

Good Morning News

Decentralized News Organization

COVER YOUR ASSETS



When thinking about crypto regulation, the reflexive action for many is to swear and say, "not in my backyard"! This NIMBYism is understandable, as the ethos that built the blockchain was, in part, rooted in an anti-establishment, pro-sovereignty footing. And thankfully, it still is.

As crypto has evolved from a niche technological and investment sector to one that is worthy of above-the-fold headlines on a regular basis, talk of industry regulation has reached Basel, the home of the Financial Stability Board — an international organization whose members include the U.S., Russia, and China.

On Monday, the FSB issued a statement calling for new global rules regulating digital assets. Not coincidentally, it also announced that it will submit a report to the G20 Finance Ministers and Central Bank Governors in October. This report will outline various regulatory schemes affecting digital assets, including stablecoins.

The report says the typical things: "Crypto-assets, including so-called stablecoins, are fast-evolving. The recent turmoil in crypto-asset

markets highlights their intrinsic volatility, structural vulnerabilities and the issue of their increasing interconnectedness with the traditional financial system."

But if you read a little more of the statement you see FSB's real concern, which is the potential effect of a major failed crypto project, a-la Terra. The FSB fears that such a collapse "may have spill-over effects on important parts of traditional finance such as short-term funding markets." Many stablecoin insurers like USDT and USDC use short-term funding markets to maintain their backing.

Say what you will about the FSB's concerns and calls for regulation in terms of stablecoins backed by real-world assets, but it makes sense within their paradigm. As the cryptoverse pushes and pulls against fiat space, some of us will run to DAI, while others may move away from dollar-pegged stablecoins. One thing we do know is that as fiat and crypto figure out how to play together long term, fiat space is going to work overtime to try to keep crypto in check while covering their assets.

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