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Thomas Murray Digital Views

How Prepared are Providers to Meet Investor Demand for Digital Asset Services?

Several recently published surveys paint a picture of the state of the digital asset industry and how well-prepared various classes of market participant are to engage. Following our prior review of surveys covering the topic of institutional investor adoption and concerns, we now turn our attention to the service provider and infrastructure landscape. What investor requirements must be met, and how ready is the sell side to service a level of demand from institutional investors that is outstripping expectations?

Weekly Summary



Blockchain settlement and payment infrastructure provider [SETL has demonstrated that its Regulated Liability Network \(RLN\) can process one million transactions per second](#). The RLN is a distributed ledger that records transfer of liability from one institution to another instead of transfer of bearer instruments. This transaction bandwidth far exceeds current conventional and crypto systems and appears to be the first viable solution to the tricky scaling problem needed for widespread adoption of DLT platforms for payments and securities transactions. In contrast, traditional card payment systems have average peak volumes at around 24,000 transactions per second, while the Ethereum network currently processes only 15 transactions per second.



In its [Semiannual Risk Perspective report](#), the US Treasury's Office of the Comptroller of the Currency (OCC) has emphasised the risks involved with digital assets. The report says regulated institutions should approach digital assets with a high degree of caution, while they should check with their OCC supervisor before offering digital asset services. Despite this, the report accepts that utilising digital assets and their underlying technology can lead to opportunities for the banking sector.



The [Bank for International Settlements \(BIS\) latest Quarterly Review](#) has a special feature on decentralised finance (DeFi) and its implications for financial stability. The decentralised nature of DeFi raises important questions for financial regulators regarding how to implement policy provisions. The BIS argues that full decentralisation is an illusion, with DeFi having an inescapable need for centralised governance. One example of this is the tendency for blockchain consensus mechanisms to concentrate power in a small number of stakeholders. The report argues that these elements of centralisation can serve as a basis for recognising DeFi platforms as legal entities with identifiable jurisdictions, which provides an entry point for regulation.



Japan's financial regulator, the Financial Services Agency (FSA), is considering a [new proposal requiring stablecoin issuance to be restricted to licensed banks and wire transfer companies](#). This would theoretically stop popular stablecoin issuers such as Tether (USDT), which does not currently operate as a bank, from conducting business with Japanese customers. As part of the proposal, it would also become compulsory to back stablecoins with reserve assets. The FSA says these measures are necessary to reduce risks for stablecoin users and protect customer assets by law.

Digital Asset Developments



[Australia Set for Massive Shakeup to Crypto Regulations: Treasurer](#) (CoinDesk)



[Central Bank Tells Thai Banks Not to Offer Crypto Trading](#) (Cointelegraph)



[Raiffeisen, Erste Bank in Austrian Wholesale CBDC Simulations](#) (Ledger Insights)



[BIS, Bank of France, and Swiss National Bank Conclude Successful Cross-Border Wholesale CBDC Experiment](#) (Bank for International Settlements)



[Australian Reserve Bank's 'Project Atom' CBDC Research Finds Numerous Benefits](#) (Cointelegraph)



[WhatsApp Launches Pilot Crypto Payments Powered by Meta's Novi Digital Wallet](#) (AMB Crypto)



[Eastern Caribbean Central Bank Set to Launch DCash in the Commonwealth of Dominica and Montserrat](#) (Eastern Caribbean Central Bank)



[Central Bank of Bahrain to Offer Digital Payments Platform](#) (PYMNTS)



[Zimbabwe Central Bank Mulls Digital Currency, Spurns Crypto](#) (Bloomberg)



[SBI Announces Crypto Joint Venture with Swiss Digital Exchange SIX](#) (Cointelegraph)



[Fidelity Digital Assets Receives FCA Approval for its UK Crypto Business](#) (The Block)



[Binance Plans to Launch in the U.K. and Prepares for Seeking FCA Approval](#) (Cryptoslate)



[Gemini and Bancolombia to Launch Crypto Pilot This Month](#) (The Block)



[Bitcoin Capital and Ficas Team Up to Launch Crypto ETFs on SIX](#) (Financial Times)

Key:

Regulation 

Technology 

Ecosystem 

Markets 