

FTX collapse could speed up long-overdue crypto regulation

Article

Trendspotting: After the spectacular collapse of FTX and rising fears that consumers aren't being protected adequately, pressure is building on financial services watchdogs to better regulate the cryptocurrency industry.

The context:

- Crypto exchange [FTX filed for bankruptcy](#) last week and is currently being investigated for mishandling customer funds.
- At least \$1 billion of client assets is reportedly missing at FTX, [according to Reuters](#).
- Coinbase CEO Brian Armstrong has said he thinks inadequate US digital asset regulation has [forced crypto exchanges to set up operations overseas](#), as FTX did in the Bahamas, leaving consumers more vulnerable.
- Some UK banks have resorted to [preventing customers from buying cryptos](#) in response to what they say is a rise in crypto scams.

Regulation roundup: More oversight is coming in major markets. And FTX's implosion—along with other crypto meltdowns this year, such as stablecoin [TerraUSD](#)—could bring new regulation sooner.

- The EU planned to pass robust crypto regulations in its Markets in Crypto Assets (MiCA) legislation before 2023. The new legislation would replace a patchwork of national rules with one framework covering various countries for the first time. But a vote on the new rules has reportedly been [delayed until February](#), per CoinDesk.
- In the UK, the Financial Conduct Authority (FCA) currently only oversees companies' approach to anti-money laundering. But an incoming [Financial Services and Markets Bill](#) is passing through Parliament and would give greater oversight of the crypto sector.
- The US is further behind on creating concrete rules. Various government agencies have skirted around formal regulations. And there isn't even agreement on whether the Securities and Exchange Commission (SEC) or the Commodity Futures Trading Commission (CFTC) [should be in charge of oversight](#).

Factors Influencing Cryptocurrency and Blockchain Adoption at Multinational Corporations According to Executives Worldwide, April 2021

% of respondents

Clarity on regulations

52.4%

Continuous need to seek out new sources

40.8%

Continuous need to improve data quality

36.8%

Continuous need to improve data security

35.2%

Greater profits

34.4%

Retaining and attracting customers

30.4%

Entering and regaining markets

25.2%

Organization leader's support

18.0%

Buy-in and support of other organizations

17.2%

Source: PYMNTS.com, "Cryptocurrency, Blockchain and Cross-Border Payments: How Multinationals Leverage New Technology to Optimize Business Payments" in collaboration with Circle, Nov 11, 2021

271606

InsiderIntelligence.com

The big takeaway: Crypto regulation in most markets has been painfully slow to materialize. But the latest and biggest crypto meltdown of 2022 may shock policymakers into action.

Consumers are undeniably unprotected and at risk under the current regulatory framework in most markets. But disagreements remain in the US as to whether oversight should focus on encouraging innovation or on consumer protection. And the complexity of regulating cryptos is holding back fresh legislation in Europe.

Regulators' reluctance to set rules for crypto has stunted digital asset market growth. New legislation can help protect consumers, bring cryptos into the mainstream, and prevent future crises.

US Cryptocurrency Owners, by Coin, 2022

millions

Bitcoin	25.2
Ethereum	13.1
Other	10.3

Note: individuals ages 18+ who own cryptocurrency (such as Bitcoin, Ether, Dogecoin, etc.) in digital storage/an account

Source: Insider Intelligence, April 1, 2022

274642

[InsiderIntelligence.com](https://www.insiderintelligence.com)