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Article

Self-regulation in Cryptocurrency, a Prelude to Government Regulations

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By David Drake

Unhampered by regulations, the cryptocurrency industry has grown globally as seen in its market cap of more than \$480 billion, and the latest monthly market volume of \$723 billion as of February 21st of this year. However, recent developments in the space like the latest cryptocurrency hacks in [Japan](#), [Italy](#), and [South Korea](#), the stolen [ICOs](#) early investor funds, and the [China ban](#) on foreign cryptocurrency platforms have raised anew the issue of government regulations in this space.

Is the bonding together of seven large crypto companies to form [CryptoUK](#), the first UK trade body for the industry, a move towards this direction?

"In the short term, I see governments giving the industry some leeway to police themselves while keeping a close eye on how the sector manages due diligence and protection of consumer funds. Crypto is on the radar of many governments, and they will always be watching how we manage our businesses. With the expansion of blockchain technology in the banking and corporate sectors we will see permanent regulatory bodies spring up in most countries regardless of whether we police ourselves or not," notes Roman Guelfi-Gibbs, CEO of [Pinnacle Brilliance](#).

CryptoUK came up with a code-of-conduct that the members will sign and embrace in their operations, and which they believe can be the basis of any future regulation.

Self-regulation, a primer to government regulations?

Efforts to self-regulate the industry will boost the government to call for regulations in the cryptocurrency space. According to Jose Merino, Chairman and Co-Founder of [SID Limited](#), the self-regulation envisioned by CryptoUK is always welcome.

He says, "But in my view it will hardly stop regulation. That said, it might help to set a basis for future crypto trading regulation if they engage with governments to ensure their positive co-operation to minimize regulation, so as not to deal with too much red tape. This last (on red tape) could tamper with company growth and thus affect jobs creation as a consequence."

Merino further says, "Actually a benchmark to follow is just like David Drake got involved way back on the JOBS Act with the US government. Regulation or self-regulation are a long term process in any case."

Steve Kuh, Founder and CTO of [Group Project](#) believes self-regulation is a prelude to future regulations. He opines, "Self regulation by a trade body for the crypto industry is always good since it will produce consensus of the industry for the common good,

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encouragement of the growth of the industry, and layout the groundwork for the future regulation."

Government regulations ripe or too early?

In Japan, the cryptocurrency industry is set to establish a self-regulatory organization comprising marketplaces that are approved by the government in its attempt to regain public confidence in the industry.

The U.S. Securities and Exchange Commission (SEC) stopped an ICO, purportedly a scam, to raise funds for the world's first "decentralized bank". This is just one of the SEC's many efforts to protect investors from fraudulent offerings.

Last February 6th, US SEC chairman Jay Clayton remarked that investors must be protected at all costs in the cryptocurrency space in a Senate hearing. According to a commissioner of the U.S. Commodity Futures Trading Corporation, Brian Quintenz, self-regulation for cryptocurrency exchanges can encourage the formulation of standards on data protection, security of client accounts, best practices on trading, cybersecurity and other issues.

Dominik Zynis, co-founder of Wings Foundation says, "Some regulators in the USA have wisely called on the crypto industry to police itself and self regulate. Certainly such efforts by the industry will be looked upon favorably by these regulators; while others may still be skeptical the industry is much too early in its development for any meaningful regulation that is not done in partnership with the young turks who are taking the financial system by storm to create new economic opportunities."

Disclaimer: David Drake is on the advisory board for most of the firms mentioned or quoted in this article.

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- February 2018 (37)
- January 2018 (39)
- December 2017 (32)
- November 2017 (7)
- October 2017 (11)
- September 2017 (5)

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