

28 March 2022

The price of bitcoin has increased by over 13% this past week – up over 40% from the January lows – ending with the highest weekly close of 2022. This comes despite soaring inflation, increasing interest rates, and economic uncertainty expected to stimulate a movement towards risk-off assets. The S&P 500 has similarly been increasing – up almost 2% last week and nearly 10% from its recent lows – reflecting the increasing interconnectedness of traditional and crypto markets, with [bitcoin's correlation to the S&P 500 reaching a 17-month high](#).

It is widely believed that this correlation is a result of increased institutional investment in crypto-assets and their underlying technologies, a trend that continues to gather momentum. Investment bank [Cowen has launched a digital assets division](#) that will allow institutional customers to trade cryptocurrencies; the world's largest asset manager [BlackRock is exploring how to offer crypto services](#), citing increased demand from its clients; while financial infrastructure and technology provider [Cross River has partnered with blockchain data provider Chainalysis](#) to expand its crypto services.

A recent [survey by investment bank Goldman Sachs](#) suggests this adoption will continue to grow: 60% of the bank's 172 surveyed clients expect to increase their digital asset holdings over the next two years. The survey also found that institutions are becoming increasingly open to decentralised finance (DeFi) and alt-coins. This follows last week's news that the investment bank [completed its first OTC crypto trade](#). Despite this, a recently published [Morgan Stanley report suggests the growth of DeFi could be set to slow down](#) as a result of regulation and concerns surrounding overcollateralisation.

Digital Asset Developments



The Bank of England (BoE), Prudential Regulation Authority (PRA), and Financial Conduct Authority (FCA) have all released documents regarding the regulation of the UK crypto-asset industry and the responsibilities of firms operating in the space. The BoE Financial Policy Committee [published a report](#) on crypto-assets and decentralised finance (DeFi). The report acknowledges that, while risks posed to the UK financial system are currently small – reflecting the relatively small size of the asset class and its limited interconnectedness with the wider financial system – the asset class could pose a serious threat to financial stability if it continues to grow. The report therefore calls for an expansion of powers to oversee the industry in order to avoid markets overheating, stop financial institutions taking unnecessary risks, and prevent scams and market abuse. As part of this, the report recommends that crypto technology performing equivalent functions to those in traditional finance be brought under existing regulatory arrangements.

Meanwhile, the PRA's deputy governor has [issued a letter](#) which calls for banks, insurance companies, and investment firms to consider their exposure to crypto-assets, citing the need to comply with existing obligations but to also expect changes to regulatory oversight. The FCA has also [published a statement](#) warning regulated firms of their obligations when dealing with crypto-assets. It highlights the importance of being clear with customers, taking into account prudential and custody considerations, and assessing risks related to financial crime.



The International Organisation of Securities Commissions (IOSCO) has [released a report on decentralised finance \(DeFi\)](#). The report, which says DeFi is quickly evolving to mirror conventional finance products, outlines key areas of concern for the regulator. One such area is how to regulate a DeFi protocol that claims to be a peer-to-peer marketplace with no centralised entities in control. However, the report casts doubt on this claim by identifying key central actors who often retain control, such as through the distribution of governance tokens. Another key area of concern is centralised trading platforms, which face considerable conflicts of interest. Following the report, IOSCO announced the formation of a new taskforce which will further evaluate the risks and opportunities arising from DeFi.



Australia's Treasury Department has [released a consultation paper](#) that proposes a regulatory framework for crypto-assets. The paper, which defines both crypto-assets and crypto-asset service providers, proposes a new licence for service providers that would cover both crypto trading services and custodians. Under the licence, providers would have to ensure technological availability, dispute resolution standards, minimum financial requirements, and ethical standards, among other requirements. The paper also suggests two alternative options for regulating the industry: one is to define crypto-assets as financial products and thus bring them under the existing financial services regulation; the second is to develop a self-regulatory regime within the industry. The government is now seeking feedback on the report before moving forward.



ANZ, one of Australia's largest banks, [minted the first Australian stablecoin](#) as part of a transaction facilitating a private wealth management firm's entry into the crypto markets. In conjunction with Fireblocks, Chainalysis, and OpenZeppelin, ANZ minted the stablecoin on the public permissionless Ethereum blockchain using purpose-built smart contracts. The stablecoins were used in transactions before being redeemed back into fiat currency. This allowed ANZ's client to avoid incurring high fees that arise from exchanging fiat currency into existing stablecoins.



Euroclear, one of the Eurozone's principal clearing houses, has [invested in Fnality](#) – a financial technology firm founded by a consortium of international financial institutions to explore the use of blockchain technology and tokenised assets to settle securities trades. The clearing house says the investment in Fnality will facilitate the settlement of digital securities against digital cash using blockchain technology, increasing the efficiency of its post-trade operations.

News Links



[Korean Crypto Exchanges Are Now in Compliance with the Travel Rule](#) (CoinTelegraph)



[Thailand Bans Use of Crypto for Payments — But Not Trading and Investing](#) (The Block)



[Abu Dhabi Global Market Regulatory Arm Unveils Document Proposing Changes to Virtual Asset Regulations](#) (Bitcoin.com)



[Coinbase to Track Off-Platform Crypto Transfers in Canada, Singapore and Japan](#) (CoinTelegraph)



[Top Israeli Bank to Accept BTC and ETH Trading Through Paxos' Collaboration](#) (CoinTelegraph)



[Ukraine CBDC Is Progressing During Wartime: Stellar CEO – actually a stablecoin, unrelated to the CBDC project](#) (Crypto Briefing)



[Just as Hal Finney Predicted, Bitcoin Is Being Purchased to Act as a Reserve Currency](#) (CoinDesk)



[Grayscale Launches Smart Contract Fund for Ethereum Competitors](#) (CoinTelegraph)



[SEC Punts on WisdomTree, One River Spot Bitcoin ETF Proposals](#) (The Block)



[El Salvador Postpones Planned Bitcoin Bond: Report](#) (CoinDesk)

Key:

Regulation 

Technology 

Ecosystem 

Markets 

CBDC Corner

The Bank for International Settlement (BIS) Innovation Hub has announced the completion of two prototypes for a [platform that enables settlement of multiple Central Bank Digital Currencies \(CBDC\)](#). The prototypes were developed as part of Project Dunbar, a project focussing on international settlement using multiple CBDCs, in conjunction with four central banks: the Reserve Bank of Australia; Bank Negara Malaysia; the Monetary Authority of Singapore; and the South African Reserve Bank. The platforms facilitate direct cross-border transactions between financial institutions using multiple currencies connected across multiple central banks. The success of the project shows it is possible to use multi-CBDCs in accordance with regulatory requirements while operating across jurisdictional boundaries.

[Bank of England and Massachusetts Institute of Technology Joint Central Bank Digital Currency Collaboration](#) (Bank of England)

[Honduras' Central Bank Debunks Bitcoin as Legal Tender Rumors](#) (CoinDesk)