



“Presidency Note as an input for a Roadmap on Establishing a Global Framework for Crypto Assets”

The G20 has placed considerable priority on ensuring a coordinated way forward on crypto assets, encompassing multiple organisations and different aspects of the work currently being done on the sector. Having identified gaps (such as the need to consider macrofinancial implications and incorporate the EMDE perspectives), and with an aim to focus resources to avoid duplication across organisations, this note provides an important input for the IMF-FSB Synthesis Paper, which will incorporate a Roadmap on Establishing a Global Framework for Crypto Assets.

Considerable work¹ has already been done on framing essential regulatory standards for the crypto assets industry. The G20 has provided guidance on this important topic and the International Organisations (IOs) and standard setting bodies (SSBs) have taken the guidance forward in a series of recommendations, standards and expert reports addressing important aspects of crypto assets pertaining to their individual mandates. The FSB has developed its recommendations for the effective regulation, supervision and oversight of crypto-asset activities, markets and global stablecoin arrangements, in order to address financial stability, consumer risks and other risks derived from crypto-assets. The FATF has adopted detailed standards to address money laundering and terrorism financing risk related to virtual assets and virtual asset service providers, and recently agreed on a roadmap to strengthen their implementation.² However, there is still need for coordination in consistent implementation of regulations and guidance put in place by different jurisdictions. The FSB and (SSBs) have developed a shared workplan for 2023 and beyond. The FSB and SSB will use the workplan

¹ Brief Overview of G20 work on crypto assets is at Annex A.

² <https://www.fatf-gafi.org/en/publications/Fatfgeneral/outcomes-fatf-plenary-february-2023.html>

to undertake work both individually and collaboratively under their respective mandates to promote the development and implementation of a comprehensive and coherent global regulatory framework commensurate with the risks crypto-assets may pose to jurisdictions worldwide, including the provision of more granular guidance by SSBs on monitoring and public reporting. The macrofinancial implications of crypto assets brought out by the IMF, should act as a complement to the regulatory framework put in place by the FSB, FATF and others. This also may require greater global collaboration to prevent policy arbitrage.

The IMF-FSB Synthesis Paper is expected in end August. The Synthesis Paper aims to bring together a comprehensive overview of the risks across the financial system – macrofinancial, financial stability and financial integrity risk. It will provide a broad roadmap which can subsequently be considered for adoption by the G20. The Roadmap to be endorsed by the G20 would incorporate the agreed FSB and SSB workplans on regulatory issues, as well as other work of the IOs under one umbrella for ease of reference, allowing the G20 to articulate its priorities cohesively and with a clear monitorable framework. The goal of having a global and common roadmap would be to help countries put in place an agreed minimum policy standard for crypto assets which, would aim to (i) safeguard nations’ macroeconomic, financial stability and financial integrity;(ii) provide for appropriate investor/user awareness, education and protections; (iii) and facilitate development of the underlying technology and encourage innovations in the financial sector. The roadmap would allow for flexibility of actions to be taken forward and already taken by the most suitable expert bodies, in accordance with their mandates, governance and reporting processes, facilitating coordination on financial stability and macro-financial - related aspects of the sector between the various IOs and SSBs and reporting on an agreed schedule to the G20. The timeline for the action points would be decided by the relevant IOs.

The Presidency Note is a high-level input for the IMF-FSB Synthesis Paper indicating certain important areas that can be covered more comprehensively in the Roadmap. We hope this will help prioritise areas of work essential to achieving a comprehensive, cohesive and coordinated global policy and regulatory framework. This high-level input is intended to articulate a way forward that can help signal priority areas to stakeholders, including the need to address data gaps, develop capacity, ensure outreach to non-G20 countries and create frameworks for identifying risks and vulnerabilities for all countries. Implementing these priority areas would remain the mandate of IOs and SSBs. The IMF, FSB and FATF could

facilitate coordination of the work being done in the sector to ensure no duplication or any gaps.

The said Synthesis Paper will support a coordinated and comprehensive policy and regulatory framework for crypto-assets, beyond which countries may choose to be more stringent. Jurisdictions will implement guidance in the ways best suited to their legal and regulatory contexts recognising the FSB's and SSBs' frameworks as global minimum standards that all jurisdictions need to meet. Our shared goal should be the effective adoption of policy frameworks to prevent regulatory arbitrage and minimise risks, consistent with international standards.

The Presidency Note suggests the incorporation of the following action points in the Roadmap to be proposed by the IMF and the FSB in their Synthesis Paper:

1. To promote the effective implementation of the FSB's high-level recommendations and the guidance and standards set out by the SSBs (All SSBs; each IO within their own mandated area; Coordination by the FSB).
2. To work towards articulation of an analysis by the IMF³ that takes into account macrofinancial implications and risks specific to EMDEs, to complement the regulatory recommendations by FSB (IMF and FSB, respectively).
3. Conduct outreach to all jurisdictions to generate awareness of risks and to build capacity on implementation, oversight and enforcement of recommended standards, starting first in the jurisdictions which have seen higher adoption of crypto assets and where internationally active crypto exchanges and large stablecoin issuers are located. Further, consensus would be built on extending the approved policy and regulatory frameworks on crypto assets to non-G20 member countries. (All SSBs; each IO within their mandated areas; Coordinating IOs- IMF and FSB and FATF)
4. Continued monitoring of financial stability risks posed by crypto assets by the FSB and monitoring of macrofinancial vulnerabilities by the IMF, and encouraging the

³ The IMF has published in February, 2023 The Policy Paper on Elements of Effective Policies for Crypto Assets. The paper sets forth a framework of **nine elements** that can help members develop a comprehensive, consistent, and coordinated policy response. Available at [Elements of Effective Policies for Crypto Assets \(imf.org\)](https://www.imf.org/en/Publications/Policy-Papers/2023/02/01/Policy-Paper-on-Elements-of-Effective-Policies-for-Crypto-Assets)

IMF to incorporate FSB's recommendations in its financial sector surveillance. (Lead IOs – FSB and IMF)

5. To ask the relevant IOs and SSBs to come together to coordinate work on data gaps, implementation, on cross border information sharing and consumer protection, and in any other area where gaps or overlaps exist. (Lead IOs- FSB and IMF)
6. To promote greater coverage and effective implementation of anti-money laundering and combating the financing of terrorism (AML/CFT) standards across jurisdictions, following a risk-based approach. (Lead IO – FATF, reporting directly to G20)
7. To work towards a framework for providing technical assistance and guidance to regulators and institutions within the mandate of each SSB and to monitor implementation of recommended standards in each jurisdiction. (All SSBs; Coordinating IOs, IMF and FSB)

The IMF and FSB will have the responsibility to coordinate and work with all concerned IOs and SSBs to formulate a work plan, time line and detailed roadmap within their mandate and in the areas relevant to them, and to report progress on this work in the meetings of FMCBGs along with FATF on AML/CFT.

Brief Overview of Status of G20 Work on Crypto Assets

Interest and adoption of crypto assets has led recent G20 Presidencies to focus attention on actions to encourage innovations while managing the risks. In October 2020 the FSB brought out the 10 High Level Recommendations on Regulation, Supervision and Oversight of Global Stablecoins⁴. The following year in October 2021, the G20 under the Italian Presidency asked the standard setting bodies (SSBs) to assess whether any adjustments were required to standards or guidance considering the FSB Recommendations on crypto assets and stablecoins, which would inform the review of these Recommendations in 2023. In 2022, under the Indonesian Presidency, this work was carried further forward and the scope was extended beyond stablecoins to include other aspects of the crypto asset ecosystem. The FSB was asked to closely coordinate with the standard-setting bodies to accelerate and deepen its work to monitor and share information on regulatory and supervisory approaches to unbacked crypto assets, stablecoins, decentralized finance (DeFi), and other forms of crypto-assets and to address any gaps and arbitrage, including by recommending coordinated and timely policy actions to preserve global financial stability, thus creating the necessary conditions for safe innovation.

On the basis of this guidance, the SSBs have come out with important standards on crypto assets within their respective mandates. The FSB has reviewed its high-level recommendations on stablecoins⁵, and published recommendations on regulation, supervision and oversight of crypto asset activities and markets⁶, carried out an assessment of risks from crypto assets to financial stability⁷, and is working on assessing the risks arising from DeFi. FATF has done significant work in imposing rigorous global anti money laundering standards to crypto assets⁸ including imposition of the “Travel Rule.” OECD has brought out a Crypto Asset Reporting Framework⁹ which provides for the automatic exchange of tax relevant information on crypto assets. The Basel Committee on Banking Supervision (BCBS) has brought

⁴ <https://www.fsb.org/2020/10/regulation-supervision-and-oversight-of-global-stablecoin-arrangements/>

⁵ <https://www.fsb.org/2023/07/high-level-recommendations-for-the-regulation-supervision-and-oversight-of-global-stablecoin-arrangements-final-report/>

⁶ <https://www.fsb.org/2023/07/high-level-recommendations-for-the-regulation-supervision-and-oversight-of-crypto-asset-activities-and-markets-final-report/>

⁷ <https://www.fsb.org/2022/02/assessment-of-risks-to-financial-stability-from-crypto-assets/>

⁸ <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Targeted-update-virtual-assets-vasps.html>

⁹ <https://www.oecd.org/tax/exchange-of-tax-information/crypto-asset-reporting-framework-and-amendments-to-the-common-reporting-standard.htm>

out important guidance for banks on the prudential treatment of crypto asset exposures¹⁰, while a BIS bulletin laid out options for managing risks of crypto assets¹¹. CPMI and IOSCO have provided guidance on the application of the principles for Financial Market Infrastructures to systemically important stablecoin arrangements.¹² IOSCO has been working closely with BCBS and FSB to bring out guidance on market integrity, investor protection and financial stability risks arising from crypto assets and DeFi. On 23rd May 2023, IOSCO issued a consultation paper outlining policy recommendations for crypto and digital asset markets¹³.

The IMF has added an essential dimension to the scope of work on crypto assets through a G20 Note on the macrofinancial implications of crypto assets¹⁴. In addition, the IMF has also brought out important guidance on the nine elements of any effective policy on crypto assets¹⁵ thereby expanding beyond the regulatory aspects to bring in the policy perspective. Simultaneously, multiple jurisdictions including the EU, Japan, and the United Kingdom have come out with regulatory frameworks for crypto assets. Jurisdictions such as the United States have brought out a series of reports on crypto assets consequent to a Presidential Executive Order¹⁶. All of these have enriched and broadened the scope of the literature and the work on crypto assets.

¹⁰ <https://www.bis.org/bcbs/publ/d545.pdf>

¹¹ <https://www.bis.org/publ/bisbull66.pdf>

¹² <https://www.bis.org/cpmi/publ/d206.pdf>

¹³ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD734.pdf>

¹⁴ <https://www.imf.org/-/media/Files/Research/imf-and-g20/2023/g20-report-macrofinancial-implications-crypto-assets-february23.ashx>

¹⁵ <https://www.imf.org/en/Publications/Policy-Papers/Issues/2023/02/23/Elements-of-Effective-Policies-for-Crypto-Assets-530092?cid=pr-com-PPEA2023004>

¹⁶ <https://www.whitehouse.gov/briefing-room/presidential-actions/2022/03/09/executive-order-on-ensuring-responsible-development-of-digital-assets/>