

SUBMISSION : JOHN LAWRY FCPA

Dear Sir/Madam,

Thankyou for providing the opportunity to comment on this vitally important subject.

THE FUNDAMENTAL QUESTION I BELIEVE IS:-

DO CRYPTO BASED ETF ASSETS DESERVE THE IMPRIMATUR OF ASIC?

THE CLEAR ANSWER IS:-

NO.

THE REASONS ARE BOTH OBVIOUS AND COMPLEX:-

It is my view that crypto assets ***do not represent a store of value*** and that any proposal to grant EFT authorisation creates an expectation among investors that they enjoy similar rights and protections as afforded to shares, bonds or debentures.

It is also my experience that there is a total lack of transparency in the manner that these assets are traded and while there are no recognized and authorised Australian market licensees, Australian investors have used overseas exchanges that have resulted in the total loss of their invested capital.

While the ATO have taken a close interest in the trading of crypto assets (per the issue of rulings and interpretations) this action was necessary to protect the revenue and provide taxpayers with tax treatment certainty. I do not see that the ATO actions generate any obligations on ASIC to provide any veil of authenticity to the crypto industry.

Given the opaque nature of the crypto industry I consider that any worthwhile attempts by ASIC to enforce regulatory compliance with future licencing obligations would be huge and impossible to quantify. As you would be aware massive computer resources are dedicated to mining crypto assets and the number of transactions to be verified by ASIC defies estimation, particularly when these transactions are executed overseas in regions where Australia as little or no information exchange arrangements.

In summary I believe ASIC is correct to regard crypto assets as speculative assets with very volatile prices that make effective regulation very very difficult.

In conclusion, I am somewhat concerned by the comments by Greg Medcraft (former ASIC head now working with OECD) to the effect that "*..policy work on blockchain shows, many new challenges will arise. These include new operational risks in underlying blockchain vulnerabilities in the "smart contracts" that execute business rules, and difficult questions on interconnecting systems, scalability and energy consumption...*" (Refer AFR dated 24 July 2021 page 21).

I guess my closing thoughts are "hasten slowly".

Kind Regards,

John Lawry | FCPA