

Special Report

Worldwide Regulator's Impaction on the Crypto Market

1 June – 24 October 2019



Summary

Along with U.S The Securities and Exchange Commission (SEC) the crypto community faced influence from other countries' regulators. Thus, crypto acknowledged European and Asian countries have impacted the variety of regulators' decision that are represented below for the same summer/fall period. Beforehand, the worldwide regulators were indulgent and fair all this time. Most of the interaction of regulator with crypto sphere carried calmed parental influence. For example, the first crypto hedge was approved while Japan released the guide for cryptocurrencies.

However, most of the severe and sharp decisions worldwide were made regarding Facebook's Libra that disturbs the mind of the crypto users worldwide. From the news below, it can be seen that the regulators worldwide did not catch up with U.S The Securities and Exchange Commission in terms of penalizing and banning the projects and users. However, the worldwide regulators still became more aggressive as soon as fall season came into the crypto markets. Now it is expected that the SEC activities would force regulators around the globe to stand up against the crypto and show its power.

Based on the regulators' impaction on crypto world, the European regulator still stays one of the lightest in terms of its decisions on crypto. Europe is more open to digital currency and has one the greatest conditions for the crypto world to develop. It shows that there is indeed the land for crypto that is called "crypto valley" and located in Switzerland. While the Europe and UK are balancing with crypto laws and bans, the Asian part of the world began following up the SEC examples and started to release laws, guides and bans. In addition, the Asian regulator has succeeded in preventing scam activities in conducting the fraudulent. Many crypto users had already known the fire follows the smoke and there would be eventually more severe decisions around the world since there is a tendency where the governments follow the USA SEC's decisions. Undoubtedly, worldwide regulator began interaction with crypto world and there will be actions further to put the control over the crypto market to dominate it.



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June 2019



Iceland's financial regulator approves blockchain-powered E-Money firm



Reykjavik-based Monerium, backed by blockchain software company ConsenSys, has reportedly been approved by the Icelandic financial watchdog to provide fiat payment services using ethereum (ETH) blockchain.



German regulator greenlights \$280 Million Ethereum real estate bond



The given bond backed by a portfolio of properties in major German cities with an issued volume of 250 million euros (\$280 million). The firm's solution reportedly leverages standardized and regulated financial instruments to build a real estate-backed asset that can be traded worldwide independently of banks.



UK Regulators approve First Cryptocurrency Hedge Fund



Prime Factor Capital was the first crypto hedge fund approved as a full-scope alternative investment fund manager by the Financial Conduct Authority, according to Bloomberg. Though approved by the UK watchdog, the firm will abide by European regulations. Under these guidelines the firm will be allowed to hold more than 100 million euros in assets under management.

July 2019



Japanese Regulators are getting anxious about Facebook's cryptocurrency



Japan's central bank has joined the regulators worldwide expressing concerns over the potential risks posed by Facebook's Libra cryptocurrency project. A report from Nikkei Asian Review on indicates that the Bank of Japan (BoJ) has concerns that Libra – a planned cryptocurrency backed by a basket of fiat currencies and government securities – will be tough to regulate and could bring risk to the financial system.



Singapore's regulator warns of new scam Bitcoin investment scheme



Singapore's central bank and financial watchdog issued an official warning, stating that the agency has become aware of a website that invited online users to invest in Bitcoin via an article containing falsified claims.



Thai SEC warns public about new Crypto scam operating overseas



Thailand's securities regulator has warned the public about scam entities posing as legal digital currency trading firms operating overseas. The Thai Securities and Exchange Commission (SEC) has discovered a new crypto scam where investors are lured into operating with companies outside the country.

August 2019



Swiss crypto banks receive licenses from financial regulator



The Swiss Financial Market Supervisory Authority (FINMA) has reportedly granted two banking and securities dealer licenses to crypto-focused banks. Two Swiss crypto-specializing firms, Seba Crypto AG and Sygnum have received banking and securities dealer licenses. FINMA emphasized that blockchain sector businesses are not exempt from Anti-Money Laundering and Know Your Customer requirements.



Maltese financial regulator will actively monitor cryptocurrency firms



The Malta Financial Services Authority (MFSA) says in its recently published strategic plan that it will actively monitor and manage business-related risks related to cryptocurrency firms. MFSA published its three-year strategic plan for 2019–2021 which states the Malta financial regulator will strive to modernize their regulatory approach to be one step ahead of industry developments.

September 2019



Luxembourg regulator red-flags activities of Bitpay clone website



Luxembourg's financial regulator, the Commission de Surveillance du Secteur Financier (CSSF), has red-flagged the activities of a fraudulent clone website that is impersonating cryptocurrency payment services provider BitPay. The website alludes to being the European branch of BitPay, stating: "The world's smartest Bitcoin exchange service has landed in Europe."



Brazilian regulator bans Forex broker offering BTC options



The Brazilian Securities Commission (CVM) has banned a forex broker offering Bitcoin (BTC) options. In its warning, the CVM states that XM Global Limited is not authorized to operate in Brazil or deal with customers residing there. If the condition is not met, the firm will be fined 1,000 reais (\$239) per day.



Swiss Regulator FINMA won't impede Libra's development



Mark Branson, CEO of the Swiss Financial Market Supervisory Authority (FINMA), said, "We are not here to make such projects impossible." "We will respond to them with an open mind, with an attitude that same risks require same rules," Branson said at a Bloomberg event in Zurich.



UK financial regulator's Crypto investigations surge 74% in 2019

The number of the FCA's investigations into cryptocurrency businesses has surged from 50 cases in 2018 to 87 cases in 2019. David Heffron, a partner at Pinsent Masons, stated that the increased scrutiny from the FCA demonstrates the regulator's "increasingly hands-on and no-nonsense approach to enforcing the law in the cryptocurrency market.



Major Exchanges urge UK Regulator to not restrict crypto derivatives

The World Federation of Exchanges (WFE), a global trade association of publicly regulated exchanges, has urged the United Kingdom's Financial Conduct Authority (FCA) not to restrict cryptocurrency derivatives for retail investors. The WFE made a statement in response to the financial regulator's consultation paper on potentially banning on crypto derivatives such as Bitcoin (BTC) futures and other crypto-related trading products, initially announced in July. The WFE proposed that the FCA develop proper consumer protection instead.



US Treasury Secretary: Regulatory Fears Forced Libra Exodus

U.S. Treasury Secretary Steven Mnuchin said backers of Facebook's cryptocurrency Libra dropped out of the project over concerns that the stablecoin project would not meet regulatory standards. Mnuchin said that if Libra wouldn't meet US money-laundering standards via the Financial Crimes Enforcement Network, it could open them up to enforcement actions.



Japan's Financial Regulator Issues Draft Guidelines for Funds Investing in Crypto

Japan's Financial Services Agency (FSA) has issued draft guidelines for funds investing in crypto. The issuing of the draft comes in the context of movement on the regulatory front in Japan. The country was rocked by the collapse of Mt Gox in 2014 and the 2018 hack of the Coincheck exchange and has been working to reestablish the crypto market on a better footing.



Russia to ban Facebook if USA blocks Libra Cryptocurrency

President Vladimir Putin's special representative for IT confirmed his official position on Libra, as well as Telegram's prospective cryptocurrency, Gram. "If Libra launches without controls, or Gram, the likelihood of the scenario appearing in which we block (Facebook) significantly increases, not just in Russia but in every country," he said. According to Peskov, Russia would take its cue from the US regarding Libra, given Facebook's heritage.



Chinese Police reportedly close office of initial coin offering (ICO) startup

The offices of Chinese initial coin offering (ICO) startup GXChain have reportedly been closed by the local police. Having achieved a market cap over \$600m during “hot” times, the token company has a sustainable business behind it. This involved selling personal credit card data, which is a very sensitive topic in China currently.



Ukraine plans to officially legalize Bitcoin and other cryptocurrencies.

Ukraine’s Ministry of Digital Transformation plans to legalize Bitcoin and other cryptocurrencies to bring them out of their current legal ‘grey area.’ Currently, cryptocurrencies are not banned in the country, but have no official status. The move is part of the country’s modernization efforts led by its new president, Volodymyr Zelensky.



US Congressman: Facebook’s Libra Will Be Regulated As A Security

United States Congressman Warren Davidson (R-OH) shared his thoughts on Facebook’s developing stablecoin, Libra. Ultimately, Davidson says Libra should be regulated as a security, but he also claimed Facebook would be better off with Bitcoin altogether. Congressman Davidson is one of the most active members of the US Congress concerning digital assets and cryptocurrencies in general. He authored the Token Taxonomy Act and publicly told Federal Reserve Chairman Jay Powell that increased legislation involving blockchain technology will drive innovators outside the US.



G20 Leaders: stablecoins could be beneficial but Libra may pose a serious risk to public policy



The recently concluded G20 Finance meeting highlighted regulation of stablecoins as an area that needs to be addressed soon. This follows the rise in popularity of digital assets with Facebook’s Libra being the most discussed. Finance Representatives from G20 states were in agreement of the risks posed by the creation of digital coins. They noted that digital currencies are very likely to cause a disruption in the financial system, especially in Monetary policy functions.



G7 Leaders target Bitcoin, formulate potential threats of stablecoins



The G7 has released a new 37-page report on cryptocurrencies entitled, “Investigating the impact of global stablecoins.” The international intergovernmental economic organization is comprised of the seven largest advanced economies in the world, as designated by the International Monetary Fund.

Community reaction

"Facebook will not be part of launching the Libra payments system anywhere in the world until US regulators approve."

- **Mark Zuckerberg**, the founder of social media giant Facebook

"To transition from the world we're in today to that utopia, perhaps you need centralized entities, you need an on and off-ramp. You can't buy crypto if you don't have a centralized business that can maintain those relationships with banks."

- **Zeeshan Feroz**, United Kingdom CEO of Coinbase

"Vladimir Putin as the most influential person in the blockchain space...In about two weeks or so, we should have support for Russian rubles trading directly. So you can buy cryptocurrencies on Binance.com using rubles."

- **Changpeng Zhao**, CEO said that Binance

"China is moving quickly to launch a similar idea in the coming months. We can't sit here and assume that because America is today the leader that it will always get to be the leader if we don't innovate. Libra will be backed mostly by dollars and I believe it will extend America's financial leadership as well as our democratic values and oversight around the world. If America doesn't innovate, our financial leadership is not guaranteed."

- **Mark Zuckerberg**, the founder of social media giant Facebook on Facebook's Libra vs China's digital renminbi

"I believe that we are big enough, we are strong enough and we are smart enough to meet the needs and to be competitive in the world, we just have to keep going."

- **Maxine Waters**, Committee Chairwoman said regarding China

"The February hearings are different from those scheduled for October 24, because they will only consider the possible postponement of the launch of the platform. We and our advisers will use the time to ensure that at the February hearing, Telegram's position is presented and supported as much as possible."

- **Telegram**

"We noticed a huge problem between techies and lawyers and business professionals. There was a communication disconnect between us. We thought: 'this would be the perfect place to have a master's, one serving the multidisciplinary purposes of the different specializations.'"

- **Joshua Ellul**, director of the master's program and chairman of Malta Digital Innovation Authority

"Imagine a world six months from now, a year from now, two years from now, where fiat currency is diminishing in importance, you can only buy houses and cars and shoes with crypto, with Bitcoin and Monero and Ethereum and others [...] soon we'll have the ability to acquire everything that we need with crypto."

- **John McAfee**, American entrepreneur and staunch crypto advocate

"Consumers need to be cautioned that stablecoins are likely to be starkly different from sovereign-issued currency in legal terms."

- **Lael Brainard**, Federal Reserve board member

"Alipay closely monitors over-the-counter (OTC) transactions to identify irregular behavior and ensure compliance with relevant regulations. If any transactions are identified as being related to bitcoin or other virtual currencies, we immediately stop the relevant payment services."

- **Alipay's spokesman**

"In these regulations, the state clarifies the nature of Bitcoin as a virtual commodity. At the same time, for the purpose of prevention of risks to the financial system, the relevant regulations limit the participation of financial institutions and payment institutions in Bitcoin-related activities."

- **Celine Lu**, founder and CEO of BitDeer

"Lack of regulation could negatively affect innovation in the U.S."

- **Breanne Madigan**, Ripple's head of global institutional markets

"Since their largely failed Telegram blocking last year, the Russian authorities have been actively working to enhance their online censorship system. A major turning point was the 'Sovereign Internet' law signed by President Putin on 1 May, which is taking Russia much closer to the Chinese model. This law will be implemented gradually from 1 November onwards, and Roskomnadzor has been installing and testing these new tools in the past few months."

- **Johann Bihl**, The head of the Eastern Europe & Central Asia Desk at Reporters Without Border

Poloniex is moving out of the US to focus on international markets. They won't even let US customers use their products moving forward. This will become the norm if the US continues to create an overbearing and/or uncertain regulatory environment. We must get it right."

- **Anthony Pompliano**, Co-founder & Partner at Morgan Creek Digital

“This is one of the great powers [of cryptocurrency], but it also makes it challenging for us to do investigations and have compliance, when every country has different sets of regulations.”

– **David Jevans**, CEO of CipherTrace

“The federal government is forcing every broker in the United States to turn over every investor’s trades from start to finish to a database that the SEC and private regulators will be able to mine for data and analyze. Your broker cannot opt out, and neither can you, unless you stop trading in U.S. markets.

People working for over a dozen different organizations in the public and private sector will have access to the data, and there are few concrete parameters on how they can use it.”

– **Hester Peirce**, Commissioner

Special bonus

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21-31 October, 2019



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