

July 31, 2023

VIA ELECTRONIC SUBMISSION (cryptoassetsconsultation@iosco.org)

The Board of the International Organization of Securities Commissions

Public Comment on IOSCO's Consultation Report on Policy Recommendations for Crypto and Digital Asset Markets

The Global Association of Central Counterparties ("CCP12") is the international association for central counterparties ("CCPs"), representing 42 members who operate over 60 individual CCPs across the Americas, EMEA, and the Asia-Pacific region.

CCP12 appreciates the opportunity to respond to the Board of the International Organization of Securities Commissions ("IOSCO") Consultation Report on Policy Recommendations for Crypto and Digital Asset Markets¹ ("the Consultation") and commends IOSCO for further engaging in this important topic. Last year's crypto-winter, marked by substantial losses in the value of cryptocurrencies, was due, in part, to events that exemplify the lack of both transparency and appropriate regulation in the crypto-asset market. While CCPs are not at the core of this Consultation, as financial market infrastructures, the safety, integrity, and transparency of financial markets and investor protection issues are of the utmost importance to us. Therefore, we would like to share several comments regarding the Consultation.

CCP12 is generally supportive of the IOSCO's efforts "to support greater consistency with respect to regulatory frameworks and oversight in its member jurisdictions, to address concerns related to market integrity and investor protection arising from crypto-asset activities."² We support adhering to the 'same activities, same risks, same regulatory outcomes' principle, as highlighted in the Consultation. Given the robust principles and standards that have been adopted by international standard setters (e.g., CPMI-IOSCO *Principles for financial market infrastructures* or the BCBS's Basel III standards) and implemented by jurisdictions locally, IOSCO and other policy-makers should leverage this work by applying the **same** rules to entities providing services for crypto-assets that are the same as services provided to traditional financial markets. Additionally, any recommendations adopted by IOSCO or other policy-makers should recognize that some jurisdictions have already adopted crypto assets regulations, such as the EU's MiCA legislation (Markets in Crypto Assets Regulation) and therefore, any final IOSCO recommendations should be appropriately principles-based to allow for jurisdictions to adopt requirements that are

¹ IOSCO Consultation Report on Policy Recommendations for Crypto and Digital Asset Markets (May 2023), available at [Link](#).

² *Ibid.*, p. 1.

appropriate for local implementation, while avoiding market fragmentation and allowing for proper multilateral cooperation arrangements as suggested by IOSCO. The type of instrument should not be a differentiating factor and crypto-asset service providers (“CASPs”) should be subject to the same requirements. It is unnecessary and potentially detrimental to the markets for local policy-makers to introduce different sets of rules for entities performing the same type of activity. Not only would this likely result in two disparate regulatory regimes, but it could inadvertently result in a crypto-asset regulatory regime that would be less safe and robust than the regime for entities providing services in more traditional parts of the markets. Therefore, it seems not only efficient, but appropriate to extend the current regime to CASPs where the same services are being provided as those provided for traditional financial markets.

We firmly believe this would help to achieve a coherent policy framework at the international level and therefore would encourage local policy-makers worldwide to apply such an approach that achieves a level playing field, transparency, and consistency – both in terms of requirements and the achieved degree of market safety and efficiency. Along these lines, with reference to Recommendation 1 – Common Standards for Regulatory Outcomes, we are of the view that the existing frameworks should be applied to the highest possible degree and new frameworks should only be established in the context of such services and/or activities where regulations do not currently exist.

In terms of the recommendations concerning disclosures (such as Recommendations 3, 4, 5, 6, 14, 17, and 18), CCP12 commends IOSCO for promoting more transparency in the crypto-asset markets. The obligation to provide relevant disclosures is crucial to all market stakeholders. The importance of market data is demonstrated by CCPs today, who provide in-depth transparency to their markets which is foundational to a well-functioning, efficient, and sound financial industry³. Several historical events have demonstrated that a lack of proper visibility, such as the opaque nature of over-the-counter markets leading to the financial crisis of 2008, can present risks to the financial industry and potentially undermine the ability of market participants to appropriately assess their risks. Disclosures are of particular importance given the propensity for crypto-markets to be deployed to work around Anti-Money Laundering / Know Your Customer rules and related compliance. Therefore, we strongly urge regulators to introduce high standards of mandatory reporting, with a special emphasis on publicly available disclosures, consistent with the reporting provided by traditional financial markets today, into the crypto-asset world as soon as practicable.

Further, we would like to emphasise that to the degree activities engaged in by CASPs are covered by other standard setting bodies’ work and resultant standards and guidelines, these should apply with the same diligence and vigour. Examples of such other areas would be capital and liquidity standards or a sound legal basis within a clearly specified jurisdiction. The latter especially is a prerequisite for an effective oversight and certainty for investors and creditors as to which legal regime applies (e.g., in times of bankruptcy or other court proceedings due to committed crimes).

Bearing in mind growing “retail investor losses amid financial crime, fraud, money laundering and other illegal crypto-asset market activity”⁴ in recent years, CCP12 notes that it is encouraging to see the results

³ For more details on transparency provided by CCPs, see CCP12’s white paper “CCP12 Perspective on Transparency” available at [Link](#) and CCP Public Quantitative Disclosures available at [Link](#).

⁴ IOSCO Consultation Report, *op. cit.*, p. 13.

of on-going discussions begin to manifest in proposed policy recommendations on crypto and digital asset markets. We believe that the process should continue to move forward and it is of the utmost importance that concrete regulation and supervision be applied in order to avoid prolonged periods of uncertainty and unnecessary risk for the market.

About CCP12

CCP12 is the global association for CCPs, representing 42 members who operate over 60 individual central counterparties (CCPs) across the Americas, EMEA, and the Asia-Pacific region.

CCP12 promotes effective, practical, and appropriate risk management and operational standards for CCPs to ensure the safety and efficiency of the financial markets it represents. CCP12 leads and assesses global regulatory and industry initiatives that concern CCPs to form consensus views, while also actively engaging with regulatory agencies and industry constituents through consultation responses, forum discussions, and position papers.

For more information, please contact the office by e-mail at office@ccp12.org or through our website by visiting www.ccp12.org.

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