSCO report on DeFi published in March 2022.

The consultation report covers a wide range of topics, including an overview of common DeFi products and services, recent developments and trends, DeFi exploits, attacks, and illicit uses, data gaps and challenges, and key risks and considerations.

¹⁹Chainalysis: The 2023 Global Crypto Adoption Index

²⁰Project Mariana: cross-border exchange of wholesale CBDCs using automated market-makers (bis.org)

²¹CR04/2023 Policy Recommendations for Decentralized Finance (DeFi) (iosco.org)



The International Organization of Securities Commissions (IOSCO) has released a consultation report outlining policy recommendations to address market integrity and investor protection concerns in the decentralized finance (DeFi) space. This report follows an initial IOSCO report on DeFi published in March 2022.

The consultation report covers a wide range of topics, including an overview of common DeFi products and services, recent developments and trends, DeFi exploits, attacks, and illicit uses, data gaps and challenges, and key risks and considerations.

IOSCO's recommendations are principles aimed at DeFi products, services, arrangements, and activities. They cover six areas: understanding DeFi arrangements and structures, achieving common standards of regulatory outcomes; identification and management of key risks; clear, accurate and comprehensive disclosures; enforcement of applicable laws; and cross-border cooperation.

Ethereum Layer 2 networks hit \$13billion TVL²²

Ethereum layer-2 networks achieved a significant milestone by reaching a total value locked (TVL) of \$13 billion within their contracts. Experts in the industry anticipate that the growing interest in layer-2 solutions will persist, despite existing challenges, particularly in areas such as user experience and security.

There are 32 distinct networks categorized as Ethereum layer 2 solutions, including Arbitrum One, Optimism, Base, Polygon zkEVM, Metis, and others. Before June 15, the total cryptocurrency locked in contracts across these networks was less than \$10 billion, with their combined total value locked (TVL) experiencing a decline since reaching a peak of \$11.8 billion in April.

However, a positive shift in layer-2 TVL growth began on June 15. By October 31, these networks collectively achieved a new peak of nearly \$12 billion in TVL. Subsequently, the investment in layer 2 applications continued to rise, surpassing the \$13 billion TVL milestone on November 10 and further reaching nearly \$13.5 billion at the time of this publication.

Blockchain start-up Kinto plans first KYC Ethereum Layer-2 network²³

Kinto, a blockchain project with a focus on Ethereum, is developing a layer-2 network designed to be fully compliant with anti-money-laundering laws. The project aims to bridge financial institutions and real-world assets with decentralized finance (DeFi) infrastructure. Utilizing the OP Stack, a set of software tools developed by OP Labs, Kinto's layer-2 network is built on technology derived from Optimism, the second-largest layer-2 network on Ethereum.

Notably, the Kinto network incorporates native know-your-customer (KYC) checks, a crucial anti-money-laundering measure, and an investor accreditation mechanism to facilitate the onboarding of regulated financial institutions. This makes Kinto the first KYC'd layer 2 (L2) blockchain capable of supporting both modern financial institutions and decentralized protocols. By restricting transactions to KYC'd entities, Kinto aims to eliminate anonymous exploits and scams prevalent on DeFi platforms. The network also provides insurance and incentives for developers through transaction fees to encourage the creation of applications.

²²Layer 2 networks hit \$13B TVL, but challenges still remain (cointelegraph.com)

²³Ethereum-Based Blockchain Kinto Aims to Bring Real-World Assets (RWA) to Decentralized Finance (DeFi) with Fresh Investment (coindesk.com)



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Glossary:

CBDCs	Central bank digital currencies
FTX	FTX Token
EU	European Union
NTF	Non-fungible tokens
TIN	Taxpayer Identification Number
SEC	Securities and Exchange Commission
ETH	Lido's staked ether
ETH	Ethereum
RBZ	Reserve Bank of Zimbabwe
BRC	Bitcoin Recent for Comment
LI.FI	Cross-chain liquidity protocol
ISOCO	International Organization of Securities Commissions
FTF	Fintech Task Force
CASPs	Crypto-asset service providers
DeFi	Decentralized finance
BIS	Bank for International Settlements
DLT	Distributed ledger technology
AML	Anti-money laundering
CFT	Counter-Terrorism Financing
IMF	International Monetary Fund
FATF	Financial Action Task Force
SFC	Hong Kong's Securities and Futures Commission



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EYIN2312-014
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