

Crypto Insights

A digital assets
newsletter

June 2024



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Welcome to the EY India's crypto insights – a digital 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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- ▶ Robinhood to acquire Bitstamp crypto exchange



Cryptocurrency prices by market cap*

Name	Price (US\$)	Market Cap (US\$)	Circulation Supply	60 Day Chart	60d return
Bitcoin (BTC)	\$67,613.11	\$1,329,143,573,332	19,705,956 BTC		2.49%
Ethereum (ETH)	\$3,767.48	\$452,607,571,106	120,140,782 ETH		7.00%
Tether (USDT)	\$0.9993	\$111,913,291,444	111,996,172,621 USDT		0.08%
USD Coin (USDC)	\$1.00	\$32,343,916,472	32,347,692,032 USDC		0.02%
BNB (BNB)	\$592.80	\$87,493,035,683	147,585,342 BNB		1.05%
XRP (XRP)	\$0.5201	\$28,826,307,728	99,987,572,899 XRP		14.52%
TRON (TRX)	\$0.1118	\$9,765,701,764	87,378,227,224 TRX		7.91%
Cardano (ADA)	\$0.4508	\$16,093,699,724	35,698,267,603 ADA		27.68%
Solana (SOL)	\$166.35	\$76,455,227,877	459,677,994 SOL		14.30%
Dogecoin (DOGE)	\$0.159	\$22,984,233,834	144,517,246,384 DOGE		22.33%

*As of 31 May 2024

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

Regulatory highlights

Regulatory Space

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India's SEBI open to oversight of crypto trade, in contrast to RBI¹

India's market watchdog, the Securities and Exchange Board of India (SEBI), has recommended that several regulators oversee trade in cryptocurrencies, signaling a willingness to embrace private virtual assets. This position contrasts with that of the Reserve Bank of India (RBI), which maintains that private digital currencies represent a macroeconomic risk.

SEBI suggests that different regulators should oversee activities related to cryptocurrencies within their respective domains. It could monitor cryptocurrencies that take the form of securities and new offerings called Initial Coin Offerings (ICOs). Additionally, SEBI recommends that a single unified regulator for digital assets should be avoided. Meanwhile, the RBI remains in favor of a ban on stablecoins, emphasizing the need for careful regulation in this evolving landscape.

SEC approves the first batch of Spot Ethereum ETFs²

The US Securities and Exchange Commission (SEC) has made a significant decision by approving the first batch of spot Ethereum (ETH) Exchange-Traded Funds (ETFs). This approval allows investors to gain direct exposure to Ethereum without needing to purchase and store the digital asset themselves. However, it's essential to clarify that this approval does not mean immediate trading availability. The 19b-4 approval process is just the initial step, and further approval on the S-1 documents is required, which may take additional time. Investors should expect a waiting period of a couple of weeks or potentially longer.

The sudden shift in approval odds surprised many. Bloomberg analysts Eric Balchunas and James Seyffart had previously estimated a 25% chance of approval but raised it to 75% recently. Speculation arose when rumors circulated that the SEC might reconsider its stance on this politically charged issue. The approval of spot Ethereum ETFs could have far-reaching implications, similar to the rapid growth observed with spot Bitcoin ETFs.

The debate over whether Ethereum should be classified as a security or a commodity has been ongoing. Critics argue that Ethereum passes the Howey test, a legal framework used to determine whether an investment qualifies as a security. The Howey test considers four criteria: an investment of money, expectation of profits, common enterprise, and reliance on the efforts of others. SEC Chair Gary Gensler's past statements on Ethereum's compliance with the Howey test further highlight the complexity of this classification.

As the crypto landscape evolves, the approval of Ethereum ETFs represents a significant milestone, potentially opening doors for institutional investors and further legitimizing digital assets in traditional financial markets.

IMF releases Fintech Notes on cross-border payments with retail Central Bank Digital Currencies³

The International Monetary Fund (IMF) has published a new Fintech Note titled "Cross-Border Payments with Retail Central Bank Digital Currencies: Design and Policy Considerations". In this note, the IMF explores the potential benefits of retail central bank digital currencies (CBDCs) in improving cross-border payments.

Central banks worldwide are actively considering issuing retail CBDCs, with the primary objective varying across jurisdictions. Previous research has highlighted that CBDCs can help address frictions in cross-border payments. By reducing the number of financial intermediaries and settlement risk, CBDCs offer a safe and liquid asset. Designing CBDC systems for cross-border transactions is conceptually similar to tailoring other payment systems, but the roles and responsibilities may differ due to CBDC's nature as public money rather than commercial bank money.

The IMF's Fintech Note draws lessons from ongoing experimentation and research to identify design and policy considerations for retail CBDC systems that are compatible with cross-border payments. While the focus is on retail CBDCs targeting households and non-financial firms, the discussions are relevant to wholesale CBDCs and other forms of money as well. For more details, you can access the full Fintech Note on the IMF's website using the link below.

¹Exclusive: India's SEBI open to oversight of crypto trade, in contrast to Reserve Bank | Reuters

²SEC Approves Spot Ethereum ETFs | Nasdaq

³Cross-Border Payments with Retail Central Bank Digital Currencies (imf.org)



Senators propose legislation to create a regulatory framework for stablecoins⁴

U.S. Senators announced the bipartisan Lummis-Gillibrand Payment Stablecoin Act. This bill aims to establish a clear regulatory framework for payment stablecoins. The main features of the bill include: (1) consumer protection by requiring stablecoin issuers to maintain one-to-one reserves and prohibiting unbacked, algorithmic stablecoins; (2) prevention of illicit or unauthorized use of stablecoins by both issuers and users; and (3) the creation of federal and state regulatory regimes for stablecoin issuers to uphold the dual banking system. Senator Gillibrand emphasized that a stablecoin regulatory framework is essential for maintaining the US dollar's dominance, safeguarding consumers, and combating money laundering and illicit finance.

USPTO and copyright offices publish report to Congress on NFTs⁵

United States Patent and Trademark Office (USPTO) and the US Copyright Office submitted a 112-page report to Congress titled "Non-Fungible Tokens and Intellectual Property." This report introduces NFT technology and examines its intersection with copyrights, trademarks, and patents. It concludes that the intellectual property issues related to NFTs mirror those encountered with digital and online content.

Regarding copyrights, the report is skeptical about NFTs' value for copyright record-keeping but acknowledges that NFTs provide a significant opportunity for digital artists to earn from their works, including from downstream sales, contingent on enforcement by NFT marketplaces.

The report emphasizes the need for further guidance on acquiring and enforcing trademark protection for trademarks. It also notes that NFTs containing immutable artwork or other permanent metadata may pose specific challenges for trademark enforcement. Finally, the report suggests that patents could benefit from being stored, transferred, and licensed on-chain but indicates that more guidance is necessary.

SEC charges Geosyn crypto mining company with unregistered and fraudulent securities offering⁶

The SEC has announced charges against Geosyn Mining, LLC, a Texas-based crypto asset mining and hosting company, along with its co-founders, Caleb Ward and Jeremy McNutt, for conducting an unregistered and fraudulent securities offering. According to the complaint, the defendants raised \$5.6 million from over 60 investors by promising to purchase and operate crypto mining machines and distribute the proceeds. Though the defendants did run mining equipment, they allegedly lied about their favorable contracts with electricity providers and never provided specific services they claimed to offer in marketing materials. Additionally, Ward and McNutt are accused of misappropriating over a million dollars for personal use.

SEC issues Wells Notice to Uniswap⁷

Uniswap CEO Hayden Adams announced that the SEC had issued a "Wells Notice" to the popular Ethereum-based decentralized exchange. A Wells Notice is a preliminary warning from the SEC indicating potential enforcement action. According to a company press release, the Notice alleges that Uniswap operated as an unregistered broker-dealer and exchange. It remains unclear if the investigation includes Uniswap's UNI token as an unregistered security. This preliminary notice could significantly impact DeFi. One implication is that if the SEC concludes that DeFi protocols are exchanges, it would undermine the viability of Reg S as a registration exemption for foreign token issuers. Issuers relying on Reg S would then need to account for DeFi activity in their Substantial US Market Interest calculations, complicating their ability to meet exemption requirements.

⁴Lummis, Gillibrand Introduce Bipartisan Landmark Legislation to Create Regulatory Framework for Stablecoins » Senator Cynthia Lummis (senate.gov)

⁵Non-Fungible Tokens and Intellectual Property: A Report to Congress (uspto.gov)

⁶SEC.gov | Geosyn Mining, LLC, Caleb Joseph Ward, and Jeremy George McNutt

⁷Fighting for DeFi (uniswap.org)



Singapore monetary authority amends rules to require user protections and stability standards on digital payment tokens⁸

Monetary Authority of Singapore (MAS) announced amendments to the Payment Services Act, broadening its regulatory scope over certain payment services and imposing user protection requirements on digital payment token (DPT) service providers. These amendments will allow MAS to enforce anti-money laundering and counter-terrorism financing requirements on DPT providers. Additionally, MAS's regulatory authority will extend to: (i) custodial services for DPTs; (ii) facilitation of DPT transmissions between accounts and the exchange of DPTs; and (iii) facilitation of DPT exchanges and international cross-border money transfers, even if DPTs are not accepted or received in Singapore. These amendments will take effect in October 2024, after which non-compliant entities must cease their activities.

Bank for International Settlement announces project to experiment with tokenized commercial bank deposits⁹

Bank for International Settlement (BIS), an international financial organization that coordinates between central banks worldwide, announced Project Agorá, which it describes as a public-private initiative between several central banks to test how tokenized bank deposits could enhance the efficiency of the international monetary system. The project is part of the unified ledger concept the BIS has proposed to overcome structural inefficiencies in cross-border settlement. Participants include the central banks of France, Japan, Korea, Mexico, Switzerland, England, and New York.

Bank for International Settlements publishes report on stablecoin stability¹⁰

Bank for International Settlement (BIS) has published a report assessing regulatory responses to issuers of fiat-backed stablecoins. The report discusses various risks of fiat-backed stablecoins, including their ability to maintain parity to fiat currencies and their use in illicit activity risks. In the report, BIS's Financial Stability Institute compares regulatory frameworks in 11 jurisdictions across seven geographically diverse regions to identify emerging trends and commonalities. According to the report, standard-setting bodies and international organisations, including the International Monetary Fund (IMF), the Financial Stability Board (FSB) and the Financial Action Task Force (FATF), are working to achieve a consistent policy response.

World Economic Forum report calls for central banks to embrace wholesale CBDCs¹¹

The World Economic Forum has published a report on wholesale central bank digital currencies (wCBDCs), suggesting they could improve the efficiency, security, and inclusivity of the financial system. wCBDCs are tokens backed by central banks and available exclusively to financial institutions. Their main purpose is to streamline financial transactions between banks, including interbank settlements, the buying and selling of government bonds, and other large-value transactions. The report emphasizes the need for deep public-private collaboration to develop wCBDC capabilities among banks and global governments.

⁸MAS Expands Scope of Regulated Payment Services; Introduces User Protection Requirements for Digital Payment Token Service Providers

⁹Project Agorá moves to next phase and opens up call for private sector participation (bis.org)

¹⁰bis.org/fsi/publ/insights57.pdf

¹¹Modernizing Financial Markets with Wholesale Central Bank Digital Currency (wCBDC) 2024 | World Economic Forum (weforum.org)



Deutsche Bank issues blockchain report with industry partners¹²

Deutsche Bank has partnered with major financial institutions and Web3 innovators to create a comprehensive paper on achieving interoperability for tokenized assets across public and private blockchains, as well as legacy systems. This paper addresses how financial institutions can enhance the accessibility and liquidity of tokenized assets while ensuring flexibility, privacy, transparency, and scalability. All contributors emphasized the importance of interconnected network models that incorporate multiple blockchains.

Deutsche Bank provided valuable insights based on its experience with blockchain and tokenization from an asset servicing perspective. The bank discusses how these technologies can deliver cost-effective, efficient, and faster value for clients with non-traditional business models. It also highlights the necessity of interoperability across blockchains and traditional systems, along with the associated challenges.

Serving as a roadmap for financial institutions exploring tokenized-asset opportunities, the paper navigates the complexities of various public and private blockchains, client needs, and regulatory requirements. Authored by blockchain analyst Emily Parker, the framework is based on the Monetary Authority of Singapore's Project Guardian from 2023. Other contributors include Citi, Mastercard, and Northern Trust, which provided spotlight sections. The Axelar Foundation, a Web3 native innovator, led the production of the report, with additional contributions from Centrifuge and Metrika.

Market highlights

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- ▶ World Bank advances digitalization in capital markets with CHF Digital Bond
- ▶ Mastercard Crypto Credential simplifies crypto transactions
- ▶ BlackRock's iShares Bitcoin Trust becomes world's largest bitcoin fund
- ▶ Metaplanet adopted bitcoin as its treasury reserve asset
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- ▶ Mastercard, Standard Chartered, Mox, Libeara complete pilot on tokenized deposits and carbon credits
- ▶ US financial sector to explore multi-asset settlement with shared ledger technology
- ▶ BlackRock's BUIDL becomes largest tokenized treasury fund
- ▶ DWS and Galaxy Digital Launch BTC and ETH exchange-traded commodities in Germany
- ▶ Qatar Central Bank announced the launch of Digital Currency Project

EY launches OpsChain Contract Manager solution to support secure private business agreements on public Ethereum¹³

Ernst & Young (EY) has introduced the OpsChain Contract Manager (OCM), a blockchain-based tool designed to streamline complex business agreements. This new solution was unveiled at the EY Global Blockchain Summit and aims to enhance efficiency and reduce costs by supporting confidential multi-party contracts. OCM uses the public Ethereum blockchain to ensure security and accessibility, leveraging zero-knowledge proofs (ZKPs) to maintain data privacy.

OpsChain Contract Manager addresses the challenges enterprises face in managing business agreements across different systems and partners. By synchronizing data and uniformly enforcing key business terms such as pricing and discounts, OCM helps organizations avoid fragmented spending and qualify for negotiated benefits. The platform supports various contract types, including volume purchase agreements and price models linked to market data, making it versatile for different business needs.

¹²Institutional Interoperability Report - FINAL (website-files.com)

¹³EY launches OpsChain Contract Manager solution to support secure private business agreements on public Ethereum | EY - Global



Deploying on the Ethereum blockchain, EY OCM provides a decentralized, trustworthy environment without the high costs and risks associated with private networks. The solution integrates easily with existing enterprise systems through standardized APIs, enabling broad adoption. EY's Global Blockchain Leader, Paul Brody, highlights that the automation capabilities of OCM can significantly improve accuracy and reduce contract administration costs, offering scalable and cost-effective contract management.

World Bank advances digitalization in capital markets with CHF Digital Bond¹⁴

The World Bank (International Bank for Reconstruction and Development, IBRD) has priced the first CHF digital bond by an international issuer. This 7-year CHF 200 million digital bond, settled using Swiss Franc wholesale Central Bank Digital Currency (wCBDC) provided by the Swiss National Bank (SNB), represents the largest World Bank CHF bond issuance since 2009. Leveraging Distributed Ledger Technology (DLT), this initiative not only advances the digitalization of capital markets but also supports the financing of the World Bank's sustainable development activities.

Key points

Partnerships: The World Bank collaborated with the SNB and SIX Digital Exchange (SDX) to further scale efforts in using DLT within capital markets. The partnership introduces the use of wCBDC by the SNB for the initial settlement.

Tokenized transactions: Coupon and redemption payments for this digital bond will be made using tokenized CHF on the SDX platform. SDX connects to conventional settlement systems, allowing investors to hold the digital bond through their traditional custodians.

Market listing: The bond is listed on both SIX Digital Exchange and the traditional SIX Swiss Exchange, governed by Swiss law. It was primarily placed in Switzerland, with allocations to banks, bank treasuries, corporates, asset managers, insurance companies, pension funds, central banks, and official institutions.

Industry leadership: Jorge Familiar, Vice President and Treasurer of the World Bank, emphasized the significance of issuing the first CHF digital bond, building on previous accomplishments in digitalization.

Blockchain infrastructure: David Newns, Head of SIX Digital Exchange, highlighted the critical role of settling wholesale transactions in tokenized central bank money for blockchain-based capital markets infrastructure.

This pioneering achievement underscores the World Bank's commitment to efficiency and innovation in capital markets, transforming the landscape of debt capital markets. Commerzbank played a key role as the sole lead manager, further solidifying the success of this groundbreaking digital bond issuance.

Mastercard Crypto Credential simplifies crypto transactions¹⁵

In a groundbreaking move, crypto exchange users can now send and receive cryptocurrencies using their Mastercard Crypto Credential aliases. This innovative approach eliminates the need for cumbersome blockchain addresses, making transactions more straightforward and secure. The live transaction capabilities are currently active on Bit2Me, Lirium, and Mercado Bitcoin exchanges, bridging the gap between Latin American and European corridors.

How it works

Verification process: Mastercard Crypto Credential ensures that users meet specific verification standards, granting them an alias. This alias serves as a simplified identifier for seamless fund transfers across supported exchanges.

Recipient validation: When initiating a transfer, the system validates the recipient's alias. It also confirms compatibility with the digital asset and associated blockchain. If the recipient's wallet does not support the asset or blockchain, the transaction is halted, safeguarding all parties from potential losses.

¹⁴ World Bank partners with Swiss National Bank and SIX Digital Exchange to advance digitalization in capital markets

¹⁵ Mastercard Crypto Credential goes live with first peer-to-peer pilot transactions, adds new partners to the ecosystem | Mastercard Newsroom



This milestone represents the practical application of Mastercard's Crypto Credential vision, which was initially unveiled at Consensus in 2023. The live peer-to-peer (P2P) transactions demonstrate the potential to expand and enhance both domestic and cross-border remittance markets. As adoption grows, millions of users across participating exchanges will benefit from this simplified and secure crypto experience.

BlackRock's iShares Bitcoin Trust becomes world's largest bitcoin fund¹⁶

BlackRock's iShares Bitcoin Trust has surged to become the world's largest fund for the largest cryptocurrency, accumulating nearly \$20 billion in total assets since its U.S. listing in January. The exchange-traded fund (ETF) now holds \$19.68 billion worth of tokens, surpassing Grayscale Bitcoin Trust's \$19.65 billion, according to data compiled by Bloomberg.

Market analysts closely monitor flows into BlackRock's ETF and out of Grayscale Bitcoin Trust since U.S. regulators approved the launch of new ETFs and the conversion of Grayscale's publicly-traded trust into an exchange-traded product in January. While Grayscale faced challenges such as selling pressure and a higher fee compared to its new rivals, BlackRock's strong distribution network among independent financial advisors and wealth managers contributed to its success.

Metaplanet adopted bitcoin as its treasury reserve asset¹⁷

Metaplanet, a publicly traded company on the Tokyo Stock Exchange, has announced a strategic shift in its treasury management. In response to the challenges and opportunities of the current global financial landscape, Metaplanet has adopted Bitcoin as its strategic treasury reserve asset. This decision is driven by ongoing economic pressures in Japan, including high government debt, prolonged periods of negative real interest rates, and a weak yen. Metaplanet's new strategy focuses exclusively on Bitcoin, utilizing long-term yen liabilities and periodic share issuances as financial tools to accumulate more Bitcoin rather than holding the weakening yen. This Bitcoin-first approach aims to enhance shareholder value in the long term by increasing Bitcoin holdings per share.

Venezuela to accelerate cryptocurrency shift as oil sanctions return¹⁸

Venezuela's state-run oil company PDVSA plans to increase its use of digital currency for crude and fuel exports as the U.S. reimposes oil sanctions on the country. U.S. Treasury Department announced that PDVSA's customers and providers have until May 31 to wind down transactions under a general license, which was not renewed due to a lack of electoral reforms. This decision will complicate Venezuela's efforts to boost oil output and exports, as companies will need individual U.S. authorizations to conduct business with Venezuela. Since last year, PDVSA has gradually been transitioning oil sales to USDT, a digital currency known as Tether, which is pegged to the U.S. dollar and designed to maintain a stable value. The reinstatement of oil sanctions is accelerating this shift to minimize the risk of sale proceeds being frozen in foreign bank accounts.

¹⁶BlackRock's ETF becomes largest bitcoin fund in world (moneycontrol.com)

¹⁷140120240510590390.pdf (xj-storage.jp)

¹⁸Exclusive: Venezuela to accelerate cryptocurrency shift as oil sanctions return | Reuters



Mastercard, Standard Chartered, Mox, Libeara complete pilot on tokenized deposits and carbon credits¹⁹

Standard Chartered Bank (Hong Kong) Limited ("SCBHK") has partnered with Mox Bank Limited ("Mox"), Mastercard, and Libeara on a proof-of-concept ("POC") pilot to explore the operational and risk management benefits of tokenized deposits for settling tokenized assets. Conducted under the Hong Kong Monetary Authority ("HKMA")'s Fintech Supervisory Sandbox, this POC marks a significant milestone in advancing fintech innovation and developing the tokenization market in Hong Kong. Leveraging Standard Chartered's global network and collaboration with its partners, the POC showcases the Bank's strategic approach to harness collective expertise for innovative digital finance solutions. SCBHK is actively involved in developing digital assets in Hong Kong through projects like Project mBridge, Project Ensemble, and the HKMA's e-HKD Pilot Program. Libeara has also expanded its presence in Hong Kong to support these tokenization initiatives.

US financial sector to explore multi-asset settlement with shared ledger technology²⁰

Mastercard, a leading payment processing company, has partnered with major U.S. banking institutions, including Citi, JPMorgan, Swift, TD Bank N.A., U.S. Bank, USDF, Wells Fargo, Visa, and Zions Bancorp, to trial banking settlements using tokenization.

Currently, separate systems handle securities and assets, resulting in fragmented settlement processes. The trials utilize a shared-ledger technology called the Regulated Settlement Network (RSN), which converts various assets into tokens and settles them on a distributed ledger, streamlining procedures. RSN facilitates the collective settlement of tokenized assets, such as Treasuries, investment-grade debt instruments, and commercial bank money, on a single platform.

The ongoing trial phase upon a 12-week pilot that began in late 2022, which focused on cross-border and domestic dollar payments between banks, the current proof-of-concept (PoC) trials simulate settlements in U.S. dollars

BlackRock's BUIDL becomes largest tokenized treasury fund²¹

BlackRock's (BLK) tokenized asset fund BUIDL has become the largest of its kind, surpassing Franklin Templeton's similar offering just six weeks after its debut. The BlackRock USD Institutional Digital Liquidity Fund, represented by the BUIDL token on the Ethereum (ETH) network backed by U.S. Treasury bills, repo agreements and cash. Created with the tokenization services platform Securitize, the fund has captured nearly 30% of the market share since its launch on March 21.

The rapid growth has occurred as the tokenization of real-world assets (RWA), such as bonds and credit, gains traction among digital asset firms and traditional finance (TradFi) giants. Tokenization offers benefits like faster, 24/7 settlements, increased operational efficiency, and greater transparency. U.S. Treasuries have become a key focus for tokenization efforts, providing a low-risk, well-known instrument for investors to park their on-chain cash and earn stable yields without leaving the blockchain ecosystem.

¹⁹Mastercard, Standard Chartered, Mox and Libeara successfully complete a proof-of-concept pilot on tokenized deposits and tokenized carbon credits through regulatory sandbox | Mastercard Newsroom

²⁰Members of the U.S. Financial Sector to Explore Multi-Asset Settlement Using Shared Ledger Technology - SIFMA - Members of the U.S. Financial Sector to Explore Multi-Asset Settlement Using Shared Ledger Technology - SIFMA

²¹BlackRock's Tokenized Treasury Fund Hits \$375M, Becomes Largest Toppling Franklin Templeton's Offering (coindesk.com)



DWS and Galaxy Digital Launch BTC and ETH exchange-traded commodities in Germany²²

Asset manager DWS (DWS) has launched exchange-traded commodities (ETCs) in Germany that provide exposure to bitcoin (BTC) and Ethereum (ETH). Developed in collaboration with digital asset financial services firm Galaxy Digital (GLXY), these ETCs are branded under DWS's Xtrackers and were listed on the Deutsche Boerse. The products, Xtrackers Galaxy Physical Bitcoin ETC and Xtrackers Galaxy Physical Ethereum ETC, track the performance of the two largest cryptocurrencies by market value and carry a fee of 0.35%.

The new ETCs allow investors to engage in the performance of the two largest digital assets by market capitalization and to incorporate them seamlessly and affordably into their portfolios. The new Xtrackers digital asset ETCs provide the standard liquidity and transparency of exchange-traded products while bringing together established partners from the traditional financial system with innovative digital asset-native service providers. State Street will serve as the Issuing and Paying Agent and Administration Agent, while MSCI will supply the reference prices for Bitcoin and Ethereum. These products are physically backed at a 1:1 ratio, utilizing two cryptocurrency custodians, Zodia Custody and Coinbase, which store the cryptocurrencies in segregated offline cold storage custody accounts.

Qatar Central Bank announced the launch of Digital Currency Project²³

Qatar Central Bank (QCB) announced the completion of the infrastructure development for its Central Bank Digital Currency (CBDC) Project. This initiative is a proactive step to align with the rapid global advancements in digital currencies. Following a comprehensive study in this area, QCB will now move forward with testing and developing select CBDC applications. These applications aim to facilitate large payments with a group of local and international banks in a trial environment, utilizing the latest advanced technologies.

The project will focus on using the CBDC to increase access to capital markets for domestic banks, enhance local settlements, and improve the efficiency of securities transactions. The first experimental phase of the project will extend to October 2024, with objectives including leveraging artificial intelligence, distributed ledger technology (DLT), and other emerging technologies. The project also aims to enhance liquidity by expanding participation in financial market facilities, while considering information security throughout its implementation.

Aligned with the Third Financial Sector Strategy, the Fintech Strategy, and Qatar National Vision 2030, this project represents QCB's ongoing efforts to regulate and develop the financial sector. QCB emphasized the importance of investing in modern technologies to build a pioneering system that accelerates digital transformation in line with the Third National Development Strategy 2024-2030.

The results of this experiment will be foundational in identifying future use cases for the CBDC, contributing to the enhancement of current systems and instant settlements. (QNA)

²²DWS launches new Xtrackers ETCs providing easy access to bitcoin and ethereum | Xtrackers by DWS

²³Qatar Central Bank Announces Launch of Digital Currency Project (qna.org.qa)



Decentralized finance (Defi) highlights

Lyra Finance introduces liquid restaking for additional yields via automated trade strategies

MetaMask launches smart transactions to tackle Ethereum front-running

Robinhood to acquire Bitstamp crypto exchange

PayPal USD Stablecoin now available on Solana Blockchain

Liquity unveils new stablecoin with user-set borrowing rates

Union Labs announces Polygon-to-Cosmos Bridge via AggLayer integration

PayPal USD Stablecoin now available on Solana Blockchain²⁴

PayPal Holdings, Inc. (NASDAQ: PYPL) has announced a significant development: PayPal USD (PYUSD) is now accessible on the Solana blockchain. This move aims to enhance the efficiency of PayPal's stablecoin, making it faster and more cost-effective for users. By offering PYUSD on Solana, PayPal provides users with the flexibility to choose from multiple blockchains, empowering them with increased control over their transactions.

Key points

Solana's advantages: The Solana blockchain is renowned for its ability to process a high volume of transactions swiftly and at minimal costs. As the most widely used blockchain for stablecoin transfers, Solana has emerged as a leader in tokenized transactions, particularly suited for payment use cases.

PayPal's vision: Jose Fernandez da Ponte, Senior Vice President of the Blockchain, Cryptocurrency, and Digital Currency Group at PayPal, emphasized the company's commitment to revolutionizing commerce. By introducing PYUSD on Solana, PayPal aims to create a fast, easy, and affordable payment method for the evolving digital economy.

Seamless experience: PayPal and Venmo wallets now display PYUSD as a unified balance, regardless of the underlying blockchain. When transferring to external wallets, users can choose to send PYUSD on either Ethereum or Solana.

Industry adoption: Crypto.com, Phantom, and Paxos are among the first platforms to offer PYUSD on Solana. This seamless fiat-to-crypto experience benefits both consumers and enterprises.

Regulatory compliance: Issued by Paxos Trust Company, PYUSD is fully backed by U.S. dollar deposits, U.S. Treasuries, and similar cash equivalents. Regulatory oversight by the New York State Department of Financial Services ensures transparency and stability.

PayPal's strategic move to integrate PYUSD with Solana underscores its commitment to digital currency innovation, fostering a more efficient and accessible financial ecosystem.

²⁴Press Release: PayPal USD Stablecoin Now Available on Solana Blockchain, Providing Faster, Cheaper Transactions for Consumers - May 29, 2024 (paypal-corp.com)



Lyra Finance introduces liquid restaking for additional yields via automated trade strategies²⁵

Lyra Finance, a decentralized options platform, now enables holders of liquid restaking tokens (LRT) to generate additional yield. The platform offers LRT holders the opportunity to earn extra income through automated versions of popular strategies such as basis trade and covered calls. These tokenized derivatives yield product is launched in collaboration with liquid restaking protocols Swell Network and Ether.Fi.

Liquid restaking protocols, such as Ether.Fi and Swell Network, enable users to deposit ether (ETH) or liquid staking tokens like stETH, which are then restaked in EigenLayer. In exchange, users receive liquid restaking tokens (LRTs), which can be exchanged for ETH at any time. Users simply need to deposit rswETH and eETH in Lyra to mint a yield-bearing derivative token, which automatically executes a predefined yield-bearing strategy on-chain. In essence, any yield-bearing strategy can be automated and encapsulated into a composable ERC-20 token, which is transferable to other platforms.

The basis trade is a delta-neutral strategy allowing users to earn additional yield on tokens already generating restaking yield and ETH yield. In contrast, the covered call strategy entails more risk but uses liquid restaking tokens as collateral to sell ETH calls. If ETH surpasses the strike price, users may sacrifice some upside potential but receive a USDC yield in return. This strategy involves selling call options at strike prices higher than the asset's current market rate while retaining the asset in the spot market. The premium received for selling insurance against bullish moves represents extra yield on top of the spot market holding. Lyra's self-custodial vaults automate this strategy.

Liquity unveils new stablecoin with user-set borrowing rates²⁶

Decentralized finance (DeFi) lending platform Liquity (LQTY) plans an upgrade featuring an overcollateralized stablecoin backed by liquid-staking tokens of ether (ETH) and offering user-set interest rates for loans, a first in DeFi. Unlike current protocols that rely on slow human governance for interest rate adjustments, Liquity aims to create demand for its stablecoin through targeted interest payments. Known for offering 0% loans with its overcollateralized LUSD stablecoins, Liquity charges a one-time fee for users depositing ETH.

The new stablecoin, BOLD, will coexist with LUSD, allowing borrowers to take out loans by depositing ETH and liquid staking ETH derivatives as collateral while setting their preferred interest rates. Most of the revenue from borrowing fees will be directed into the stability pool and secondary markets incentivized by the protocol. By letting borrowers set loan rates, Liquity aims to align incentives, encouraging borrowers to contribute more revenue, which benefits BOLD holders in stability and liquidity pools.

MetaMask launches smart transactions to tackle Ethereum frontrunning²⁷

MetaMask, the most popular crypto wallet for Ethereum, is introducing a new feature to help users avoid the impacts of maximal extractable value (MEV). This optional feature, called Smart Transactions, allows users to submit transactions to a "virtual mempool" before they are officially recorded on the blockchain. MEV refers to the extra profit blockchain operators can extract by previewing or re-ordering transactions before they are written to the network, like front-running in traditional financial markets. MEV can significantly affect Ethereum by increasing user costs, slowing transaction speeds, and causing transaction failures under certain conditions. MetaMask's virtual mempool aims to protect against MEV by ensuring transaction privacy, like the increasingly popular private mempools used for this purpose.

²⁵Decentralized Options Platform Lyra Unveils Tokenized Derivatives Yield for LRT Holders (coindesk.com)

²⁶ Liquity v2 Whitepaper | v2 Whitepaper (gitbook.io)

²⁷Popular Crypto Wallet MetaMask Rolls Out 'Smart Transactions' to Combat Ethereum Front-Running (coindesk.com)



Union Labs announces Polygon-to-Cosmos Bridge via AggLayer integration²⁸

Union Labs, focused on blockchain interoperability, plans to integrate with AggLayer, a decentralized service launched by Polygon Labs for sharing liquidity across networks. This integration aims to strengthen the connection between Polygon, a major Ethereum scaling network, and the Cosmos blockchain ecosystem with its Inter-Blockchain Communication Protocol (IBC).

Union will facilitate near-seamless message passing and asset transfers between AggLayer and all Inter-Blockchain Communication (IBC)-enabled chains, positioning itself as a key gateway for shared liquidity between Cosmos and the broader AggLayer network.

With this integration, Union joins a growing list of AggLayer partners. Connected chains include X Layer by OKX, Polygon zkEVM, and Astar zkEVM, with future connections planned for the Polygon Proof-of-Stake network, NEAR, Canto, Manta Pacific, and more.

Robinhood to acquire Bitstamp crypto exchange²⁹

Trading platform Robinhood Markets announced its agreement to acquire cryptocurrency exchange Bitstamp. This acquisition marks Robinhood's largest deal to date and accelerates its expansion into digital assets. Robinhood, an 11-year-old trading app popular among retail traders, aims to broaden its product offerings and evolve into a comprehensive financial services provider. Acquiring Bitstamp, founded in 2011 and holding 50 active licenses and registrations worldwide, positions Robinhood to compete directly with industry giants such as Binance and Coinbase.

Bitstamp will drive the growth of Robinhood Crypto and serve as its first institutional business. Known for its core spot exchange, which is popular in Europe and Asia, Bitstamp offers over 85 tradable assets and features products like staking and lending.

²⁸Union Brings Cosmos to the AggLayer (polygon.technology)

²⁹ Robinhood to acquire Bitstamp crypto exchange in \$200 million deal - CBS News



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Glossary:_____

SEBI	Securities and Exchange Board of India
RBI	Reserve Bank of India
IMF	International Monetary Fund
USPTO	United States Patent and Trademark Office
NFTs	Non-Fungible Tokens
MAS	Monetary Authority of Singapore
CBDC	Central bank digital currencies
ICO	Initial Coin Offerings
SEC	Securities and Exchange Commission
ETFs	Exchange-Traded Funds
BIS	Bank for International Settlement
FSB	Financial Stability Board
FATF	Financial Action Task Force

EY	Ernst & Young
ZKPs	Zero-knowledge proofs
SNB	Swiss National Bank
SDX	SIX Digital Exchange
P2P	Peer-to-peer
HKMA	Hong Kong Monetary Authority
RSN	Regulated Settlement Network
PoC	Proof-of-concept
ETCs	Exchange-traded commodities
DWS	Deutsche Gesellschaft für Wertpapiersparen mbH
LQTY	Liquity
MEV	Maximal extractable value
IBC	Inter-Blockchain Communication Protocol



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