

21 February 2022

The price of Bitcoin fell 9% last week, mirroring similar price moves by the S&P 500 and the FTSE 100, reflecting the current macroeconomic environment of rapidly increasing inflation and the threat of war in eastern Europe. Previously seen as offering uncorrelated returns, cryptocurrencies have become increasingly correlated with traditional assets in recent times, and it is theorised that this is due to greater levels of institutional investment. Despite the continual price fall over the last three months, [Bitcoin mining difficulty has reached a new all-time-high](#). Since hitting a low in July of last year, following the announcement that China (who at the time was home to the majority of mining power) was banning the mining of proof-of-work cryptocurrencies, Bitcoin difficulty has been steadily growing. The higher difficulty is a representation of increased mining power and therefore increased competition amongst miners, meaning that either new participants are entering the mining industry, existing miners are investing in increased computing power, or a combination of both. This shows that despite the recent price action miners remain optimistic about the price of Bitcoin, at least on the macro-scale, particularly considering that the continued profitability of mining Bitcoin is reliant on its price increasing.

Digital Asset Developments



[The Central Bank of Ireland has released a report](#) in which it proposes to ban some funds such as UCITS and AIF structures from holding crypto-assets, in a move designed to protect retail investors from risks they may not understand. This is a similar approach to recent moves in other jurisdictions such as the US, Russia, and India, but contrasts with markets like France and Germany where some types of funds are permitted to invest up to 20-25% (respectively) of their assets in crypto-assets.



A new institutional sub-custody/technology provider has emerged in Spain as the [Central Bank has licensed Bit2Me as the country's first regulated crypto services provider](#). Bit2Me is in discussions with several Spanish-based banks to provide white label custodial wallet and exchange services. It already provides retail services in over 100 countries, and is the first to register with the Central Bank since its October 2021 [introduction of licensing requirements](#).



Crypto broker BlockFi has announced that it will [register its yield-bearing cryptocurrency lending product](#) with the US Securities and Exchange Commission (SEC). This is part of a USD 100 million settlement with the SEC and 32 US states concerning accusations BlockFi was offering unregistered securities, marking the SEC's first crypto lending-related penalty. Although controversial, the SEC's classification of such lending as securities has put other crypto lending providers, including Coinbase, under the microscope as it has issued 'Wells Notices' of intended enforcement action. The regulatory licensing of such a product could open the doors to investment by institutions, who may be keen to benefit from the yield opportunities provided by decentralised finance without the complexity and risk of managing it themselves. BlockFi is placed to serve this demand through its institutional arm, BlockFi Prime. Nexo, a BlockFi competitor, has since [announced it will stop paying interest on new deposits](#), stating it is voluntarily making these changes in light of the BlockFi settlement. The firm has stated that it will follow in the footsteps of BlockFi by making a new offering available that is registered with the SEC and compliant with securities laws.

Meanwhile, SEC chair Gary Gensler has [reiterated his concerns regarding Bitcoin spot ETFs](#). In a letter from Gensler to Minnesota Representative Tom Emmer, he stated a Bitcoin spot ETF proposal would need to be 'designed to prevent fraudulent and manipulative acts and practices' for it to receive approval. Although the SEC has recently rejected a series of Bitcoin spot ETF proposals, Gensler's letter outlines that he is technology neutral and open to approving crypto spot ETFs, as long as the provider can prove they adhere to regulatory standards regarding fraud and manipulation. Gensler has also [addressed Democrats of the House Financial Services Committee](#), where he outlined his vision for

supervision of crypto markets. He argued that as 'most of these tokens are securities' the SEC has existing legal authority over much more of the market than is currently acknowledged.



Circle Internet Financial (Circle) has doubled its valuation to USD 9 billion after [reaching a new SPAC deal](#). Circle is the issuer of the USD Coin (USDC) stablecoin, a dollar-backed token that is rapidly catching up to original stablecoin Tether (USDT). The investment, from Bob Diamond's Concord Acquisition Corp, shows the interest and growing value in stablecoin projects, and in turn the reason for regulators' concern at their potential to present risks to financial stability (see next).



[A new report from the Financial Stability Board \(FSB\)](#) has warned of the threat posed by crypto-asset markets to financial stability. Although the crypto-asset market is still small as a proportion of the global financial system, with key financial institutions and markets having limited exposure, the report states this could grow rapidly and that it is therefore important to prepare policy options in good time. This represents a change of attitude since last year, when the FSB said that the crypto-asset market, including cryptocurrencies and stablecoins, was too small to raise any immediate stability concerns, despite already exceeding the size of the sub-prime mortgage market in 2008 – although the crypto-asset market has far lower volume and complexity of derivatives, and offers substantially greater transparency than the sub-prime and derivatives markets that precipitated the Global Financial Crisis. This change of view reflects the recent rapid growth of the crypto-asset market, as well as concerns over the emergence of decentralised finance (DeFi), despite the protections provided by DeFi's large collateral requirements.

News Links



[Ukraine: Parliament Passed the Law on Virtual Assets in Line with the President's Proposals](#) (Ukraine Government)



[UAE Introduces Federal Licensing for Virtual Asset Service Providers to Attract Crypto Firms](#) (Pymnts)



[Russian Government Introduces Crypto Bill to Parliament Over Central Bank Objections](#) (CoinDesk)



[Crypto Giants Form Travel Rule Compliance Platform](#) (Finextra)



[Marshall Islands Officially Recognizes DAOs as Legal Entities](#) (Cointelegraph)



[Colorado Plans to Accept Crypto for Tax Payments by End of Summer](#) (Pymnts)



[DOJ Names First Director of Crypto Team to Step Up Enforcement](#) (Pymnts) who will work closely with a new [Crypto Unit Set Up by FBI](#) (Finextra)



[Wyoming Lawmakers Want State to Launch Its Own Stablecoin](#) (Decrypt)



[Binance.US Faces SEC Probe Over Trading Affiliates: Report](#) (CoinDesk)



[Spain's Central Bank Licenses Bit2Me to Be Country's First Crypto Services Provider](#) (CoinDesk)



[Fidelity International Launches Bitcoin ETP on Deutsche Boerse](#) (Cointelegraph)



[FQX and SDX to Collaborate on Blockchain-based Short-term Debt Instruments](#) (SIX Digital Exchange)



[More Banks Join Blockchain-Based Carbon Marketplace](#) (Finextra)



[DeFi ETFs Take Flight in Brazil With Two Launches This Month](#) (The Block)



[Years After Calling Bitcoin 'Rat Poison,' Warren Buffett Just Invested \\$1 billion in a Crypto-Friendly Bank](#) (Yahoo Finance)



[NYSE Trademark Application Spotlights Marketplace for NFTs](#) (The Block)



[Bitcoin and Ethereum ETPs Now Available on Bulgaria's Stock Exchange](#) (Yahoo Finance)



[JPMorgan Research Uses Quantum Network to Protect Blockchains](#) (Finextra)

Key:

Regulation 

Technology 

Ecosystem 

Markets 

CBDC Corner

[Digital Ruble: Start of Testing](#) (Bank of Russia)

[Here's How Much Digital Yuan Used at Olympics, According to PBoC](#) (Cointelegraph)

[Jamaica Christens Its CBDC Jam-Dex](#) (Pymnts)