

What if Crypto became the universal financial asset worldwide? The reforms needed to make it efficient

The use of cryptocurrency is rapidly growing, especially during its sharp price increases. Such a tendency prompts introductions of new regulations focusing on their governance. However, they are far from ideal yet. Viktor Kochetov, the founder of the global financial ecosystem Kyrrex, shares his thoughts on what is necessary for the efficiency of the crypto future.

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It is possible to classify the existing regulatory base into two main categories, namely the status of cryptocurrencies and the releases of regulatory documents. The United States does not consider cryptocurrencies as legal tender. At the same time, cryptocurrency exchanges have legal status with their regulation varying by state. Canada also does not recognise cryptocurrencies as legal tender. Cryptocurrency exchanges need to register with FinTRAC. Similarly, Singapore does not recognise cryptocurrencies and requires the registration of exchanges with its Monetary Authority.

Australia and Japan recognise the legal status of cryptocurrencies by treating them as property. The EU granted legal status to cryptocurrencies but banned introductions of the new ones by the member-states. China has the strictest regulatory base, essentially banning cryptocurrencies and exchanges. The differences in the

regulatory approaches amongst countries complicate the use of crypto and limit its development.

When considering recent regulatory advances, it is critical to focus on the Framework for International Engagement on Digital Assets (FIEDA) in the United States and the Markets in Crypto-Assets (MiCA) provisional agreement in the European Union. The main objectives of FIEDA were to protect investors, consumers, and businesses, strengthen financial stability, as well as mitigate fraud-related risks. These objectives aligned with the MiCA agreement, which focused on supporting stability and regulating risks. The unification of the regulatory changes is a common theme in the existing regulatory documents.

Future regulatory reforms

The current differences in the status of cryptocurrencies and the existing regulatory base show that reforms are pivotal for future development. It is possible to project three core tendencies associated with the potential regulatory changes. The first one relates to the unification of the regulations. The status of a universal asset or ledger requires consistency in the regulatory approach. The rules should be similar or identical across jurisdictions to enable the global transfer of funds and their security.

Risk analysis and transparency represent the second area of reform. The Know Your Customer (KYC) and Anti Money Laundering (AML) protocols are already required from exchanges. Given the decentralised nature of crypto, it is possible to expect a similar form of due diligence from all the network participants. The reform may require substantial amendments to the core protocols focusing on transparency of transactions and verification of sources. These should appear on the ledger level, not on the user level.

The third reform should focus on centralised governance mechanisms.

While central banks will no longer hold the monopoly over the issuance of currencies, they might gain the ability to limit the amount of crypto in circulation. Such measures would be critical in promoting economic growth and ensuring recovery during crisis periods. The centralisation reform is the most complex one since it contradicts the nature of the crypto market valued for decentralisation.

Possible scenarios

It is already evident that crypto faces a broad range of regulatory obstacles worldwide. These range from direct bans of cryptocurrencies and exchanges to the limitations of their use and issuance. The base scenario implies that crypto will overcome these challenges as it becomes more accepted in the largest economies. Such an acceptance will include universal regulatory reforms and risk mitigation frameworks. The other countries will follow the leaders by adopting the offered reforms.

The alternative scenario suggests that cryptocurrencies and crypto assets will continue facing opposition. Central banks do not want to lose their regulatory tools in the financial markets. At the same time, commercial banks want to continue profiting from their role as intermediaries. Thus, crypto may continue growing at a moderate rate until another wave of popularity.

The global economy, technological advances, and efforts of crypto market participants will share the reforms. The rate of innovation may decline because of major economic shocks or crises. The utility of crypto assets and their value will also define the potential scenario. At the moment, the positive trends outweigh the negative ones.

In Kyrrex we are actively engaging in the process of making cryptocurrencies the universal financial asset. Our financial ecosystem has received VFA Class 4 License ensuring full compliance with the EU

regulations. Thus we are able to provide the virtual finance asset (VFA) services to the expert and novice investors. The future belongs to cryptocurrencies, and it is already here.

Viktor Kochetov, founder of the global financial ecosystem [Kyrrex](#).

Article by Viktor Kochetov