



Brussels, 12 June 2024

**Response to the
Financial Stability Board (FSB) recommendations on
International Regulation of Crypto-asset Activities**

Mirolab supports the development of regulatory frameworks that aid and support the development of the technology and its wide application. As an industry association, we are also aware that the nature of crypto-assets, their ongoing evolution, the relative infancy of their development, and their connection to the traditional financial system, are all reasons for potential risks, which may be of concern to regulators and policymakers. Smart regulation that respects the needs of the industry helps to decrease these risks, increasing trust in the technology and boosting its applications and wider adoption by end-users.

Below are Mirolab's thoughts on the FSB's proposals.

- Mirolab welcomes the FSB Recommendations proposal, which seems rational and well laid out, especially in view of the latest market developments. Mirolab appreciates that the FSB is willing to manage crypto-asset risks in a proportionate way: we are aware that crypto's connection to broader traditional finance can be a driver of risk, but we are very pleased to see the FSB intends to regulate and limit risks without impeding innovation and hindering the development of the sector.
- The FSB report identifies a broad range of functions and activities that pose financial stability risks: the interrelatedness of crypto-assets with the traditional financial system; the implicit exclusion of crypto-assets or associated activities from the existing regulatory perimeter; a lack of strong governance; the absence of readily accessible and trustworthy data for regulators when monitoring and assessing crypto-asset activities; the absence of comprehensive supervisory and regulatory frameworks. However, we want to highlight here that regulating Decentralised Finance (DeFi) may require a change in strategy. The governance, accountability, and compliance requirements suggested by the FSB are the same for DeFi as they are for "regular" crypto-asset operations, which is not practical nor appropriate given the nature of the DeFi industry.
- We believe that the categorization of crypto-assets should be more granular and differentiated on the basis of the risk associated with the type of crypto-asset and on the basis of the characteristics of each crypto-product. Furthermore, the rules should take into account the governance, cybersecurity and resilience profiles of the companies.

- The taxonomy of crypto assets needs to be as widespread and uniformly accepted as possible, becoming a standard applied in different jurisdictions and contexts. This would reduce the risk of uncertainty in decision-making and regulatory discretionality, favoring a common, cross-cutting approach taken globally. Equal standards in different countries would also facilitate the role of supervisors and financial authorities, who could apply the same rules and paradigms to similar situations, in true compliance with the principle of same activity, same risk, same regulation.
- We firmly believe that regulation should be technology-neutral, that it should not make an *a priori* distinction between traditional and crypto-asset financial services, but that it should be tuned to the characteristics and risks involved in the business.
- Due to the continuous evolution of the industry, we support the creation of regulatory sandboxes, which allow for the exploration of transversal and non-stereotypical solutions, leaving freedom for regulatory innovation.
- The FSB report offers an honest and fair overview of the current market situation. It correctly underlines the problems associated with the uncontrolled spread of speculative and unregulated instruments, such as unbacked stablecoins, as well as the difficulties of ordering an economic system that is not based on an intrinsic value of tokens or assets. Conversely, we also feel that the report fails to stress with the necessary emphasis the benefits of fully-backed stablecoins.
- To ensure consistency across jurisdictions, we believe that cross-border cooperation and information exchange announced for GSCs should be implemented - or at least encouraged - for other types of crypto-products and activities as well.
- We look forward to working together with the FSB and its members in the development of globally consistent regulatory frameworks for the crypto industry – while we will continue to develop best practices in anticipation of these rules.