

Cryptoassets, Risks, and Island Economies

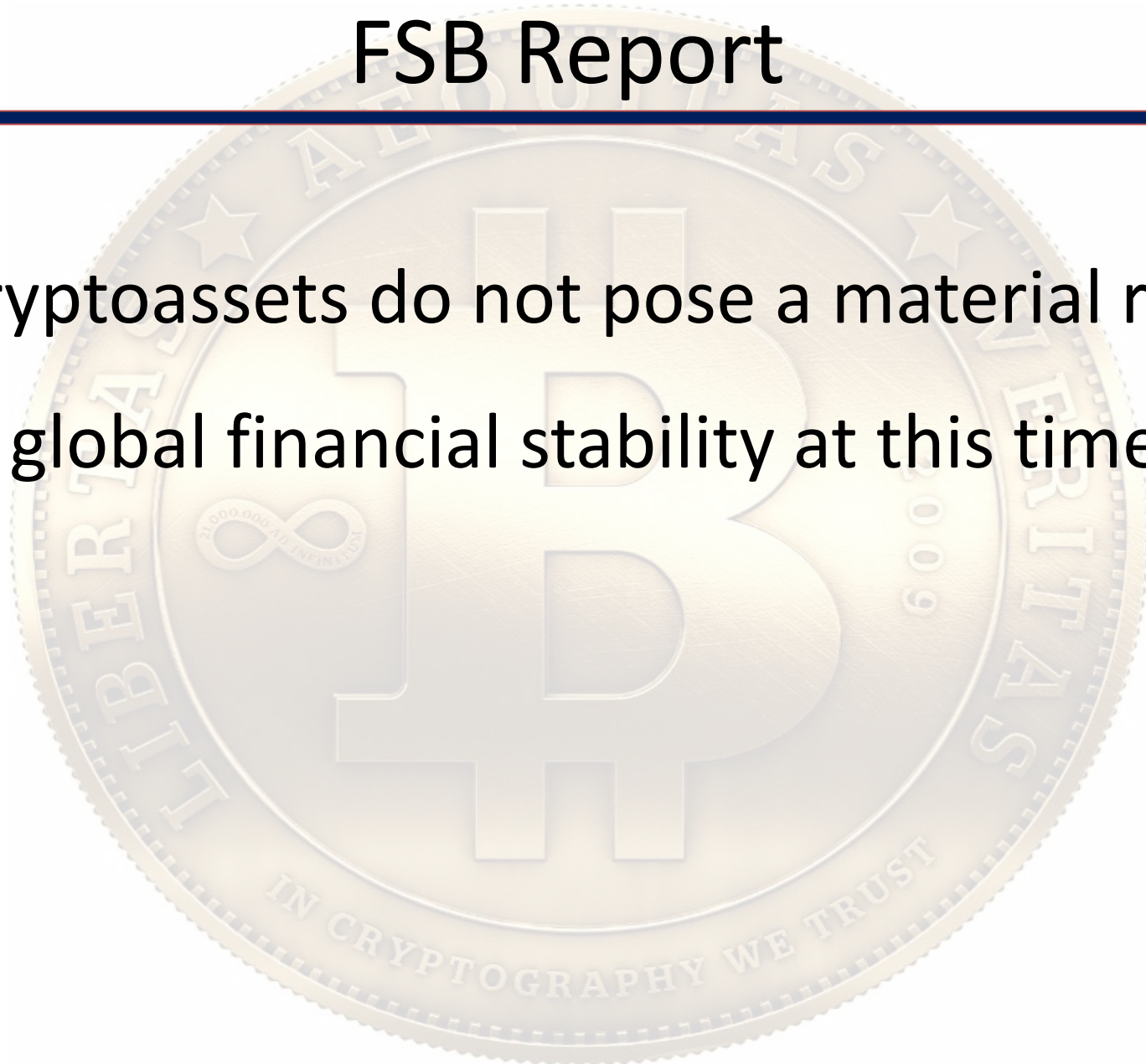
John Schindler
November 13, 2018

Disclaimer

The views presented in this presentation are my own and should not be taken to represent the views of the Board of Governors or the Federal Reserve System.

FSB Report

“Cryptoassets do not pose a material risk to global financial stability at this time.”



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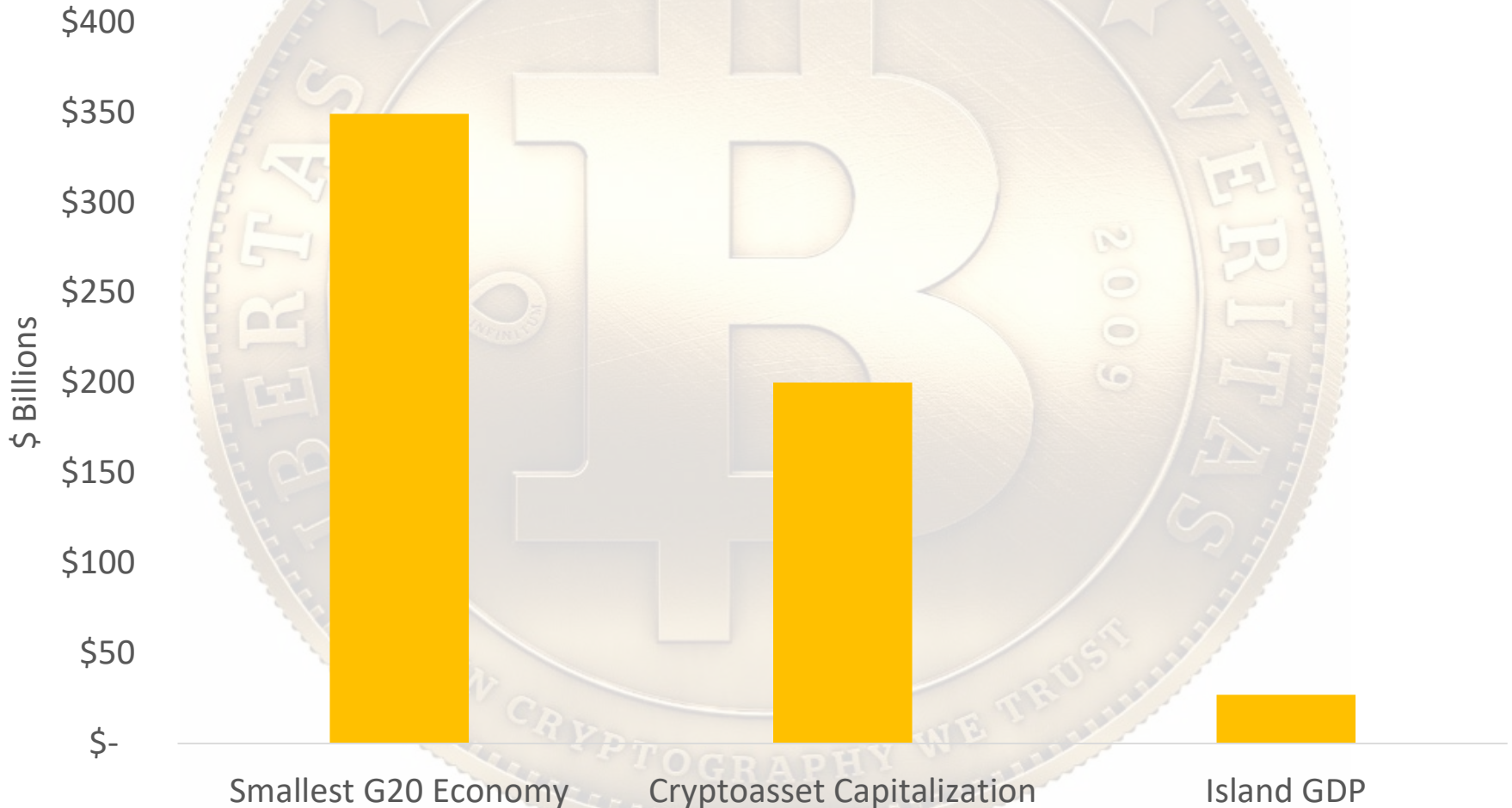
Report presents large economy perspective that might not apply to island nations

FSB Report

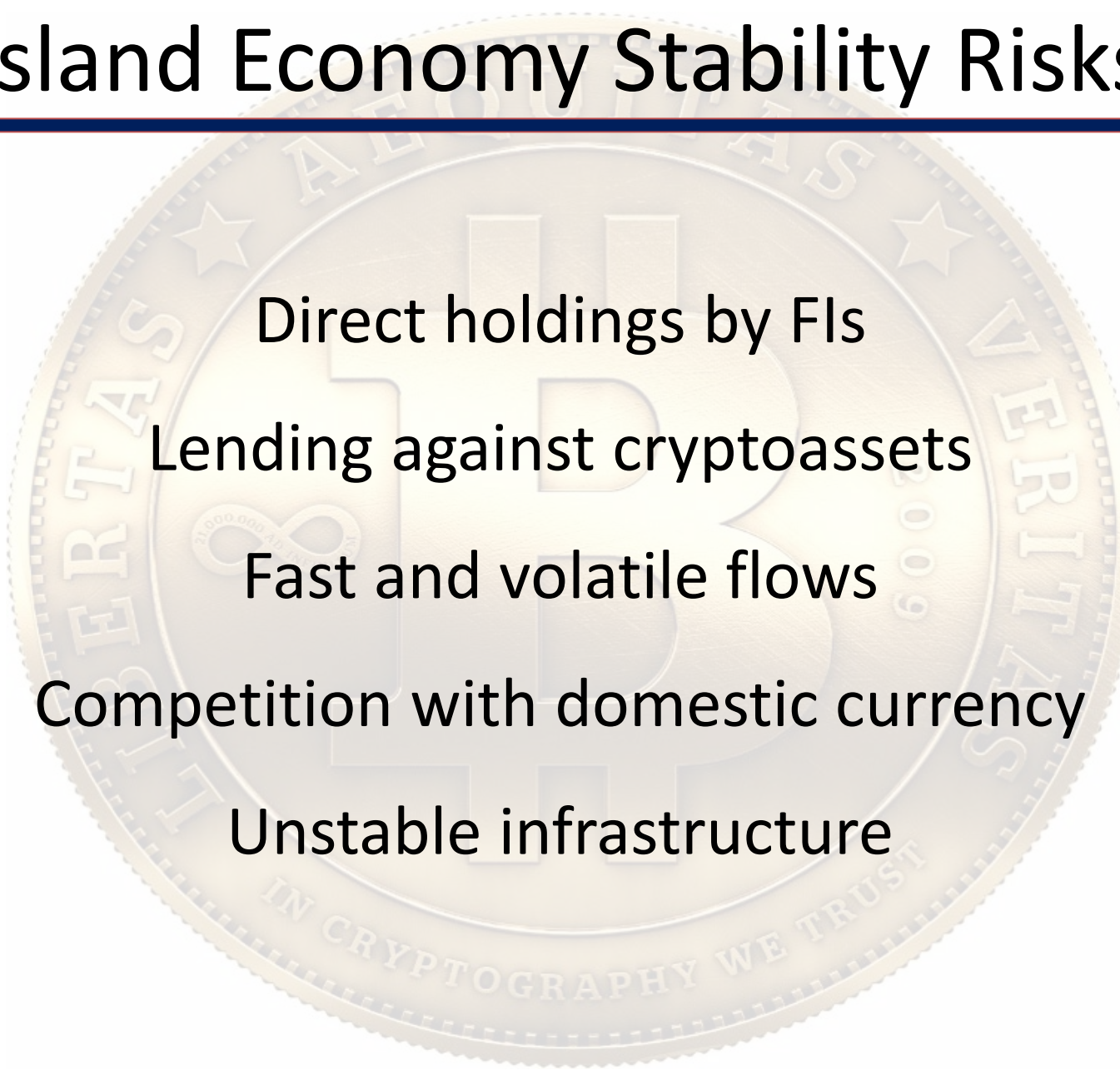
“If cryptoassets become a more significant part of the financial system, negative developments involving cryptoassets could undermine confidence in certain aspects of the financial system and in financial regulators.”

FSB Report

Size Comparison



Island Economy Stability Risks



Direct holdings by FIs

Lending against cryptoassets

Fast and volatile flows

Competition with domestic currency

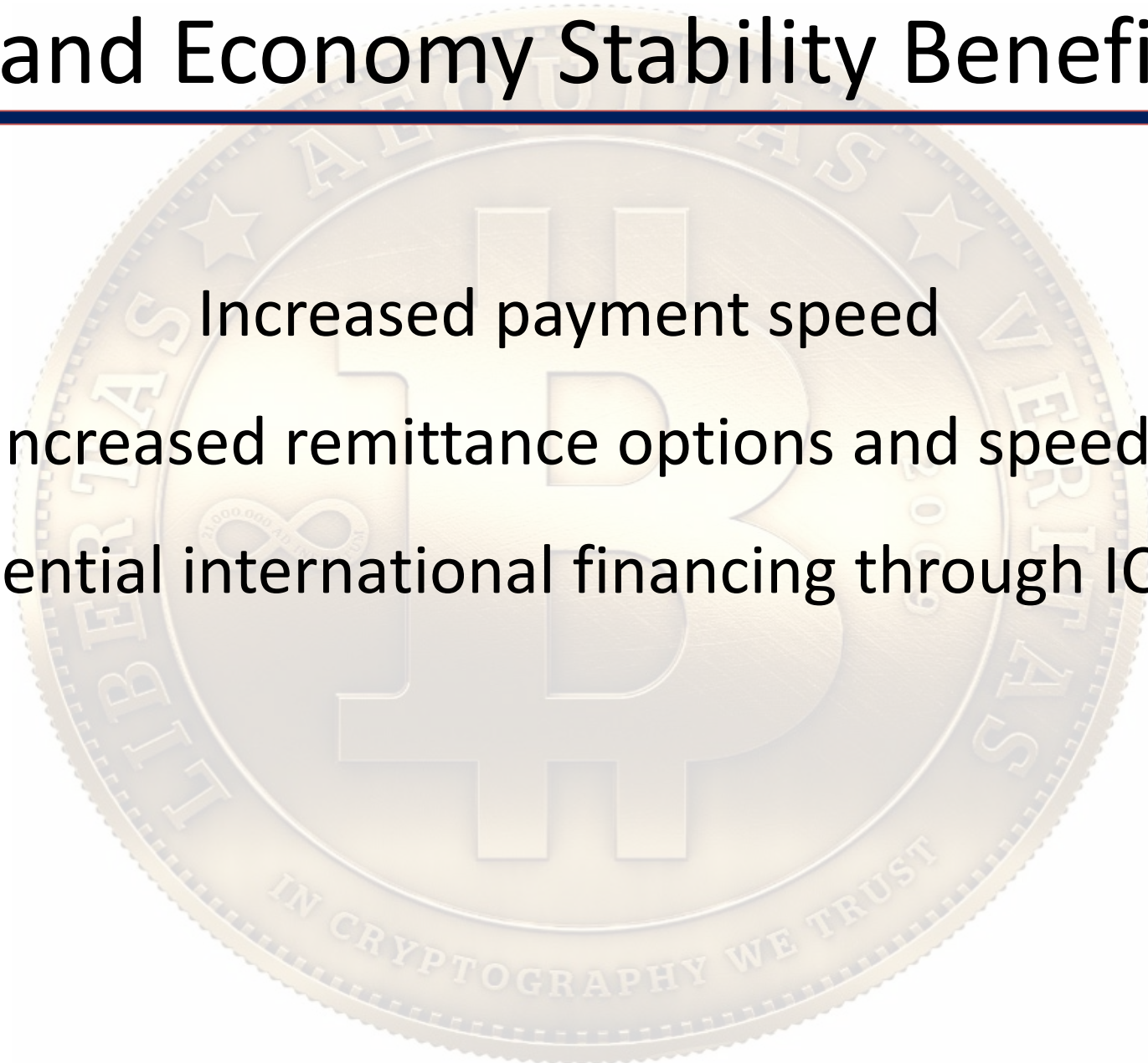
Unstable infrastructure

Island Economy Stability Benefits

Increased payment speed

Increased remittance options and speed

Potential international financing through ICOs



Other Issues

Money laundering

Terrorism finance

Tax evasion

Circumvention of capital controls

Consumer/Investor protection

Regulatory Approaches

Consumer education

Guidance to regulated firms

Licensing of cryptoasset firms

Clarification of tax status

Enforcement actions

Bans on financial service for cryptoasset firms

Regulation of cryptoasset intermediaries