

Crypto roundtable – Main conclusions

Hosted at Copenhagen Fintech Lab, April 5th, 2018

Background

In a joint effort between Copenhagen Fintech, the Financial Services Union Denmark and the Danish Bankers and Mortgage Association a roundtable on cryptocurrency, ICO's and regulation was held on April 5th, 2018, which was a first attempt to facilitate a coordinated dialogue between central stakeholders in the Danish financial sector on this very important issue. Short presentations were held by Chainalysis, Norfico, Kammeradvokaten, Aryze and European Blockchain Center to focus the debate.

The proposed agenda addressed the following key issues:

- How can Denmark as a nation – and the financial sector in particular - strategically utilize the developments within cryptocurrency and ICO's to its advantage and hence develop a viable business case within this area? And how can we approach this new phenomenon in a curious and experimental manner?
- How can we increase the knowledge level and focus the debate within cryptocurrency and ICO's?
- Which preliminary experiences and case examples do we have in Denmark?
- Is it possible to bridge the widening gap between technological advancements and regulation in this field?
- Which recommendations can help develop concrete framework and regulatory conditions in favor of among other the fintech business environment?
- Can we be inspired by best practice examples abroad e.g. Switzerland, Sweden, Singapore etc.?

Main conclusions

- We should recognize that technological developments like cryptocurrency and ICO's are here to stay – and therefore the potentials within the technologies should be embraced via stringent framework conditions and clear regulatory standpoints. Especially the Danish fintech community stresses the need for more well-defined guidelines and regulation in this field to develop the business case even further, and at the same time to increase investor and consumer protection. (Aryze).
- Via new investigation tools like Reactor (Chainalysis) it is easier to track and trace ICO's and tokens and hence increase the transparency of the digital transactions. Via Blockchain technology compliance issues can be handled to a much higher degree nowadays. Hence many uncertainties related to ICO's and crypto can be dismissed.
- The “Blockshipping” project is a best-in-class example of how ICO's can be strategically utilized as a modern way of democratizing funding and simultaneously solving a real-time challenge (Norfico).
- There are also many boarder perspectives, which go beyond crypto. These include amongst others the developments within Blockchain. A current project between the European Blockchain Center and Fraunhofer Institute on the “Impact of the Blockchain economy for Denmark” was addressed.
- More education is needed in relation to the vast potentials and possible threats within the area of ICO's and crypto i.e. growth opportunities, liability issues, cyber security, consumer and investor protection, data issues etc.
- We are currently experiencing a much more fragmented banking environment in Denmark, where individual and selected organizations engage in ICO's and crypto. Due to the regulatory uncertainty a

collective financial sector approach towards crypto and ICO's does not seem plausible at present time. Further work on establishing a regulatory guideline or a framework is needed.

- Also the uncertainty regarding taxation on ICO's needs to be further clarified.
- The widening gap between technological developments and regulation must be monitored intensely – and the gap must be reduced, if Denmark is to have a competitive advantage vis-a-vis other nation. Countries like Switzerland, Sweden and France have taken - or are in the process of taking - an active stance on the regulatory dimension. Political will for change is therefore necessitated.
- Furthermore, the introduction of more experimental regulatory sandboxes (RegTech) can bring the financial ecosystem closer to the regulatory side.
- It is important that all central stakeholders take active part and responsibility for this important issue i.e. businesses – start-ups and established firms, research environments, official authorities including The National Bank, FSA etc.). Denmark has the potential to take a proactive standpoint, to develop the regulatory frameworks and to set the global standards of tomorrow in the ICO and crypto space.

Suggestions for future collaborations

The organized roundtable could very well be the first of many sessions on crypto and ICO's in Denmark. There indeed seems to be a great potential for such coordinating forums and dialogue based cooperation. Also, the establishment of a learning environment with stakeholders from abroad e.g. FINMA from Switzerland and Riksbanken from Sweden could be an interesting set-up to analyze going forward.

On a further note Kammeradvokaten has taken initiative to establish a high-level working group on ICO's and there is an open invitation to join the working group. NETS and Kammeradvokaten will also be presenting their insights on ICO's to members of the Danish Parliament in the coming week. From a political level there seems to be an increasing focus on the area.

Summing up there seems to be a good potential for Denmark in the field of crypto and ICO's. If the potential is to be fulfilled it requires a joint effort from all involved parties – a first step being the development of a set of clear guidelines and regulatory framework conditions for crypto and ICO's in Denmark.