

FSB Develops Framework for Monitoring Crypto Risks

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On July 16, 2018, the Financial Stability Board (“FSB”) issued a [report](#) to the G20 Ministers of Finance and Central Bank Governors summarizing the work that the FSB and other international standard-setting bodies have undertaken regarding crypto-assets. The FSB notably reported that it has developed a framework for monitoring financial stability risks related to crypto-assets, including proposed metrics based largely on public sources. The FSB also acknowledged that crypto-assets and crypto-asset platforms do not pose a material risk to global financial stability at this time.

With respect to other standard-setting bodies, the report notes that:

- The Basel Committee on Banking Supervision is quantifying the materiality of banks’ direct and indirect exposures to crypto-assets, which could include a data collection through a quantitative impact study (QIS). The Basel Committee is also considering whether to clarify the treatment of banks’ exposures to crypto-assets within risk-based capital rules. The report suggests that for now, crypto assets are appropriately categorized as “other assets,” which receive a 100 percent risk weight under the credit risk framework.
- The International Organization of Securities Commissions (“IOSCO”) has established an initial coin offering (“ICO”) consultation network to discuss experiences and concerns regarding ICOs. IOSCO also is developing a support framework to assist members in considering how to address domestic and cross-border issues stemming from ICOs that could impact investor protection. IOSCO is discussing other issues around crypto-assets, including regulatory issues around crypto-assets platforms.
- The Committee on Payments and Market Infrastructures (“CPMI”) has worked on applications of distributed ledger technology, and is conducting outreach, monitoring, and analysis of payment innovations. The report notes that the CPMI intends to advise central banks to proceed with caution before establishing a central bank digital currency.

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