

## **PRESS RELEASE ON PANEL DISCUSSION ON "POLICY PERSPECTIVE: DEBATING THE ROAD TO POLICY CONSENSUS ON CRYPTO ASSETS"**

### **Background**

India's G20 Presidency is grounded in the theme "Vasudhaiva Kutumbakam", or "One Earth, One Family, One Future", which underlines the message of equitable growth and a shared future for all. Digital technology is playing an important role in achieving this goal, by transforming the financial sector, boosting financial inclusion, and improving financial market efficiency. The Indian Presidency's priority on the financial sector regulatory reforms in 2023 is to make the digital financial system more efficient, secure, and stable.

Despite the rapid evolution of the crypto universe, there is no comprehensive global policy framework for crypto assets. Given the concerns over greater interconnectedness between crypto assets and the traditional financial sector as well as the complexity and volatility around crypto assets, policymakers are calling for tighter regulation. The global standard-setting bodies, such as the FATF (Financial Action Task Force), FSB (Financial Stability Board), CPMI (Committee on Payments and Market Infrastructures), IOSCO (International Organization of Securities Commissions) and BCBS (Basel Committee on Banking Supervision) have been coordinating the regulatory agenda, while working within their respective institutional mandates.

### **Shaping Global Policy Dialogue on Crypto Assets**

India hopes to broaden the G20 discussion on crypto assets beyond financial integrity concerns and capture the macroeconomic implications and widespread crypto adoption in the economy. This will require a data-based and informed approach to the global challenges and opportunities of crypto assets, allowing G20 members to shape a coordinated and comprehensive policy response.

To inform policymakers on the broader macroeconomic and financial stability implications of crypto assets, the Indian Presidency requested the International Monetary Fund (IMF) to prepare a discussion paper on the topic for the 2<sup>nd</sup> G20 Finance and Central Bank Deputies Meeting held in Bengaluru on 23<sup>rd</sup> February 2023. During the said meeting, a seminar titled "Policy Perspectives: Debating the Road to Policy Consensus on Crypto Assets" was held, as part of the Presidency's efforts to broaden the dialogue around crypto assets. The IMF speaker, Mr. Tommaso Mancini-Griffoli, presented the discussion paper during the event, highlighting the consequences of crypto adoption on the internal and external stability of a country's economy as well as on the structure of its financial system. Mr. Mancini-Griffoli underlined that the purported benefits of crypto assets include cheaper and faster cross border payments,

more integrated financial markets, and increased financial inclusion, but these are yet to be realised. He further added that problems with interoperability, safety and efficiency cannot be guaranteed by the private sector and critical digital infrastructure/platforms for ledgers should be viewed as a public good. He also flagged the global information gaps pertaining to the crypto asset universe and the need to build a deeper understanding of the interlinkages, opportunities and risks pertaining to crypto assets under the aegis of the G20.

The seminar was attended by Deputies from G20 member countries, international organisations as well as eminent experts on the subject. The discussions covered a wide range of topics, including, a) the need for a common taxonomy and a systematic classification of the crypto asset universe, b) benefits and risks of crypto assets, c) macroeconomic policy questions that needed to be evaluated further, and, d) financial stability issues and regulatory responses. Panellists included scholars from academia, like Mr. Eswar Prasad from Cornell University and Ms. Hilary Allen from American University, who argued about the highly centralised nature of the crypto universe despite claiming to be a decentralised platform. Mr. Hyun Shin, from the BIS, debated on the costs and benefits that crypto assets create for the real economy and on the need to establish clear regulatory perimeters for new fintech innovations. Several concerns were raised by speakers and participants from G20 countries around the lack of governance structures in the crypto universe and the need to also look at alternate solutions to address existing challenges in global financial and payment systems.

The event has helped initiate a broader dialogue on crypto assets, but also raises several pertinent policy questions that policymakers and regulators need to evaluate closely. In addition to evaluating the consequences of crypto assets to the broader economy, there is also an existential question on whether crypto assets are indeed the optimal solution for existing challenges in global financial systems.

## **Way Forward**

To complement the ongoing dialogue on the need for a policy framework, the Indian Presidency has proposed a joint technical paper by the IMF and the FSB which would synthesise the macroeconomic and regulatory perspectives of crypto-assets. This would help in the formulation of a coordinated and comprehensive policy approach to crypto assets. The international organisations are expected to present their joint paper during the 4<sup>th</sup> Finance Ministers and Central Bank Governors meeting in October 2023. The paper is expected to be supplemented by similar such discussion seminars on the side lines of other G20 meetings held under the Indian Presidency. The discussions are further expected to build informed debate within the G20 meetings and lead to formulation of a coordinated and comprehensive policy approach.

In their entirety, the IMF's discussion paper, the policy seminar and the joint IMF-FSB paper are expected to integrate the policy questions pertaining to macro-financial and regulatory perspectives of crypto assets and facilitate a global consensus on a well-coordinated and comprehensive policy approach to crypto assets.