



EPAA SUBMISSION TO

TOKEN MAPPING

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Australia

Department:
Australian Treasury

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Token Mapping Consultation Paper

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

Submission by email to: crypto@treasury.gov.au

Title: EPA Asia Response to “Token Mapping Consultation Paper”

Dear Director,

Please find attached the submission of the Emerging Payments Association Asia (EPA Asia) to the Commonwealth Treasury Consultation Paper on Token Mapping. EPA Asia has made submissions on previous consultations, including the “Crypto asset secondary service providers: Licensing and custody requirements” Consultation Paper released in March 2022.

EPA Asia’s goal is to unify the payments agenda in the region, drive business development and improve the regulatory landscape for all organisations within the payments value chain. We are a community of payments professionals whose goals are to strengthen and expand the payments industry to benefit all stakeholders. Please note that, while we have consulted widely, any views expressed in this submission are the views of EPA Asia and do not necessarily represent the views of individual contributors, Ambassadors or Members.

Q1) What do you think the role of Government should be in the regulation of the crypto ecosystem?

EPA Asia believes that the most important consideration is to have clarity as to what types of entities and what types of activities are to be regulated under the regime. Regulatory clarity remains essential and focussing on questions relating to what a system is offering, as opposed to the underlying technology, should provide a better basis for creating a regulatory regime. On this basis, we believe that a regulatory setting based on what a network is being used for, as opposed to the token itself or the underlying technology, is a better starting point for regulation.

We further believe that the Government’s role in regulation should be to protect consumers who could not otherwise protect themselves (including through a lack of understanding or knowledge of the crypto ecosystem) and to foster an environment that supports innovation and competition. This includes making Australia an attractive place to invest and to do business, as well as supporting regional and global trade.

Q2) What are your views on potential safeguards for consumers and investors?

EPA Asia believes that there will be a wide range of consumers and investors in an emergent area such as crypto. As a result, the regulatory safeguards should be proportionate for the risk related to the instrument or network being used.

We believe that a blended approach is preferred - that recognises private protections under things like terms and conditions and any self-regulatory measures that may operate alongside public regulatory protections.

Q3) Scams can be difficult for some consumers to identify.

- a) Are there solutions (e.g. disclosure, code auditing or other requirements) that could be applied to safeguard consumers that choose to use crypto assets?**
- b) What policy or regulatory levers could be used to ensure crypto token exchanges do not offer scam tokens or more broadly, prevent consumers from being exposed to scams involving crypto assets?**

While disclosure and education are essential parts, we recognise that scams, frauds and other forms of deception leading to loss have become an increasing concern. We applaud efforts by regulators and industry to address these through a variety of education and technological solutions and ideally any further efforts to address should be done in a coordinated manner.

In terms of policy and regulatory interventions, safeguards for consumers should be commensurate with the nature of and risk associated with the particular product / activity. A licensing may be consideration for certain undertakings (such as crypto token exchanges) to help keep bad actors from entering the ecosystem, though unintended consequences of such measures need to be carefully considered.

Q5) This paper sets out some reasons for why a bespoke 'crypto asset' taxonomy may have minimal regulatory value.

- a) What are additional supporting reasons or alternative views on the value of a bespoke taxonomy?**
- b) What are your views on the creation of a standalone regulatory framework that relies on a bespoke taxonomy?**
- c) In the absence of a bespoke taxonomy, what are your views on how to provide regulatory certainty to individuals and businesses using crypto networks and crypto assets in a non-financial manner?**

EPA Asia agrees that, ideally, consistent definitions for crypto assets should be developed and applied across all Australian regulatory frameworks. This would lay the foundation for greater regulatory consistency, which would benefit crypto asset service providers looking to establish and operate in Australia. Wherever possible, it would be helpful to utilize existing frameworks, but with a recognition that they may require some adaptation given the unique features of some crypto assets. Consistent and agreed terminology would be helpful not only for consumer protection purposes but also assist in the awareness of the beneficial uses of the technology.

We encourage Treasury to consider adopting a taxonomy for and approaches to crypto asset regulation that is aligned to the asset's economic purpose and function; this offers greater regulatory clarity for crypto asset service providers, whose business models are likely to revolve around more specific use cases rather than "financial and non-financial" applications. The approach in the Consultation Paper is heading in the right direction, but more details will be required to be able to fully assess the approach.

While consistency of definitions is welcomed, it should not be confused with how assets are regulated. Crypto assets should be regulated differently depending on their use.

The UK and Singapore are examples of markets that have adopted a taxonomy based on economic purpose and function. While there are distinct differences between the two markets' approaches, a categorisation as such has helped to create clarity for the crypto asset industry and supported consumer understanding of the applications of various types of digital assets (e.g., for payment, securities, or utility).

Q11) Some jurisdictions have implemented regulatory frameworks that address the marketing and promotion of products within the crypto ecosystem (including network tokens and public smart contracts). Would a similar solution be suitable for Australia? If so, how might this be implemented?

As we note above, basic protections are beneficial, but need to capture the risk associated with the activity. As with any other financial product or service, there should be some form of basic disclosure and, where required, a recommendation that the consumer / investor consider their own circumstances and consider obtaining independent advice.

Conclusion

Overall, we believe that the Token Mapping Consultation Paper is generally heading in the right direction and that clearly linking back to the purpose and use of crypto in a network setting is taking regulation in the appropriate direction, though more details will be needed – particularly as to how regulators will interpret and apply some of these concepts.

We are more than happy to expand further on the items raised in this submission or to provide further information. If you do have any comments or questions, please feel free to contact our EPA Ambassador, Dr Brad Pragnell at brad.pragnell@34south45north.com.

Yours sincerely,

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