

Financial Stability Board
fsb@fsb.org

**MINISTER FOR INDUSTRY,
BUSINESS AND FINANCIAL
AFFAIRS**

FSB consultation on stablecoins

The Danish government welcomes the opportunity to respond to the consultation regarding the regulatory, supervisory and oversight challenges raised by global stablecoin arrangements.

Overall, it is our opinion that any new legislation on crypto-assets must ensure an effective consumer and investor protection, and balance macro- and microeconomic aspects. This should be done by ensuring financial stability while at the same time allowing for innovation by creating a proper framework for growth. Generally, we find that the identified challenges are relevant and the recommendations well balanced.

Stablecoins have in some instances distinct features that separate them from other crypto-assets, thus creating a need for specific taxonomy. However, we see no gain in separating the approach to regulating stablecoins from other types of crypto-assets. Stablecoins come in all shapes and sizes, and the differences between various stablecoins are often far greater than the difference between stablecoins and other crypto-assets not covered by any of the current definitions of stablecoins.

While plenty of crypto-assets are designed to mimic traditional financial products, the technology behind crypto-assets also enables the creation of new business models. These business models often have a high degree of decentralisation and anonymization that requires a new regulatory framework. Hence, it is paramount that a classification of crypto-assets, including stablecoins, distinguishes between the specific features of crypto-assets such as the degree of decentralisation.

It is essential that we focus on all relevant risks involved. A distinction between subtypes of crypto-assets such as so-called ‘stablecoins’, ‘payment tokens’, ‘investment tokens’ and ‘utility tokens’, based solely on the economic function of the crypto-asset, will overlook the risks connected to the specific features of crypto-assets. This would incur a wide range of adverse results in the longer term.

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Slotsholmsgade 10-12
1216 Copenhagen K
Denmark

Tlf. +45 33 92 33 50
Fax. +45 33 12 37 78
CVR-nr. 10092485
EAN nr. 5798000026001
em@em.dk
www.em.dk

Another point of importance relates to the question of determining the responsible legal subject. Existing financial regulation is often aimed at the provider of the financial service as the legal subject of said regulation. This is a major issue for crypto-assets, where the technology allows decentralised business models with inherent anonymity, which makes the identification of legal subject increasingly difficult. Thus, when it comes to so-called 'stablecoins', the underlying type of governance mechanisms should be properly categorised and treated accordingly. We therefore encourage FSB to analyse the issues arising from the lack of identifiable legal subjects further.

It is thus vital to include issues arising from the decentralized nature of crypto-asset services. As mentioned, decentralized financial services give rise to central and complex issues relating to the identification of regulated entities and the enforceability of regulation. If these issues are not properly addressed, it would compromise the effectiveness of the proposed crypto-asset framework because of the lack of enforcement possibilities.

Yours sincerely,


Simon Kollerup