

# US and UK gather the pieces needed for clearer crypto regulation

## Article

**News roundup:** The US at the state level and the UK at the national level keep edging closer to clearer cryptocurrency regulation.

- A bipartisan group of UK lawmakers formed the **Crypto and Digital Assets Group**, creating a forum to draft regulation for the digital asset industry. The parliamentary panel has the backing of **CryptoUK**, the digital asset trade association.

- **The New York State Department of Financial Services (NYSDFS)** appointed a deputy superintendent of virtual currency. The department said the position would focus on virtual currencies, digital currencies, blockchain, distributed ledger technology, and other related products and technologies.

**Crypto ambivalence reigns:** The price of Bitcoin fell to a three-month low Monday morning after dropping for seven consecutive days. This fast falloff means many consider it a risky asset.

- That perception isn't helped by comments like Bank of England Governor Andrew Bailey's **warning that banks be "especially cautious" in handling crypto until regulators put new rules in place.**
- The blockchain analysis firm **Chainalysis** reported that, globally, crypto-based crimes reached a record high in 2021. Users lost **upward of \$14 billion**, up from \$7.8 billion in 2020.
- But the report also concluded that **growth in legitimate cryptocurrency use last year far outstripped the increase in crypto-related criminal activity.**
- As the US and the UK grapple with regulation, **51 countries have issued total or near-total bans** on crypto handling—most notably China.

**What's at stake:** Crypto's volatility and the uncertain, still-developing regulatory framework surrounding it is delaying its wider adoption. Many big institutional players, including pension funds, are holding back from getting involved until they see more regulatory clarity.

- **More than half of executives at multinational companies** want **clarity** on regulations before engaging in crypto and blockchain tech.
- Regulation will also reassure wary consumers about the **legitimacy** of digital assets and alleviate concerns they're risking their nest eggs in a lawless **Wild West**.

**In the UK**, MP Lisa Cameron, chair of the new Crypto and Digital Assets Group, says the framework must support "innovation and guarantee that the UK remains an attractive destination for innovative firms to set up and grow." But she also mentioned making sure consumers "understand the risks, and are protected from the risk of economic harm posed by fraud and scams."

- **About 69% of under-40 traders investing in cryptocurrencies** incorrectly believe they're regulated, according to the UK Financial Conduct Authority.

- And 68% of younger traders compared investing in cryptocurrencies and other high-risk products with gambling, the regulator said.

**In the US**, gaps at the federal level prompted state regulators to take on the job. New York state adopted regulations earlier than most: Since 2015, any person engaged in “virtual currency business activity” involving the state or its residents must obtain a BitLicense.

- Applying isn't easy or simple, and the state performs diligence: **NYSDFS has granted more than 21 licenses**—but some virtual currency players have declined to enter the market.
- The New York attorney general's office is also **scrutinizing** the industry under the auspices of the Martin Act. Those who deal in cryptos and aren't a bank or trust company must register with the AG's Investor Protection Bureau.
- Many companies doing business in New York understand they've got to be both BitLicensees and Martin Act registrants—but fear the entities are working at cross-purposes. The deputy superintendent role needs to reconcile the two offices' positions.
- The stakes are high: **Miami is in hot contention with New York City to wear the US crypto crown**—and has the advantage of looser regulations and lower taxes.

# 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

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