



# Latest Policy Developments for DLT



International Association for  
Trusted Blockchain Applications



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*Prepared exclusively for INATBA Members.*

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### *Highlights: INATBA Policy Developments*

INATBA continues to work on the Policy Position and response to eIDAS through the Identity Working Group. The group is also working on developing outreach and advocacy strategy for eIDAS. Members who would like to get involved in the work or get more information should contact the co-chairs of the Identity Working Group.

The Finance Working Group is working on their DeFi-related outputs, including a focus on DeFi and DAOs, NFTs and a regulatory proposal. Members are also working on the AMLR initial output and follow-up, plus a comparison between INATBA policy proposals on the PRR and the final PRR output. Contact [xenofon.kontouris@inatba.org](mailto:xenofon.kontouris@inatba.org) to get involved.

### *Highlights: EU and US Policy Developments*

This is INATBA's bi-weekly newsletter covering policy developments which affect Distributed Ledger Technology (DLT) and its applications in the EU And US. It covers the period from the 24<sup>th</sup> December to the 07<sup>th</sup> January 2022.

Brussels continues to slowly get back on track after the Christmas break. The co-legislators are back on schedule but discussions on the main digital issues will still



take a few weeks to pick up pace again. 1 January was not only the first day of the year, but also the first day of the French Presidency of the Council of the European Union. France's priorities for the next 6 months will focus on the negotiations on the Capital Markets Union, anti-money laundering package and finalising the Markets in Crypto Assets Regulation and the Digital Operational Resilience Act.

With Congress out of session the past two weeks for the holidays, crypto and blockchain efforts in Washington DC have been largely quiet. In the new year, crypto will continue to be an important topic and Congress will likely focus on stablecoins first thanks to the President's Working Group (PWG) report on stablecoins. There will likely be stablecoins hearings in January with witnesses ranging from regulators, academics, think tanks, trade associations, industry experts, and more. With an upcoming election cycle to kick into high gear around June 2022, Congress has about six months of real legislating to pass any substantial legislation on the topic.

On the agency front, the industry is still awaiting the significantly delayed Federal Reserve- MIT report on a central bank digital currency (CBDC) and the Office of the Comptroller (OCC) review of the crypto work under former Acting Comptroller Brian Brooks. Biden also must nominate three crucial regulatory positions that will affect crypto: Federal Reserve Vice Chair of Supervision, OCC Comptroller, and Federal Deposit Insurance Corporation Chair. Biden has prioritized getting his Federal Reserve Chair and Vice Chair nominations through amid rising inflation; they are scheduled to appear in front of the Senate next week. The Commodity Futures Trading Commission (CFTC) also made its first enforcement case of 2022 against a DeFi company, indicating more enforcement cases are coming for the DeFi industry.

# EU Policy Developments

## Blockchain: ESMA's call for evidence on DLT

On 4 January 2022, the European Securities and Markets Authority (ESMA) [published a call for evidence](#) on distributed ledger technology (DLT), which seeks stakeholder feedback on the use of DLT for trading and settlement and if regulatory reporting and transparency requirement regulatory technical standards (RTS) are needed. The DLT Pilot Regime Regulation requires ESMA to assess whether the MiFIR RTS on pre- and post-trade transparency and data report requirements need to be altered to account for the DLT system. Additionally, the call for evidence wants advice on effective ways to allow regulators access DLT information for transaction, reference data and transparency data. The feedback period will be open until 4 March 2022. ESMA will then consider whether the amendments to the RTS are necessary and, if so, will consult on its proposal before submitting the final draft RTS to the European Commission for adoption. The DLT Pilot Regime is expected to apply in early 2023.

## Digital Euro: Digital Identity Framework tied to the CBDC project

The Digital Identity framework could be tied to the European Central Bank's digital euro in the future. At least according to the European Commission. [In an answer to a written question](#), Commissioner Breton hinted at the possibility for the European Digital Wallet to enable digital euro payments in the future. The question was posed by an ID MEP. Internal Market Chief Thierry Breton thinks that there could be some complementarity between the two initiatives. "The European Digital Identity Wallet would be able to allow for securely initiating and receiving payments," he wrote in a response to a parliamentary question yesterday. "This could in future also enable payments with a possible future digital euro".

## Tax: Delay of proposals for amending DAC8 and VAT

According to non-public information seen on the week of 3 January, the European Commission plans to publish its proposal for amending the Directive on Administrative Cooperation (DAC 8) to include the exchange of information on crypto assets by Q3 2022. The publication of this proposal is tied to the ongoing negotiations at the OECD. A report by the latter was supposed to be published by the end of 2021, by now is expected during the first half of 2022. Additionally, the OECD still needs to publish a consultation on the report.

Separately, the expected proposal on the rollback of the exemption for VAT for Financial Services has been delayed until Q4 2021. The delay is because the

issue is highly complex, and the Commission is taking its time to rollout the exemption properly. The proposal is likely to focus on consumer-facing, “fee-based” services first. The Commission is looking at whether crypto assets, e-money providers and new payments and FinTech services could be included in the rollback of the exemption.

## General: French Presidency priorities

On 1 January 2022, France took over the rotating presidency of the Council. Regarding Financial Services, the French presidency (PCY) aims to [focus](#) on economic policies to guarantee the success of the EU recovery and resilience plans, foster economic growth and contribute to the construction of a responsible, green and durable capitalism. Additional points of focus are to protect the EU against financial threats with a special focus on the regulation of crypto assets and operational resilience of the financial sector (MICA and DORA) and fight against money laundering and terrorist financing (AML/TF) by progressing on the proposals put forwards by the Commission in its 2021 AML package.

The PCY’s overall program is ambitious, and its tenure of the Presidency takes place during the country’s Presidential campaign. The election is set to take place on 10 April 2022, three months into its EU mandate. While current President Emmanuel Macron is still the frontrunner for the election, France has been facing a steady rise of the far-right, and a far-right President would change France’s position towards the EU. The candidacy of Eric Zemmour, a Trump-like populist conservative, is picking up steam, and he has expressed harsh stances towards Brussels. Such electoral developments are especially important because of the influence France has in ensuring a cohesive Union and the power it holds to divide it.

### ***Looking Ahead***

5 January 2022	<ul style="list-style-type: none"> <li>• Coreper II</li> </ul>
11 January 2022	<ul style="list-style-type: none"> <li>• Working Party on Financial Councillors</li> </ul>
12 January 2022	<ul style="list-style-type: none"> <li>• Coreper II</li> </ul>
13 January 2022	<ul style="list-style-type: none"> <li>• ECON Committee Meeting</li> </ul>
14 January 2022	<ul style="list-style-type: none"> <li>• Coreper II</li> </ul>
17 January 2022	<ul style="list-style-type: none"> <li>• Eurogroup</li> </ul>
17 January 2022	<ul style="list-style-type: none"> <li>• European Parliament Plenary</li> </ul>
18 January 2022	<ul style="list-style-type: none"> <li>• Economic and Financial Affairs Council</li> </ul>
18 January 2022	<ul style="list-style-type: none"> <li>• European Parliament Plenary</li> </ul>
19 January 2022	<ul style="list-style-type: none"> <li>• European Parliament Plenary</li> </ul>
20 January 2022	<ul style="list-style-type: none"> <li>• European Parliament Plenary</li> </ul>



21 January 2022

• Coreper II

# US Policy Developments

## Congress

On December 28, 2021, crypto critic Senator Elizabeth Warren (D-MA) [criticized](#) crypto, stating in a tweet that they are not an actual path toward financial equality. Warren argued that Bitcoin ownership is even more concentrated within the top 1% than dollars.

In the new year, Sen. Cynthia Lummis (R-WY), one of crypto's most outspoken crypto advocates on Capitol Hill, will [introduce](#) a comprehensive crypto policy bill. Sen. Lummis's bill will focus on several issues, including clarity on securities laws related to crypto, guidance for stablecoins, consumer protections, and creation of a new watchdog: a self-regulatory organization administered by the executive branch's securities and swaps regulators.

Rep. Anthony Gonzalez (D-OH), a vocal supporter of crypto and Web3, wrote an [Op-Ed](#) in the Hill discussing the benefits of Web3, including the ability to "put governance and ownership in the hands of the communities of users who help fuel the projects themselves." Rep. Gonzalez reiterated a common view of Republicans that regulation should follow the guidance of "do no harm." Rep. Gonzalez is retiring this year but will continue to be active on the topic until he retires.

Congress is reportedly preparing a [hearing](#) on the environmental impact of crypto mining, especially regarding Bitcoin. The date and witness list are unknown, but the hearing could occur as early as January by the House Energy and Commerce





Committee Oversight and Investigations subcommittee. The hearing was triggered by alarms over crypto mining regarding recent events in New York surrounding the surge in Bitcoin miners and protests about the energy usage. The hearing will be the first time the House Energy and Commerce Oversight and Investigations subcommittee will discuss crypto-related issues and will provide a forum to hear views on crypto from members traditionally not involved with the industry.

## Commodity Futures Trading Commission (CFTC)

The Commodity Futures Trading Commission (CFTC)'s first enforcement [action](#) of 2022 was against a DeFi company, Polymarket. The CFTC settlement ordered Polymarket to pay a \$1.4 million fine and wind down some prediction markets after a CFTC investigation found it was offering illicit options contracts in the U.S.. Polymarket's enforcement action is likely a preview of some of what we can expect to see this year as the industry is likely to face more enforcement action in the new year.

## Securities and Exchange Commission (SEC)

Securities and Exchange Commission (SEC) Commissioner Hester Pierce warned against forming a singular regulator to oversee crypto during a [CoinDesk interview](#). Pierce also noted that the SEC is taking notice of the growth of non-fungible tokens (NFTs). While she is not sure where the SEC may take issue with them, it may be with the fractionalization of NFTs.

## Federal Reserve (Fed)

While the Boston Fed, the branch leading the central bank digital currency study, said in September that the project's initial stages were "basically done," the [posting](#) for a new director of the project indicates there is still work to be done. The study was initially set to be released this past summer, but the progress has been slow. Fed Chairman Jerome "Jay" Powell has been hesitant about the Fed's stance on whether it intends to issue a CBDC. As the US digital dollar efforts have slowed, private stablecoins continue to grow in popularity, leading some lawmakers to question if private stablecoins and a US digital dollar can coexist.

## Federal Deposit Insurance Corporation (FDIC)

Jelena McWilliams, the Federal Deposit Insurance Corporation chair, said she would [resign](#) from the federal bank regulator in a surprise New Year's Eve announcement. Her resignation came after a power struggle between McWilliams, a Republican, and Democratic Board members, Consumer Finance Protection Bureau (CFPB) Director Rohit Chopra, FDIC Board member Martin "Marty" Gruenberg and Acting Comptroller Michael Hsu.

The FDIC is currently considering extending FDIC insurance to stablecoins and just finished their co-agency crypto "policy sprint" with the OCC and Federal Reserve



(Fed). Progressive Martin “Marty” Greenberg will now lead these initiatives as he takes over as Acting Chair in February. Greenberg has been critical of financial companies in the past and skeptical of crypto.

## State and City Updates (New York)

Pro-crypto advocate Eric Adams was [sworn](#) in as New York City’s Mayor on January 1, 2022. Adams has called for making the city a Bitcoin and crypto hub throughout his campaign, pledging to take his first three paychecks in Bitcoin. New York state is often the financial center of media attention related to regulation and enforcement for crypto firms in the United States, so his pro-crypto stance will likely conflict with some state actions.

### **Looking Ahead**

January 13	<ul style="list-style-type: none"> <li>• CATO: <a href="#">“New Technology and Old Rules: Constructing a Crypto Regulatory Framework – A Path Forward”</a></li> </ul>
TBD	<ul style="list-style-type: none"> <li>• Fed-MIT report on crypto, central bank digital currency (CBDC), and stablecoins</li> </ul>





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