

From: Jeremy Britton [REDACTED]
Sent: Tuesday, 22 March 2022 7:00 PM
To: Crypto; [REDACTED]
Subject: Crypto regulations

Good afternoon

As someone who has been under regulations of financial advice for decades, I am personally in support of your proposals for the crypto industry as outlined in <https://treasury.gov.au/sites/default/files/2022-03/c2022-259046.pdf>

Figure 1, the simplified structure of the crypto ecosystem is one of the best explanations I have seen for the cryptosphere. Thankyou for that :)

I am in support of ASIC/APRA or other regulators doing criminal background checks, initiating some accreditation and professional development of those who operate in this emerging area.

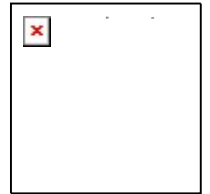
As for your questions:

1. Yes: a great definition. As a crypto fund manager (also known as a managed fund or mutual fund), we are quite different from a crypto exchange; just as a Vanguard fund is different from a CommSec broking service.
2. Not that I can think of right now.
3. Yes
4. Yes, providing the definition has room for expansion. Bitcoin has been around for 14 years, whilst DeFi and NFT's are different and very new. Who knows what is coming next?
5. Whilst NFT's could be also categorised as "tokens", "art" or "illiquid assets", they are firmly in the crypto asset camp.
6. Yes
7. In the absence of crypto regulations, we have previously followed the guidelines for traditional (stock market) managed funds and mutual funds. A lot of items could be easily adapted from traditional financial services.
8. Yes
9. A broad licence should apply to all crypto operators so that customers can compare like with like. In whatever form the accreditation appears (eg. licence number, logo, certification), it should be easily recognisable when a customer goes from an exchange, to a managed fund, to an NFT provider; easily allowing customers to know that the service provider is reliable and regulated.
10. This may be a challenge as in future, some crypto exchanges may choose to add stocks, or vice versa. We have seen Foreign exchange and "money-gram" services such as Stripe and Paypal offer crypto to their customers, and the CommSec banking and stock exchange platform also wishes to add crypto, so for those cases, dual CASSPr and AFSL licensing may be applicable.
11. Yes. Only time will tell if we need more regulatory compliance.
12. We see airdrops as a legitimate form of marketing, akin to giving out free samples in a bakery or grocery store. It is up to the receiver of the free gift to decide whether to purchase more.
13. As with financial planning, some customers will wish to use a service on a "no advice" basis (eg. buying a few stocks on CommSec, or the purchase of a life or general

insurance policy). Guidelines may need to address "no advice", "limited advice", "full advice" and "execution-only".

14. Depending on the scope of the regulatory framework, guidelines may impact the bottom line in the form of additional hours worked, hiring a compliance officer (even if outsourced or part-time), and dollars paid for compliance and/or ongoing education. This is difficult to estimate but is just a cost of doing business in a regulated manner. Over the last three decades, the cost of providing financial advice to clients has risen steadily, to the point where it is not viable to provide compliant advice to those with less money to invest. This can create a skewing of the market into those who can afford advice and those who simply need some education and choose to implement their own strategies. Increased AFSL licensing regulations seemed to put good financial advice temporarily out of the reach of those who needed it the most, until it was scaled back. A regulatory framework that is open to feedback from licensees and flexible enough to change when required, would be ideal. Those with \$50 000 or less also need good quality advice, and should be able to afford it.
15. I feel that crypto regulations could be copied from traditional AFSL rules to a large degree, with a few changes. Having a recognisable framework would minimise the impact of having to master two different sets of regulations. Even if crypto rules were 75% similar to stocks, it would be easier compliance.
16. See #14
17. Yes, whatever provides the most good to the most parties. Yes, similar to financial planning services, we could have an independent and external dispute resolution service for complaints that are not resolved by the service provider, and perhaps beyond that, the financial ombudsman service.
18. One could pluck a figure from the air, and say \$100 000 per year, but it would be impossible to be accurate until knowing the extent of regulations and seeing them put into action by real humans working in the industry. A full explanation of the "Customer Advice Record" as used in a 1990's financial planning office could take 5 minutes or 20 minutes, depending on who was doing it, and how well. In practice, regulations will never eliminate 100% of bad actors, and should not be so odious as to turn a customer away from receiving advice. It is a fine line to walk between giving the customer a high level of security and a high level of satisfaction. Too much 'red tape' and customers will not seek advice as it is too complex and time-consuming, too little regulation and they will be afraid to seek advice. The regulations must be flexible and changeable as the market matures; perhaps strict for now and then relaxing as the public becomes more educated around crypto, just as they have around stocks.
19. I am not a fan of third parties holding private keys on behalf of their customer, as this can pose serious risks and conflicts of interest. If a rogue employee knows how much money you have and how to access it, it is a recipe for disaster. Perhaps a solution would be for legal representatives such as solicitors or estate lawyers to hold the customers' keys, and be unaware of the balance, to remove any possible conflict of interest.
20. Not that I can think of right now
21. This could be beyond the arm of regulation, as many CASSPr's may be living in various countries, have a business or entity that is domiciled in a foreign country or have no fixed location (eg. DAO's).
22. For the most part; nothing can ever be more than 99% secure.
23. As situations arise, new regulations will be required.
24. refer #14
25. I believe so, for now.
26. Not that I can think of, however, situations may arise that require more regulation.
27. as per #26
28. refer #14
29. I have seen them referred to as "alternative investments" but crypto assets or financial products also work for the sake of the exercise.

- 30. none so far, however more may come up in future, such as smart contracts for insurance or derivatives such as exist in stocks (options, warrants, CFD's and so on)
- 31. none that I am currently aware of
- 32. will let you know when we see one.



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BostonCoin, the world's first
diversified crypto fund, since 2016