

UK Treasury Committee hears crypto experts embrace regulation

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Four crypto market experts advocated for the regulation of digital currencies as they gave evidence at the Treasury Committee inquiry on the matter in Parliament on Wednesday afternoon.

‘There is a huge amount of liquidity that doesn’t enter the market because it is not regulated’ according to Obi Nwosu, chief executive officer of London based exchange, Coinfloor.

Coinfloor, which operates its futures exchange, CoinfloorEX, from the British Virgin Islands and St Lucia, chose to take regulatory approach in order to attract an institutional client-base.

‘Ultimately in the long run the majority of the volume will come from sophisticated investors.’ Nwosu said.

‘We know that there is a huge demand to provide stability to the price and the only reason for not entering the market is the lack of regulation,’ he explained, noting that some institutions that want to get into the market can only do so with other regulated markets.

‘We know that the cryptocurrency community is incredibly mobile and we have seen rapid movements to jurisdictions that have regulation in place.’ Nwosu added.

Iqbal Gandham, chairman of CryptoUK and managing director of social trading and multi-asset brokerage firm eToro, agreed that exchanges are happy to be regulated and will go to other jurisdictions to do so.

‘We don’t need regulation for customer acquisition but we need it for customer protection and for the economy.’ he said.

Izabella Kaminska, editor of FT Alphaville, raised the point that if crypto exchanges are not held accountable to the same conventions as the rest of the financial industry it could lead to ‘recreation of offshore markets mark two.’

‘We have gone to extreme efforts to bring offshore markets into the catchment of conventional regulation and now they are recreating the same bad habits in the crypto space.’ she said.

‘At the moment we don’t really understand how efficient or profitable these ventures are or how much good they are doing because so much of the advantage is regulatory arbitrage based - it is easy to make money if you are not going to follow the rules,’ she added.

Nevertheless according to Marco Santori, chief legal officer of Blockchain, there have been positive developments across the industry globally.

‘The good news is that harmonisation is happening. If you look at the industry around the world you see a risk-based approach,’ he said.

‘As an industry we could still do more,’ he added, pointing out the importance that the markets do not develop in a ‘wild-west way.’

This comes two weeks after panellists at the Futures Industry Associations’ (FIA) IDX conference in London said that the challenges facing the crypto markets are not new to the financial industry.

At the same conference, US Commodity Futures Trading Commission commissioner Rostin Benham, said the US needs to be ‘more thoughtful’ about regulation of bitcoin trading because it currently resides in a ‘regulatory vacuum.’