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*\*Remember: Any group members who did* ***not*** *contribute to the project should be given all zero (0) points for the collaboration grade on the GWP submission page.*

|  |  |
| --- | --- |
| **Statement of integrity:** By typing the names of all group members in the text boxes below, you confirm that the assignment submitted is original work produced by the group (excluding any non-contributing members identified with an “X” above). | |
| **Team member 1** | **Duong Tuan Tran** |
| **Team member 2** | **Adebowale Taiwo** |
| **Team member 3** | **Kim Siang Yeo** |

|  |
| --- |
| Use the box below to explain any attempts to reach out to a non-contributing member. Type (N/A) if all members contributed.  **Note:** You may be required to provide proof of your outreach to non-contributing members upon request. |
|  |

**Step 1:**

**Portfolio 1 (Income Stocks):**

In this portfolio, we long PC1 VN Equity, REE VN Equity, POW VN Equity; and short NT2 VN Equity, GEG VN Equity. The weight of each long position is 60%, and the weight of each short position is -40% respectively. Returns are calculated based daily with 2 years of data. (from 07 Jan 2022 to 06 Feb 2024).

|  |  |  |
| --- | --- | --- |
| Company | Code | Weight (%) |
| PC1 VN Equity | PC1 | 60% |
| REE VN Equity | REE | 60% |
| POW VN Equity | POW | 60% |
| NT2 VN Equity | NT2 | -40% |
| GEG VN Equity | GEG | -40% |

Calculations

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | PC1 | REE | POW | NT2 | GEG |
| Average returns | 0,0% | 0,0% | -0,1% | 0,1% | -0,1% |
| Volatility | 3,1% | 2,3% | 2,4% | 2,4% | 2,7% |
| Skewness | -0,15 | -0,08 | -0,38 | -0,11 | -0,17 |
| Kurtosis | 0,42 | 2,24 | 1,86 | 1,68 | 0,92 |

Correlations Matrix:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | PC1 | REE | POW | NT2 | GEG |
| PC1 | 1,000000 | 0,552419 | 0,583754 | 0,557092 | 0,685577 |
| REE | 0,552419 | 1,000000 | 0,552574 | 0,506391 | 0,520764 |
| POW | 0,583754 | 0,552574 | 1,000000 | 0,616508 | 0,655671 |
| NT2 | 0,557092 | 0,506391 | 0,616508 | 1,000000 | 0,543205 |
| GEG | 0,685577 | 0,520764 | 0,655671 | 0,543205 | 1,000000 |

Covariances Matrix:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | PC1 | REE | POW | NT2 | GEG |
| PC1 | 0,000950 | 0,000387 | 0,000425 | 0,000415 | 0,000574 |
| REE | 0,000387 | 0,000518 | 0,000297 | 0,000278 | 0,000322 |
| POW | 0,000425 | 0,000297 | 0,000557 | 0,000352 | 0,000421 |
| NT2 | 0,000415 | 0,000278 | 0,000352 | 0,000584 | 0,000357 |
| GEG | 0,000574 | 0,000322 | 0,000421 | 0,000357 | 0,000738 |

Over entire portfolio:

|  |  |
| --- | --- |
|  | Entire Portfolio |
| Average returns | 0,0% |
| Volatility | 2,7% |
| Skewness | -0,32 |
| Kurtosis | 1,31 |

Answers to Questions

1. Shorting:
   1. This portfolio can be sold short.
   2. Mechanism: We must contact the broker. The broker then will find the investors who own the stocks and are willing to lend the stocks. After that, we can execute the trade. However, there are some issues needed to be considered. First, we must pay the lender some fees to borrow the stocks. Second, the liquidity of the stocks must be taken into consideration.
2. Credit risk:
   1. b. Our portfolio solely focuses on equity. So, it does not have credit risk.

**Portfolio 3 (Cryptocurrencies):**

Like stocks, cryptocurrencies can also be ranked based on market capitalization. To calculate market capitalization, we multiply the number of coins in circulation by the price that day.

Large-cap cryptos refer to the top 10 cryptos by market capitalization and are the most stable. Mid-cap cryptos have a market capitalization between $1 billion and $10 billion and are usually in the top 10-50 cryptos by market cap. Low-cap or micro-cap cryptos have a market capitalization below $1 billion or are not in the top 50 by market capitalization. These tend to be the riskiest and frequented by speculative investors.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cryptocurrency | Code | Size of Cryptocurrency | Weight | Number of Corresponding Coins If Portfolio Was Created On 20/08/2020 |
| Bitcoin | BTC | Large-caps | 40% | 33.67 |
| Ethereum | ETH | Large-caps | 20% | 480.26 |
| Solana | SOL | Mid-caps | 15% | 46754.21 |
| Cardano | ADA | Mid-caps | 10% | 748268.95 |
| Polkadot | DOT | Mid-caps | 5% | 17240.90 |
| Theta | THETA | Low-caps/micro-caps | 5% | 109853.36 |
| Filecoin | FIL | Low-caps/micro-caps | 3% | 1709.41 |
| Syntropy | NOIA | Low-caps/micro-caps | 2% | 177480.85 |

We chose a riskier portfolio that contains 60% large-cap cryptos, 30% mid-cap cryptos, and 10% low-cap/micro-cap cryptos. We also assume that our initial investment was USD 1,000,000 and that we bought all the cryptocurrencies I was interested in on 20 Aug 2020.

Calculations

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Average Return | Standard Deviation | Skewness | Kurtosis |
| Bitcoin | 0.15617% | 3.31773% | 4.74790% | 341.38117% |
| Ethereum | 0.23014% | 4.35471% | 2.40484% | 456.95508% |
| Solana | 0.51465% | 7.05570% | 58.29660% | 558.09799% |
| Cardano | 0.23958% | 5.27251% | 78.48145% | 437.27052% |
| Polkadot | 0.23645% | 5.93048% | 122.93112% | 1164.81715% |
| Theta | 0.23846% | 5.98253% | 8.84698% | 386.23501% |
| Filecoin | 0.12350% | 7.02952% | 329.78588% | 3710.79621% |
| Syntropy | 0.46945% | 11.61831% | 1370.36938% | 35660.52565% |

Correlations Matrix:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | BTC | ETH | SOL | ADA | DOT | THETA | FIL | NOIA |
| BTC | 1.00000 | 0.80012 | 0.51408 | 0.64140 | 0.64026 | 0.64920 | 0.49638 | 0.26919 |
| ETH | 0.80012 | 1.00000 | 0.60347 | 0.68893 | 0.69399 | 0.60739 | 0.47506 | 0.30402 |
| SOL | 0.51408 | 0.60347 | 1.00000 | 0.53045 | 0.53311 | 0.49650 | 0.36724 | 0.20823 |
| ADA | 0.64140 | 0.68893 | 0.53045 | 1.00000 | 0.64728 | 0.57930 | 0.44965 | 0.25097 |
| DOT | 0.64026 | 0.69399 | 0.53311 | 0.64728 | 1.00000 | 0.61812 | 0.46651 | 0.26589 |
| THETA | 0.64920 | 0.60739 | 0.49650 | 0.57930 | 0.61812 | 1.00000 | 0.45884 | 0.22363 |
| FIL | 0.49638 | 0.47506 | 0.36724 | 0.44965 | 0.46651 | 0.45884 | 1.00000 | 0.27921 |
| NOIA | 0.26919 | 0.30402 | 0.20823 | 0.25097 | 0.26589 | 0.22363 | 0.27921 | 1.00000 |

Covariance Matrix:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | BTC | ETH | SOL | ADA | DOT | THETA | FIL | NOIA |
| BTC | 0.00110 | 0.00150 | 0.00304 | 0.00194 | 0.00231 | 0.00234 | 0.00302 | 0.00730 |
| ETH | 0.00150 | 0.00190 | 0.00344 | 0.00234 | 0.00271 | 0.00274 | 0.00342 | 0.00770 |
| SOL | 0.00304 | 0.00344 | 0.00498 | 0.00388 | 0.00425 | 0.00428 | 0.00496 | 0.00923 |
| ADA | 0.00194 | 0.00234 | 0.00388 | 0.00278 | 0.00315 | 0.00318 | 0.00386 | 0.00814 |
| DOT | 0.00231 | 0.00271 | 0.00425 | 0.00315 | 0.00352 | 0.00355 | 0.00423 | 0.00851 |
| THETA | 0.00234 | 0.00274 | 0.00428 | 0.00318 | 0.00355 | 0.00358 | 0.00426 | 0.00854 |
| FIL | 0.00302 | 0.00342 | 0.00496 | 0.00386 | 0.00423 | 0.00426 | 0.00494 | 0.00922 |
| NOIA | 0.00730 | 0.00770 | 0.00923 | 0.00814 | 0.00851 | 0.00854 | 0.00922 | 0.01349 |

Over entire portfolio:

|  |  |  |  |
| --- | --- | --- | --- |
| Portfolio Average Return | Portfolio Standard Deviation | Portfolio Skewness | Portfolio Kurtosis |
| 0.24649% | 6.27763% | 62.86263% | 1257.47224% |

Answers to Questions

Question 1: Comment whether multiple assets provide differentiation benefits.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Crypto-currency** | **Portfolio Value If Invested 100% In Chosen Crypto** | **Average Portfolio Value** | **Highest Portfolio Value** | **Difference With True Portfolio Highest Value** | **Lowest Portfolio Value** | **Difference With True Portfolio Lowest Value** |
| BTC | Large-caps | 1001561.682 | 1034738.939 | -30502.2216 | 968384.4238 | 28695.77824 |
| ETH | Large-caps | 1002301.392 | 1045848.528 | -19392.6330 | 958754.2569 | 19065.61136 |
| SOL | Mid-caps | 1005146.513 | 1075703.501 | 10462.3404 | 934589.5255 | -5099.119991 |
| ADA | Mid-caps | 1002395.779 | 1055120.926 | -10120.2347 | 949670.6324 | 9981.986899 |
| DOT | Mid-caps | 1002364.513 | 1061669.286 | -3571.8749 | 943059.7408 | 3371.095225 |
| THETA | Low-caps/micro-caps | 1002384.635 | 1062209.885 | -3031.2754 | 942559.3852 | 2870.739669 |
| FIL | Low-caps/micro-caps | 1001234.971 | 1071530.141 | 6288.9804 | 930939.7998 | -8748.845745 |
| NOIA | Low-caps/micro-caps | 1004694.531 | 1120877.599 | 55636.4386 | 888511.4633 | -51177.18219 |
| True Portfolio |  | 1002464.903 | 1065241.1609 | 0.0000 | 939688.6455 | 0 |

Here, we define differentiation benefit as the ability to meld the characteristics of different portfolio components to build one that maximizes the benefits while minimizing the downsides of each. The new portfolio does provide differentiation benefits. In terms of average and highest possible return, the current portfolio outperforms a majority of the assets, allowing us to leverage on the stable returns of the high-cap stocks while also benefitting from the higher end returns that the more volatile stocks make accessible. However, the portfolio fails in hedging against the lowest possible value.

Question 2: Shorting

Yes, this portfolio can be shorted. More specifically, cryptocurrencies can be shorted. Here is how.

1. Select a Trading Platform:
   * Choose a trading platform or exchange that permits the short selling of cryptocurrencies. Not all platforms offer this option due to regulatory constraints or risk factors.
2. Set Up and Verify Your Account:
   * Create an account on the selected platform, undergo necessary verification steps, including identity verification, and fund your account with the required collateral.
3. Identify Borrowable Assets:
   * Confirm that the platform allows you to borrow the specific cryptocurrencies you intend to short-sell. The platform should have these assets available for borrowing.
4. Initiate Borrowing Process:
   * Once you've located the borrowable cryptocurrency, initiate the borrowing process. Remember that a fee is typically associated with borrowing the asset.
5. Sell the Borrowed Cryptocurrency:
   * After securing the borrowed cryptocurrency, sell it at the prevailing market price.
6. Close Your Short Position:
   * To close your short position, repurchase the same quantity of cryptocurrency you borrowed and sold. If the price has decreased, repurchasing it at a lower price results in a profit (minus any fees and interest).
7. Return Borrowed Cryptocurrency:
   * After buying back the cryptocurrency, return it to the lender on the platform.

By following these steps, you can engage in short selling of cryptocurrencies, potentially capitalizing on price declines.

Question 3: Credit Risk

Credit risk refers to the potential for financial losses associated with various factors. This portfolio has the following credit risks.

1. Counterparty Risk:
   * Counterparty risk is the probability that the other party in an investment, credit, or trading transaction may not fulfill its part of the deal and may default on the contractual obligations.
   * Cryptocurrency transactions often involve trading platforms or exchanges. The credit risk arises from these platforms' potential default or financial instability. If a platform fails or faces financial issues, it could impact the value of your portfolio.
2. Volatility Risk:
   * The volatile nature of cryptocurrencies introduces credit risk. Sudden and significant price drops in any allocated cryptocurrencies may result in losses. The higher the volatility, the greater the potential credit risk.
3. Liquidity Risk:
   * Low-caps/micro-caps in the portfolio may have lower market liquidity. Selling these assets could be challenging in market stress or distress, leading to increased credit risk.
4. Asset-Specific Risks:
   * Each cryptocurrency in your portfolio carries its own set of risks. The credit risk is influenced by factors such as the technology behind the cryptocurrency, adoption rates, regulatory developments, and overall market sentiment.
   * Technology Behind the Cryptocurrency:
     + Vulnerabilities, hacks, or technological shortcomings in the underlying technology of a cryptocurrency can erode investor confidence. If a cryptocurrency faces issues related to its technology, it may lead to a significant loss in value, contributing to credit risk.
   * Adoption Rates:
     + The success of a cryptocurrency often hinges on its adoption by users and businesses. Low adoption rates may indicate a lack of trust or utility, making the cryptocurrency susceptible to market downturns. A crypto asset with limited adoption risks becoming illiquid, amplifying credit risk.
   * Regulatory Developments:
     + Cryptocurrencies operate in a regulatory environment that is subject to change. Regulatory crackdowns or stringent measures can impact the legality and viability of a cryptocurrency. Sudden regulatory shifts can result in value depreciation, affecting the creditworthiness of the asset.
   * Overall Market Sentiment:
     + Cryptocurrency markets are highly influenced by investor sentiment. Positive sentiment can lead to price surges, while negative sentiment can trigger significant selloffs. The overall market sentiment can create a volatile environment, exposing investors to credit risk, especially if sentiments turn bearish.

**Step 2**

Distribute the following roles among your team members:

* Duong Tuan Tran will play the technical interviewee
* Adebowale Taiwo will play the non-technical interviewee
* Kim Siang Yeo will play the role of journalist

**Step 3**

Focus of the questioning: To address fraudulent behavior.

Regulation: Digital Commodities Consumer Protection Act (DCCPA) [1]

**Step 4**

**Interview**

Point 1: A specific outline of the regulation itself.

Journalist:

Can you provide us with a specific outline of the Digital Commodities Consumer Protection Act (DCCPA)?

Technical Interviewee:

The DCCPA aims to establish a regulatory framework for digital assets, specifically cryptocurrencies. It grants the Commodity Futures Trading Commission (CFTC) enhanced authority to oversee digital commodity platforms. Key provisions include mandatory registration for platforms, adherence to strict consumer protection standards, and the requirement to combat fraud and manipulation in the market [1]. Essentially, it’s designed to bring transparency and stability to the rapidly growing and often turbulent crypto market.

Point 2: The scope of the regulation (company-level, industry-level, national-level, multi-national, global).

Journalist: How wide-reaching is the scope of the DCCPA? Is it aimed at specific companies, the entire industry, or does it have a broader application?

Journalist:

That sets a clear foundation. Moving on, let’s discuss the regulation’s intended reach.

Non-technical Interviewee:

The DCCPA’s scope is quite broad, targeting the entire cryptocurrency industry at a national level. However, given the global nature of digital assets, its implications extend internationally [2]. It requires all digital commodity platforms operating within the U.S. to register and comply, regardless of their origin. This means any platform, whether U.S.-based or international, that wishes to serve U.S. customers must adhere to these regulations, making its impact felt across the industry worldwide.

Point 3: The intended effect of the regulation and some context for why it was deemed necessary.

Journalist:

With such an expansive scope, the intended effects of this regulation must be significant. What effect does the DCCPA intend to have on the cryptocurrency market, and why was such regulation deemed necessary?

Non-technical Interviewee:

The DCCPA seeks to protect consumers by reducing fraud and ensuring market stability. It aims to instill confidence in the cryptocurrency markets [3,4,5,6]. The regulation was deemed necessary following several high-profile collapses and scams within the crypto space, highlighting the urgent need for oversight and consumer protection [7,8,9,10,11,12].

Technical Interviewee:

Moreover, by introducing regulatory clarity, the DCCPA aims to foster innovation within a secure framework [3,13]. It’s a response to the growing recognition that cryptocurrencies play a significant role in the future of finance [14], necessitating a balance between innovation and consumer protection.

Journalist:

Understanding its intended effects helps to place the DCCPA within the broader context of financial regulation. Let's explore that relationship next.

Point 4: An explanation of how this regulation fits into the general theme and rationale of financial regulation.

Journalist:

That’s really interesting. It’s also important to note that cryptocurrencies are quite a new asset, in a financial system that has gone through a lot of financial regulation. How does the DCCPA fit into that system?

Technical Interviewee:

The DCCPA aligns with the fundamental goals of financial regulation, which are to ensure market integrity, protect consumers, and prevent financial crimes. Like traditional financial oversight mechanisms applied to banking, equities, and fixed income, the DCCPA extends these principles to the digital asset space, recognizing the unique challenges and opportunities it presents.

More specifically, it does so in the following manner.

For market integrity, the DCCPA implements oversight mechanisms to deter market manipulation, fraud, and abusive trading practices, aligning with the goal of maintaining fair and transparent trading practices [15].

For consumer protection, it extends consumer protection measures to digital asset participants by enforcing standards that enhance transparency, security, and accountability, thereby safeguarding individuals from scams and fraudulent schemes [6].

For prevention of financial crimes, the DCCPA incorporates provisions to enforce compliance with anti-money laundering and know-your-customer regulations, empowering regulatory authorities to monitor transactions and investigate suspicious activities, thus preventing financial crimes [5].

Lastly, extension to digital asset space. Recognizing the unique challenges of digital assets, the DCCPA extends traditional financial regulations to comprehensively regulate the digital asset space. This proactive approach reflects an understanding of the decentralized nature and technological complexities of digital assets, ensuring tailored regulatory frameworks for market regulation [1].

Non-technical Interviewee:

It's about adapting to the evolution of financial markets. Just as regulations have evolved to address the complexities of derivatives or high-frequency trading, the DCCPA is a natural progression in safeguarding participants in the digital economy.

Point 5: A description of some of the possible downsides and unintended consequences of the regulation.

Journalist:

We’ve talked a lot about the good that regulation can bring. I hate to do this, but I have to play devil’s advocate. Could the DCCPA have any downsides or unintended consequences we should be aware of?

Non-technical Interviewee:

That’s a really good question. I can think of a few off the top of my head.

The high cost of compliance can create barriers to market entry, favoring larger, well-funded companies that can afford to navigate complex regulatory requirements. This consolidation of power may limit competition and innovation in the cryptocurrency industry.

Startups and small businesses may struggle to comply with regulatory requirements, diverting resources away from product development and innovation. This can hamper the ability of new entrants to disrupt the market and drive technological advancements [16].

Technical Interviewee:

Additionally, there's a risk that overly stringent regulations could push some aspects of the cryptocurrency market into less regulated jurisdictions. This "regulatory arbitrage" could actually undermine the goals of the DCCPA by creating pockets of the market that operate outside of oversight, potentially increasing the risk of fraud and market manipulation. For example, crypto exchanges are moving to Malta [17] and Binance is exiting Canada [18].

Journalist:

Point 6: A comparison between points 3) and 4).

Journalist:

I see. A lot of what’s happening in crypto seems to be quite grey right now. How do we reconcile the intended protective effects of the DCCPA with the broader rationale behind financial regulation, especially considering potential downsides?

Technical Interviewee:

I think there really is no right answer here. The best we can do is reinforce the opposing forces imposed by the benefits and downsides of cryptocurrencies, educate the public and hope that that and the regulations we implement will help. On that note, I will like to reiterate said polarity again. Robust regulatory oversight mechanisms can significantly influence the cryptocurrency market [19]. These regulations offer greater transparency, reducing the risks associated with scams, market manipulation, and fraudulent activities [20]. However, the impact of cryptocurrency regulation extends beyond transparency to affect trading markets and financial stability [21].

Point 7/8: Concise and relevant details of the FTX crisis that motivated the regulation (eg the occurrence of misbehaviors such as Greed, Fraud, Corruption, Hiding Losses)

Journalist:

I don’t think that really answers the question, but I understand. These things can be iffy, even for experts. Let’s move to something a little more recent. The FTX crisis has been a pivotal moment for the cryptocurrency industry. Can you provide concise details on the misbehaviors observed that have motivated the push for regulations like the DCCPA?

Technical Interviewee:

The FTX crisis stemmed from issues related to leveraged trading, where traders borrow funds to amplify their positions. As the market experienced volatility, leveraged positions faced forced liquidations triggered by margin calls, indicating insufficient funds to support the trades. This led to a cascade of sell-offs, exacerbating price fluctuations and market instability. Additionally, allegations of market manipulation, such as spoofing and wash trading, added to the turmoil, prompting regulatory scrutiny [3].

Non-technical Interviewee:

It was a wake-up call on the need for regulatory oversight. The incident not only exposed the vulnerability of customers in the crypto market but also the systemic risks that can arise from the mismanagement of major platforms in the absence of clear regulations.

Point 9: The occurrence of incompetence on the regulator, public, internal audit, external audit, and company's end. It could be negligence, ignorance, bad Assumptions or Programs etc.

Journalist:

Reflecting on the FTX crisis and similar events, where have we seen instances of incompetence, such as negligence or ignorance, across the spectrum of stakeholders?

Technical Interviewee:

Instances of incompetence, negligence, or ignorance have been observed across various stakeholders in the cryptocurrency ecosystem, contributing to crises like the FTX collapse. Crypto exchanges have faced criticism for their incompetence, with collapses and fraud occurring due to security breaches and mismanagement [22]. Regulatory authorities have also been scrutinized for negligence or ignorance in overseeing the cryptocurrency space, allowing fraudulent activities to thrive unchecked [23,24]. Additionally, negligence among investors, such as failing to conduct thorough due diligence before investing or ignoring warning signs, has played a role in enabling fraudulent schemes and contributing to market instability [7].

Point 10: The effectiveness (if any) that ethics training would provide.

Journalist:

It sounds like a lot of these problems boil down to a lack of ethics, or ethics training. How effective do you believe ethics training would be in preventing the kinds of misbehaviors that led to the need for regulations like the DCCPA?

Non-technical Interviewee:

By instilling values such as integrity and accountability, it raises awareness of the consequences of unethical actions and equips individuals with decision-making frameworks [25]. Moreover, fostering an ethical culture within organizations through continuous training and reinforcement promotes open communication and transparency, reducing the likelihood of misconduct [26,27].

However, while valuable, ethics training should complement rather than replace regulatory frameworks like the DCCPA. Regulations establish clear guidelines and enforcement mechanisms to deter misconduct and hold violators accountable, providing a comprehensive approach to safeguarding market integrity and consumer protection in the cryptocurrency ecosystem [25]. Therefore, a combination of ethics training and regulatory oversight is essential to promote ethical behavior and maintain trust in the cryptocurrency market.

Point 11: The purported effectiveness of deterring misbehaviors and incompetence through current regulation.

Journalist:

Considering the current regulatory environment, how effective has it been in deterring misbehaviors and incompetence in the cryptocurrency market?

Non-technical Interviewee:

Assessing the effectiveness of the current regulatory environment in deterring misbehaviors and incompetence in the cryptocurrency market reveals mixed results. While regulatory efforts have made strides in addressing some issues, challenges persist.

On one hand, increased regulatory scrutiny has led to improved investor protection and greater transparency in cryptocurrency transactions [28]. Regulatory frameworks such as the DCCPA aim to enhance market integrity and prevent financial crimes, signaling a commitment to addressing illicit activities within the cryptocurrency space [29]. Additionally, regulatory actions against non-compliant entities have sent a strong signal to market participants, emphasizing the consequences of unethical behavior [30].

Technical Interviewee:

Yes, and there are definitely challenges as well. These could be jurisdictional differences and regulatory arbitrage, which allow some entities to operate in less regulated environments [31]. Moreover, the evolving nature of cryptocurrencies presents unique regulatory challenges, requiring continuous adaptation and coordination among regulatory authorities [32]. Overall, while regulatory efforts have made progress in addressing misbehaviors and incompetence in the cryptocurrency market, continued collaboration and innovation are needed to effectively safeguard investors and maintain market integrity.

Point 12: The extent of underlying problems.

Journalist:

Well, thank you both for your time but we seem to be running out of it. To end this conversation, let's discuss the extent of the underlying problems that led to the proposal of the DCCPA. Do you believe additional regulation will affect financial innovation, and could it pose problems for certain financial tools more than others?

Technical Interviewee:

Additional regulation could potentially pose challenges for certain financial tools more than others. Decentralized exchanges (DEXs) and other decentralized finance (DeFi) platforms, for instance, operate in a more autonomous and decentralized manner, making them inherently difficult to regulate [33]. Implementing regulations that apply uniformly across centralized and decentralized platforms may not be practical and could stifle innovation in the DeFi space.

Non-technical Interviewee:

I think this question is quite similar to the one about balancing the polarity of the pros and cons of crypto. I think the best way would be to regulate as new problems come about. I think it is too early to paint a complete picture of the cryptocurrency industry.

**Step 5**

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