



Financial Stability Board: International Regulation of Crypto-asset Activities – a Proposed Framework

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers.

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the FSB's consultation on the International Regulation of Crypto-asset Activities. Our comments relate to the proposals in general rather than the specific questions.
2. Actuaries receive a comprehensive training in both quantitative and qualitative financial risk management. They are therefore well-placed to tackle the challenge of evaluating cryptoasset risk compared to that of more conventional financial investments.
3. The IFoA supports a global framework for defining cryptoassets, since having different rules in different jurisdictions is likely to result in regulatory arbitrage, making cryptoasset trading more unstable.
4. We would support general, over-arching regulation to protect investors, covering providers as well as exchanges. Legislation and regulation of cryptoassets at a national and supranational level would create a sense of control and stability in the markets. Over time, an evolving regulatory framework could help to reduce volatility.
5. We believe that regulation of the cryptoassets market should be focused not on the technology and innovation but rather on governance and how to limit the potential damage caused by 'bad actors'. Robust governance would reduce the risk of unlawful usage of funds and protect investors' interests by creating a legal basis for trading activity and exchanges. We suggest that a principles-based approach to governance (such as King IV in South Africa) could assist all stakeholders to better manage the risk and uphold high standards.
6. Although governance should be the main focus, governments and regulators do need to acknowledge the significant and long-lasting impact of new technology by improving regulatory clarity in some areas. For example, we welcome recent consultations from the Basel Committee on Banking Supervision on the prudential treatment of banks' cryptoasset exposures, which we see as positive steps towards embracing the technology and achieving regulatory clarity in the interests of stakeholders.

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7. We think any regulatory approach should also be sensitive to the context in which cryptoassets are used in different situations – for example, whether they are being used primarily for payments and transactions or to hold as assets. In this respect a global standard would be helpful.
8. We also note that better enforcement of existing regulation can often be more effective and efficient than creating new regulation (for example, many exchange platforms are already tightly regulated). We therefore support the FSB's principle of "same activity, same risk, same regulation", which should ensure that new regulation is drafted only where it is needed.

If you would like to discuss any of the points raised please contact Matthew Levine, Policy Manager (Matthew.levine@actuaries.org.uk).