

31 January 2022

The last week saw a continued late New Year hangover for cryptocurrency prices. Bitcoin is down 44% on last November's all-time high price as the original cryptocurrency suffered a further slump of 16% through January. A number of factors have been blamed for the decline, including concerns over tensions in Ukraine and domestic troubles in Kazakhstan, where the government cut power to the large crypto mining community that had established itself there following last year's ban on the activity in China. Analysts also posit that increasing institutional adoption of cryptocurrency is leading to greater correlation of the asset class with traditional assets as money flees from volatile investments to safer ground.

The double-edged sword of regulation has also been at play: the SEC's continuing rejections of bitcoin-backed Exchange-Traded Funds, its investigation of several large providers of crypto lending services, and the lack of clear US policy on crypto assets – pending an expected Executive Order from President Biden – continue to act as a brake, offset by positive and measured proposals by Russia and Thailand to set ground rules that would help to reconcile the advantages of crypto to the need to trace and tax related activity.

Meanwhile, the institutional digital asset ecosystem continues to build steadily: the Winklevoss twins' Gemini may soon act as a broker-dealer and operate an Alternative Trading System; LuxSE has listed security tokens issued under French law by Societe Generale's digital assets division Forge (the third such major project for the French bank); and a survey by crypto compliance company Notabene finds that 70% of crypto firms and banks surveyed claim they will be compliant with the FATF's Travel Rule by the end of June – although 46% of them could not yet say what solution they would adopt.

## Digital Asset Developments



The Diem Association, a consortium of companies working on designing and building the blockchain-based Diem stablecoin, is [reportedly selling its technology assets](#) to Silvergate Capital. Meta, the company previously known as Facebook and one of the consortium's founding members, is working on selling Diem's assets as a way of returning some capital to the investors behind the project. Many had expected Diem to have profound macroeconomic effects by becoming the first widely adopted stablecoin for international use, providing a credible and well governed payment platform able to provide efficiency benefits to settlement processes. Diem stablecoins were to be issued by Silvergate. The sale to Silvergate means it will become the only company in charge of the project.



Gemini Galactic Markets, an affiliate of Gemini Trust Company, has [received approval from the Financial Industry Regulatory Authority \(FINRA\) to operate a broker-dealer](#) registered with the Securities and Exchange Commission (SEC). This means Gemini can now operate an Alternative Trading System, allowing it to facilitate the trade of digital asset securities. Gemini has not yet announced further details of its plans.



The Russian Ministry of Finance has submitted a regulatory proposal to the government, [aiming to tightly regulate crypto instead of banning it entirely](#). The proposal introduces a new framework for crypto use in the country, suggesting crypto operations be done within the traditional banking infrastructure, with mechanisms in place to identify market participants' personal data. The ministry cites increased tax revenues and the ability to track criminal activity as key benefits of regulation. This is in stark contrast to the [ban proposed by the Central Bank of Russia](#) just last week, which would also extend to the mining of cryptocurrency. The bank said that, as cryptocurrencies are volatile and widely used in illegal activities, they risk undermining the national economy and make maintaining optimal monetary policies difficult. Russian President [Vladimir Putin appears to be on board with the Ministry of Finance](#), asking government officials to hold talks with the central bank regarding cryptocurrencies, directing his agencies not to neglect the advantages that Russia has in the area. [Putin is also in favour of](#)

[regulating crypto mining](#), wanting to restrict it to regions in the country with excess electricity supply while levying taxes on mining institutions.



The Asian Development Bank (ABD) has launched a project [aiming to directly connect central banks and securities depositories within a blockchain network](#), between the Association of Southeast Asian Nations, plus Japan, the People's Republic of China, and the Republic of Korea. The project will also examine the interoperability of systems and the viability of central bank digital currency (CBDC) in the region. ABD cited a reduction in both transaction costs and settlement risks as potential benefits of the project. The design phase is set to be completed by March, with the prototyping phase scheduled for the second quarter of 2022. The project, supported by ABD's Digital Innovation Sandbox, is in partnership with ConsenSys, Fujitsu, R3, and Soramitsu.



The US Securities and Exchange Commission (SEC) has [delayed approval decisions for bitcoin-related exchange traded funds \(ETFs\) from Ark21 Shares and Teucrium](#). The SEC has postponed the decision on the ARK 21Shares Bitcoin ETF until 3 April, while the decision on the Teucrium Bitcoin Futures Fund has been delayed until 8 April. On top of this, the SEC has also outright [rejected a spot bitcoin ETF proposal from Fidelity](#). This is the fifth spot bitcoin ETF proposal to be rejected in the last three months, with the SEC consistently citing concerns surrounding fraud, manipulation, and investor protection for funds backed directly by cryptocurrencies. This is at odds with the approach of the Canadian regulators, who have approved a series of bitcoin-related ETFs including a [spot bitcoin ETF from Fidelity](#). The approach from the SEC therefore risks the US falling behind other markets, who have so far been able to steal a march on them.

## News Links



[Crypto Industry Seems Willing to Adopt FATF Travel Rule: Survey](#) (CoinTelegraph)



[House Members Urge US Treasury Secretary to Clarify Definition of Broker in Infrastructure Law](#) (CoinTelegraph)



[Crypto Policy Advocacy Group Warns of 'Disastrous' Provision in a New US Bill](#) (CoinTelegraph)



[Bill Introduced to Make Bitcoin a Legal Tender in Arizona](#) (Bitcoin Magazine)



[IMF Urges El Salvador to Discontinue Bitcoin's Legal Tender Status](#) (IMF)



[Thailand to Regulate Cryptocurrency as Payment Method](#) (Forkast)



[Crypto Lenders Gemini, Voyager and Celsius Network Under SEC Microscope](#) (Pymnts)



[The Sovereign Yidindji Government \(SYG\) has Issued and Deployed the Sovereign Yidindji Dollar Successfully Using MetaMUI Identity-Based Blockchain](#) (Sovereign Wallet)



[Caribbean Digital Currency, DCash, Remains Offline for Second Week](#) (Bloomberg)



[LuxSE Admits Security Tokens Issued by SocGen](#) (Finextra)



[MetaMask's New Inbuilt Multichain Institutional Custody Feature](#) (CoinTelegraph)

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Regulation 

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