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Crypto regulation: be careful what you wish for...

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Introduction

James Borley

- >20 years at the UK financial services regulator
- Manager of the Payment Services Authorisations team
- Accountable Executive PSD2

FSCom Limited

- a boutique consultancy firm, specialising in payment services, e-money and AML
- advice, assurance, and interim solutions

Agenda

1. Introduction
2. Crypto regulation – what, why, how
3. 5AMLD
4. The FCA approach
5. Regulation = Compliance

'Crypto regulation'

What

- Asset vs currency
- MiFID2 vs PSD2
- ICOs
- AML

Why

- Greater consumer protection
- Financial crime prevention
- 'Legitimacy'

How - Regulatory models

Gibraltar

- Primary legislation
- GFSC / GSX

Japan

- Registration
- Self-regulation

UK

- Cryptocurrency derivatives
- Self-regulation

Outright ban

State-backed (CryptoRuble)

5AMLD

- Clearer legal definition of virtual currencies
- ‘Obligated entities’
 - providers of exchange services between virtual currencies and fiat currencies
 - custodian wallet providers
- Same KYC checks as financial institutions
- Registration
- 18 months to implement
- Brexit impact?

FCA's approach

- Project Innovate (2014)
 - DLT but no crypto
- FCA Regulatory Sandbox (2016)
 - DLT but no crypto
- Global Sandbox (?)
- CBI Innovation Hub ('later in 2018')

Be careful what you wish for...

- Regulation = Compliance
- Cost of compliance
 - Initial
 - Ongoing
 - Internal/external
- Cost of non-compliance
 - Fines
 - Reputational damage
 - Bust business

Contact us

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