



THE TRUSTED
DIGITAL ASSET
PLATFORM



27 May 2022

BY EMAIL

Director – Crypto Policy Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: crypto@treasury.gov.au

Dear Sirs,

SUBMISSION
CONSULTATION PAPER – CRYPTO ASSET SECONDARY SERVICE PROVIDERS

OSL (“OSL”), the virtual assets business of BC Technology Group Limited (“BC Group”), is making this submission to The Treasury in response to the Consultation Paper on Crypto Asset Secondary Service Providers: Licensing and Custody Requirements (“**Consultation Paper**”) issued on 21 March 2022.

Part A below sets out OSL’s and BC Group’s longstanding relationship with regulatory development in Hong Kong, Singapore and the region.

Part B below sets out OSL’s responses to The Treasury’s questions set out in the Consultation Paper.

As the virtual asset business activities of OSL are subject to supervision and regulation in Hong Kong and Singapore (as explained further in **Part A** below), as a matter of transparency and courtesy, OSL is providing a copy of this paper to the Hong Kong Securities and Futures Commission and the Monetary Authority of Singapore.

Respectfully submitted,

Gary Tiu
Head of Regulatory Affairs, Executive Director

cc: Ms. Ada FU, Licensing, Intermediaries, Securities and Futures Commission
Ms. Julia LEUNG, Deputy Chief Executive Officer, Securities and Futures Commission
Mr. Andrew HO, Payments Department, Policy & Supervision, Monetary Authority of Singapore



PART A: ABOUT OSL

OSL Digital Securities Limited (“**OSLDS**”) is a wholly owned subsidiary of BC Group, whose shares are listed for trading on The Stock Exchange of Hong Kong Limited under the stock code 863.HK.

In December 2020, OSLDS became the first virtual asset trading platform operator to be granted a licence by the Securities and Futures Commission (“**SFC**”) in Hong Kong to conduct Type 1 (Dealing in Securities) and Type 7 (Automated Trading Service) Regulated Activities pursuant to the Securities and Futures Ordinance (“**SFO**”) (the main statutory instrument governing and regulating the financial and securities markets in Hong Kong).¹

As at the date of this submission, OSL continues to be the only licensed virtual asset platform in Hong Kong under the *Framework for the Regulation of Virtual Asset Trading Platforms* of the SFC (“**HK VA Framework**”).

BC Group takes a keen interest in global regulatory developments for the virtual asset sector, and, in particular, has engaged with policy-makers and regulators in the Asia Pacific region to advocate for virtual asset regulation and institutional adoption.

In addition to our licence in Hong Kong, OSL SG Pte Limited² (BC Group subsidiary) is currently in the advanced stages of an application with the Monetary Authority of Singapore for a licence to operate as a major payments institution to provide digital payment tokens services under the Payment Services Act; and OSL Digital Limited (also BC Group subsidiary) is registered with the Financial Crimes Enforcement Network as a Money Services Business.

BC Group also employs software engineers, developers and other information technology professionals around the world (including Sydney, London, Singapore, Hong Kong and Mexico), to maintain and support the technology infrastructure used by BC Group and OSL, as well as third party financial institutions under licence from BC Group, to support their virtual asset trading operations – such as trade-matching systems, digital wallet infrastructure and front-to-back office operations infrastructure.

As announced by BC Group in December 2020³, BC Group is the technology service provider supporting the launch and operation of the DBS Digital Asset Exchange, the first bank-operated virtual asset trading and custody platform in the world.

In June 2021, BC Group and SC Ventures (the innovation and ventures unit of Standard Chartered) announced that they had partnered to establish a virtual asset brokerage and exchange platform for institutional and corporate clients in the UK and Europe.⁴

¹ <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1215/2020121501016.pdf>

² <https://www.mas.gov.sg/regulation/payments/entities-that-have-notified-mas-pursuant-to-the-ps-esp-r>

³ <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1211/2020121100865.pdf>

⁴ <https://bc.group/press-release/standard-chartered-and-bc-group-partner-to-establish-europe-based-institutional-digital-asset-trading-venture/> and <https://www.sc.com/en/media/press-release/standard-chartered-and-bc-group-partner-to-establish-europe-based-institutional-digital-asset-trading-venture/>



PART B: OSL COMMENTS ON CONSULTATION QUESTIONS

	Consultation Question	OSL Comments
	<i>Proposed terminology and definitions</i> <i>Terminology changes</i>	
1	<i>Do you agree with the use of the term Crypto Asset Secondary Service Provider (CASSPr) instead of 'digital currency exchange'?</i>	<p>We respectfully disagree with the use of the term CASSPr.</p> <p>Terms (or similar terms) such as 'crypto-assets'⁵, 'virtual currencies'⁶ and 'virtual assets'⁷ have all been widely used by regulators and policy-makers in the international community. However, the international movement towards virtual asset regulation has been, to a large degree, driven by the initiatives of FATF since its October 2018 recommendations in relation to the regulation of "virtual asset service providers".⁸ Virtual asset regulation is occurring on a global level – reflecting the global nature of the sector. We believe it is in the interests of the Australian market (including the current and potential international and domestic operators and investors who may be part of that market) for the Australian regulatory regime to be couched in terminologies and concepts which are internationally recognizable and well understood, for example, the well-publicised and considered definitions provided by FATF.⁹</p> <p>Whilst the defined term "CASSPr" does appear to be descriptively precise, and does not appear to carry any unnecessary connotations, it is a term which is novel and unfamiliar to the international financial and virtual asset community.</p> <p>We therefore respectfully submit that new laws and regulations in Australia should consider adopting the more internationally recognisable term "virtual asset service provider" or "VASP" – to facilitate broader international understanding of the Australian regime.</p>

⁵ Examples include the Financial Conduct Authority in the United Kingdom (<https://www.fca.org.uk/consumers/cryptoassets>), Financial Services Agency in Japan (https://www.fsa.go.jp/en/regulated/licensed/en_kasoutuka.pdf)

⁶ Examples include the Financial Crimes Enforcement Network (<https://www.fincen.gov/index.php/news/news-releases/new-fincen-guidance-affirms-its-longstanding-regulatory-framework-virtual>) and the New York State Department of Financial Services (https://www.dfs.ny.gov/virtual_currency_businesses) in the United States

⁷ Examples include the Monetary Authority of Singapore (<https://www.mas.gov.sg/news/speeches/2020/explanatory-brief-for-payment-services-amendment-bill>), the Hong Kong Security and Futures Commission (<https://www.sfc.hk/-/media/EN/files/ER/PDF/20191106-Position-Paper-and-Appendix-1-to-Position-Paper-Eng.pdf>)

⁸ FATF (2021), *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers*, FATF, Paris, at 4

⁹ FATF (2021), *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers*, FATF, Paris, at paragraphs 44 and 55-94



	Consultation Question	OSL Comments
2	<i>Are there alternative terms which would better capture the functions and entities outlined above?</i>	Following the reasoning in our response to question 1 above, we respectfully suggest terms such as “VASP/Virtual Asset Service Provider” (generally to describe entities performing/provide services relating to virtual assets) and “In-scope VASP” (in relation to entities which may be subject to the proposed regulatory regime) should be adopted.
	<i>Proposed definitions</i>	
3	<i>Is the above definition of crypto asset precise and appropriate? If not, please provide alternative suggestions or amendments.</i>	Following the reasoning in our response to question 1 above, we believe the stated definition is precise and appropriate.
4	<i>Do you agree with the proposal that one definition for crypto assets be developed to apply across all Australian regulatory frameworks?</i>	<p>In BC Group’s 8 October 2021 submission to the Commonwealth Senate’s Select Committee on Australia as a Technology and Financial Centre, we shared our first-hand observations on how the effectiveness of international virtual asset regulatory initiatives have been hampered by uneven pace of regulations, divergence of policy directions and fragmented rule-making among jurisdictions, or, even at times, within jurisdictions (for example by different statutory authorities).¹⁰</p> <p>In line with these observations, we strongly agree that a uniform set of definitions should be applied across all Australian regulatory frameworks, as this is necessary to prevent duplication or conflicts of regulatory regimes (and the resulting uncertainties and inevitable regulatory arbitrage).</p>
5	<i>Should CASSPrs who provide services for all types of crypto assets be included in the licencing regime, or should specific types of crypto assets be carved out (eg NFTs)?</i>	<p>We believe virtual assets representing artefacts, intellectual property, collectibles, artworks or otherwise unique/non-interchangeable should not be included.</p> <p>Similarly, virtual assets which are already within the scope of regulatory regimes for centralised payment systems or facilities or central bank-issued digital currencies should also be excluded to avoid unnecessary duplication. By way of example, under Singapore’s Payment Services Act, central banking digital payment tokens, loyalty points programs, single vendor stored values and in-game assets (amongst other things), are excluded from regulatory requirements.¹¹</p> <p>Such exclusions would be consistent with the foundational principles stated on page 12 of the Consultation Paper, and the position recommended by FATF in the context of the recommended definition of “virtual assets”.¹²</p>

¹⁰ See submission number 88 (https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Financial_Technology_and_Regulatory_Technology/AusTechFinCentre/Submissions)

¹¹ Payment Services Act 2019 (Singapore), at Schedule 1 and Schedule 2

¹² FATF (2021), *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers*, FATF, Paris, at paragraph 53



	Consultation Question	OSL Comments
		Following the same logic then (as well as the reasoning in our response to questions 1 and 2 above), we respectfully suggest crypto assets which are within the scope of the proposed regulations can be grouped under a defined term such as 'In-scope Virtual Assets'.
	<i>Proposed principles, scope and policy objectives of the new regime</i>	
6	<i>Do you see these policy objectives as appropriate?</i>	We believe these policy objectives are appropriate in: (a) Providing baseline investor protection by means of ensuring minimum standards of conduct; (b) Ensuring the Australia virtual asset ecosystem is on par with the AML/CTF standards applicable to traditional financial ecosystems as well as emerging international virtual asset regulatory initiatives; and (c) At the same time, providing the domestic and international virtual asset community with regulatory certainty, and helping to eliminate cross-border regulatory arbitrage.
7	<i>Are there policy objectives that should be expanded on, or others that should be included?</i>	We make no submission on this question.
	<i>Interaction with existing AML/CTF regime – policy objectives</i>	
8	<i>Do you agree with the proposed scope detailed above?</i>	We agree with: (a) the proposal to regulate operators providing virtual asset brokerage, dealing or exchange/marketplace services, as well as virtual asset custody services; (b) the exclusion of decentralised platforms or protocols from such proposal; and (c) the application of existing AFSL requirements to operators whose activities fall within such scope to avoid duplication. To prevent opportunities or incentives for regulatory arbitrage, the regimes should expressly make provisions for circumstances where persons subject to more than one regime may either be subject to the <i>higher (or highest)</i> standards of conduct, or required to satisfy the applicable obligations under <i>all</i> of the applicable regimes.



	Consultation Question	OSL Comments
		<p>By way of example, the Payment Services Act in Singapore exempts certain persons¹³ from licensing requirements, including banks licensed under the Banking Act, merchant banks under the Monetary Authority of Singapore Act, finance companies under the Finance Companies Act, and exempts certain activities from the scope of regulated ‘payment services’, including payment services solely incidental to or necessary solely for the regulated activities of persons licensed, approved, registered, regulated or exempt under the Financial Advisers Act, Insurance Act, Securities and Futures Act or Trust Companies Act.¹⁴ But at the same time, where persons exempt from separate licensing requirements may nevertheless be performing certain in-scope activities, they are still required to comply with certain minimum requirements under the Payment Services Act.¹⁵</p>
9	<p><i>Should CASSPrs that engage with any crypto assets be required to be licensed, or should the requirement be specific to subsets of crypto assets? For example, how should the regime treat non-fungible token (NFT) platforms?</i></p>	<p>As per our response to question 5 above, operators whose services <i>only</i> relate to excluded or out-of-scope virtual assets should not be subject to such licensing requirements.</p> <p>However, where an operator’s activities are within scope of licensing requirements, then it would make sense that the regulatory obligations applicable to such a licensed operator be applicable to ALL of the activities of the operator, including activities relating to out-of-scope virtual assets.</p>
10	<p><i>How do we best minimise regulatory duplication and ensure that as far as possible CASSPrs are not simultaneously subject to other regulatory regimes (eg in financial services)?</i></p>	<p>Please see our response to question 8 above in respect of the avoidance of duplication and regulatory arbitrage.</p> <p>Virtual asset regulations should not apply to circumvent or avoid regulatory obligations which would apply to a certain product or activity under pre-existing laws or regulations. Instead, in light of the unique risks of virtual assets, virtual asset regulations may impose additional obligations on the relevant operators dealing with in-scope virtual assets</p> <p>Examples of obligations which may be unique to virtual asset service providers include (but not limited to):</p> <ul style="list-style-type: none"> - cyber-security requirements meeting specific industry standards¹⁶ - use of blockchain analytics tools to mitigate risk of handling tainted assets or interacting with tainted virtual asset wallets¹⁷

¹³ Section 13(1), Payment Services Act 2019 (Singapore)

¹⁴ Section 2(i), Part 2, First Schedule, Payment Services Act 2019 (Singapore)

¹⁵ Section 13(2), Payment Services Act 2019 (Singapore)

¹⁶ By way of example, paragraph 9.12 under the *Terms and Conditions for Virtual Asset Trading Platform Operators*, Securities and Futures Commission

¹⁷ By way of example, paragraph 13.1(g) under the *Terms and Conditions for Virtual Asset Trading Platform Operators*, Securities and Futures Commission



	Consultation Question	OSL Comments
		<ul style="list-style-type: none"> - appropriate insurance coverage against risks to virtual asset wallets;¹⁸ - fit and proper persons performing technology functions to have appropriate virtual asset experience; - market surveillance tools and systems suitable for detecting and preventing manipulating trading behaviours occurring within any electronic marketplaces for virtual assets which fall outside the scope of other Australian markets regulations.¹⁹
	<i>Proposed obligations on crypto asset secondary service providers</i>	
11	<i>Are the proposed obligations appropriate? Are there any others that ought to apply?</i>	<p>In addition to our response to question 10 above, we respectfully suggest the following additional obligations may be appropriate:</p> <ul style="list-style-type: none"> - obligations to proactively report to regulators in respect of certain types of breaches (such as loss of assets, or cybersecurity incidents having material adverse affect on the interests of clients) and to do so within prescribed timeframes (for example, within one business day of becoming aware of such breaches) - periodic (for example, monthly) submission of financial returns, as well as thresholds for reportable events, such as material decreases in liquid assets²⁰; - requirements to use blockchain analytics tools to mitigate risk of handling tainted assets or interacting with tainted virtual asset wallets - appropriate insurance coverage against risks to virtual asset wallets
12	<i>Should there be a ban on CASSPrs airdropping crypto assets through the services they provide?</i>	<p>We do not understand from the context of the Consultation Paper how such a blanket ban relates to any of the stated policy objectives set out.</p> <p>However, we expect there may be concerns that airdropping virtual assets to clients by operators may potentially create opportunities for operators to trivialise the risks of trading in virtual assets, or to expose customers to unanticipated costs and charges associated with holding or receiving airdropped virtual assets.</p> <p>We respectfully submit that obligation (1) (of the Proposed Obligations) is capable of encapsulating conduct obligations (to act honestly and fairly, for example) to guard against:</p>

¹⁸ By way of example, paragraph 7.17 under the *Terms and Conditions for Virtual Asset Trading Platform Operators*, Securities and Futures Commission

¹⁹ By way of example, paragraph 5.2 under the *Terms and Conditions for Virtual Asset Trading Platform Operators*, Securities and Futures Commission

²⁰ By way of examples, self-reporting obligation under section 146(1) of the Securities and Futures Ordinance, or sections 55(1) of the Securities and Futures (Financial Resources) Rules for Hong Kong licensed virtual asset platform operators; or section 17 of the Payment Services Act and PSN04 (Notice on Submission of Regulatory Returns) for licensed payment service providers in Singapore.



	Consultation Question	OSL Comments
		<p>(a) operators offering/using inappropriate enticements to customers or users which may disguise or trivialise the risks of dealings in virtual assets. By way of example: the Monetary Authority of Singapore issued the <i>Guidelines on Provision of Digital Payment Token Services to the Public</i> on 17 January 2022, which warned operators against portraying virtual asset trading ‘in a manner that trivialises the high risks of trading’²¹; similarly, the Hong Kong Securities and Futures Commission’s <i>Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission</i> prohibits the use of gifts in connection with the promotion of specific investment products;²² and the United States Securities Exchange Commission was said to be ‘stepping up its inquiry into so-called gamification’ of trading services that may mislead investors²³;</p> <p>(b) misleading, deceptive or unfair trade practices in respect of the operators airdropping assets may cause the customers to incur unfair or exorbitant fees or charges payable to the operator, such as custody, safekeeping or transaction fees.</p>
13	<p><i>Should there be a ban on not providing advice which takes into account a person’s personal circumstances in respect of crypto assets available on a licensee’s platform or service? That is, should the CASSPrs be prohibited from influencing a person in a manner which would constitute the provision of personal advice if it were in respect of a financial product (instead of a crypto asset)?</i></p>	<p>We do not understand from the context of the Consultation Paper how such a blanket ban relates to any of the stated policy objectives set out.</p> <p>However, we expect there may be concerns that the provision of advice to clients by operators may potentially create risks of inappropriate/unsuitable investment advice, recommendations or solicitations relating to investment in crypto assets.</p> <p>We respectfully submit that obligation (1) (of the Proposed Obligations) is capable of encapsulating conduct obligations (to act honestly and fairly, for example) requiring operators to assess the risk tolerance of their clients, and to ensure any investment advice/recommendations/solicitations be appropriate or suitable for the clients in light of their personal circumstances.</p>
14	<p><i>If you are a CASSPr, what do you estimate the cost of implementing this proposal to be?</i></p>	<p>We make no submission on this question.</p>
	<p>Alternative Options</p>	

²¹ Monetary Authority of Singapore, *Guidelines on Provision of Digital Payment Token Services to the Public*, 17 January 2022, at paragraph 2.1

²² Hong Kong Securities and Futures Commission, *Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission*, at paragraph 3.11

²³ <https://www.cnbc.com/2021/08/27/sec-steps-up-research-into-gamification-of-trading-with-online-brokers-gary-gensler-says.html>



	Consultation Question	OSL Comments
	<i>Alternative Option 1: Regulating CASSPrs under the financial services regime</i>	
15	<i>Do you support bringing all crypto assets into the financial product regulatory regime? What benefits or drawbacks would this option present compared to other options in this paper?</i>	Yes, we respectfully support the bringing of all crypto assets into the financial product regulatory regime, provided that there is appropriate exclusion of out-of-scope virtual assets, as discussed in our response to question 5 above.
16	<i>If you are a CASSPr, what do you estimate the cost of implementing this proposal to be?</i>	We make no submission on this question.
	<i>Alternative option 2: Self-regulation by the crypto industry</i>	
17	<i>Do you support this approach instead of the proposed licensing regime? If you do support a voluntary code of conduct, should they be enforceable by an external dispute resolution body? Are the principles outlined in the codes above appropriate for adoption in Australia?</i>	<p>We respectfully support the following potential alternatives:</p> <ul style="list-style-type: none"> (a) mandatory regulation and licensing with legally enforceable conduct rules (including fit and proper persons, capital requirements, audit requirements); and/or (b) mandatory registration or membership with industry bodies recognised and authorised by empowering legislations to make and amend specific rules based on express statutory/regulatory principles and requirements, where sanctions for non-compliance by registered operators or members are legally enforceable. <p>However, we do not support:</p> <ul style="list-style-type: none"> (a) self-regulation by industry bodies where membership is voluntary or where compliance with the rules/codes of conduct of such industry bodies is voluntary, or otherwise not legally enforceable; or (b) mandatory registration or membership with industry bodies recognised and authorised by empowering legislations to make and amend specific rules based on express statutory/regulatory principles and requirements, where sanctions for non-compliance by registered operators or members are not legally enforceable.
18	<i>If you are a CASSPr, what do you estimate the cost and benefits of implementing this proposal to be? Please quantify monetary amounts where possible to aid the regulatory impact assessment process.</i>	We make no submission on this question.
	<i>Proposed custody obligations to safeguard private keys</i>	



	Consultation Question	OSL Comments
19	<i>Are there any proposed obligations that are not appropriate in relation to the custody of crypto assets?</i>	<p>We believe the proposed obligations are appropriate.</p> <p>We use this opportunity to highlight the importance of, and our support for, the proposals to impose the following obligations on operators:</p> <ul style="list-style-type: none"> - holding client assets on trust to ringfence against operator insolvency²⁴; - segregation of client assets from the operator’s own assets²⁵; - minimum paid up capital and liquid capital/asset requirements²⁶; - having appropriate risk management procedures which mitigate against operational, cybersecurity, liquidity and financial risks; - appropriate insurance coverage against risks to virtual asset wallets.
20	<i>Are there any additional obligations that need to be imposed in relation to the custody of crypto assets that are not identified above?</i>	<p>We respectfully suggest imposing the following additional obligations in relation to the custody of client crypto-assets:</p> <ul style="list-style-type: none"> - requirement to self-report to regulators (and potentially to affected clients) in event of loss/shortfall, or non-compliance with safe-keeping requirements, following the spirit of Part 3 of the ASIC Client Money Reporting Rules 2017; - mandatory record-keeping and reconciliation requirements (on aggregate and on individual client basis), following the spirit of Parts 2.1 and 2.2 of the ASIC Client Money Reporting Rules 2017; - periodic submission (for example, monthly) of reportable client assets, signed by responsible officers of the licensed entity, following the spirit of Rule 2.2.2(3) of the ASIC Client Money Reporting Rules 2017; - Annual certifications of compliance with record-keeping, reconciliation and segregation requirements, following the spirit of Rule 3.1.2 of the ASIC Client Money Reporting Rules 2017; - minimum insurance requirements; - trust arrangement to be subject to mandatory provisions that may not be excluded or contracted out of.
21	<i>There are no specific domestic location requirements for custodians. Do you think this</i>	<p>Given the global / cross border nature of the virtual assets, AND global nature of custodian institutions, we suggest the following options:</p>

²⁴ By way of example, paragraph 7.1 under the *Terms and Conditions for Virtual Asset Trading Platform Operators* and section 149(3) of the Securities and Futures Ordinance, for licensed virtual asset trading platforms in Hong Kong

²⁵ By way of example, paragraphs 7.3 and 7.4 under the *Terms and Conditions for Virtual Asset Trading Platform Operators* and sections 3 and 4 of the Securities and Futures (Keeping of Records) Rules, for virtual asset trading platforms in Hong Kong

²⁶ By way of example, paragraph 3.1 under the *Terms and Conditions for Virtual Asset Trading Platform Operators*, Securities and Futures Commission



	Consultation Question	OSL Comments
	<i>is something that needs to be mandated? If so, what would this requirement consist of?</i>	<p>(a) operators domiciled in Australia, or actively marketing to the Australia public, should be required to be licensed under Australian law, and, as such, may be required to be domestically incorporated or domiciled entities, and be required to meet all of the obligations listed if they do not use the service of sub-custodians. Licensed institutions should be permitted to employ the sub-custody services of third party custodians outside Australia, provided the locally licensed institutions will themselves continue to meet the reporting, financial resources, audit and fit and proper requirements, AND also meet the requirements to have satisfied themselves as to the abilities, competencies and appropriateness of any sub-custodians appointed by them; or</p> <p>(b) operators which are not domiciled in Australia, or actively marketing to the Australian public, should not be required to be licensed under Australian law even if they provide services to Australian customers or users.</p>
22	<i>Are the principles detailed above sufficient to appropriately safekeep client crypto assets?</i>	Yes.
23	<i>Should further standards be prescribed? If so, please provide details.</i>	Please see our response to questions 19 and 20 above.
24	<i>If you are a CASSPr, what do you estimate the cost of implementing this proposal to be?</i>	We make no submission on this question.
25	<i>Is an industry self-regulatory model appropriate for custodians of crypto assets in Australia?</i>	No. Please see our responses to question 17 above.
26	<i>Are there clear examples that demonstrate the appropriateness, or lack thereof, a self-regulatory regime?</i>	<p>As pointed out above in our response to question 4, in BC Group’s 8 October 2021 submission to the Commonwealth Senate’s Select Committee on Australia as a Technology and Financial Centre, we shared our first-hand observations on how the effectiveness of international virtual asset regulatory initiatives have been hampered by uneven pace of regulations, divergence of policy directions and fragmented rule-making among jurisdictions, or, even at times, within jurisdictions (for example by different statutory authorities).</p> <p>In Hong Kong, we have observed that the existence of a voluntary (or opt-in) licensing regime has not been effective at eliminating unregulated operators, or even at raising the level of conduct of unregulated operators – despite the licencing framework having some of the strictest compliance requirements in the world.</p> <p>In line with these observations, we strongly believe that a uniform and mandatory regulatory regime is necessary to prevent duplication or conflicts of regulatory regimes (and the resulting uncertainties and inevitable regulatory arbitrage).</p>



	Consultation Question	OSL Comments
27	<i>Is there a failure with the current self-regulatory model being used by industry, and could this be improved?</i>	No. Please see our responses to question 17 above.
28	<i>If you are a CASSPr, what do you estimate the cost of implementing this proposal to be?</i>	We make no submission on this question.
29	<i>Do you have any views on how the non-exhaustive list of crypto asset categories described ought to be classified as (1) crypto assets, (2) financial products or (3) other product services or asset type? please provide your reasons.</i>	We make no submission on this question.
30	<i>Are there any other descriptions of crypto assets that we should consider as part of the classification exercise? please provide descriptions and examples?</i>	We make no submission on this question.
31	<i>Are there other examples of crypto assets that are financial products?</i>	We make no submission on this question.
32	<i>Are there any crypto assets that ought to be banned in Australia? If so which ones?</i>	We make no submission on this question.