

Etrading Software's response to HM Treasury's consultation on UK regulatory approach to cryptoassets and stablecoins

20 March 2021

Etrading Software welcomes the opportunity to comment on HM Treasury's consultation on the UK's regulatory approach to cryptoassets and stablecoins.

Etrading Software is the global provider of technology-led solutions designed to assist capital markets institutions and industry initiatives to address complex and constantly evolving market and regulatory challenges. Etrading Software designs, builds and operates technology solutions for the capital markets, allowing clients to keep full governance and control using transparent and vendor-neutral solutions. Working with consortia through a mutualised approach, Etrading Software provides firms with the flexibility to not only meet new market and regulatory requirements but also continue to maintain and enhance such mutualised solutions while retaining control of the associated intellectual property and governance. Etrading Software has a European and Asian presence, with headquarters in London, United Kingdom.

Etrading Software is the nominated Registration Authority for ISO 24165 (Digital Token Identifier)¹, a new global identifier for the emerging crypto asset-class.

General Comments

We support HM Treasury's forward thinking ideas on achieving the benefits of DLT for FMIs, whilst ensuring innovation is not stifled. In particular, we believe interoperability both between DLT FMIs and also with existing FMIs is a critical requirement. ISO 24165 (DTI) can play an effective role in enabling such interoperability as explained in our response to Q25.

In addition to our response to Q25, we would like to highlight the following items:

- **The importance of coordination between authorities** in order to maximise the benefits of DLT implementations that are often cross border and cross jurisdiction.
- **The use of ISO standards as the means of achieving cross-jurisdiction efficiencies.** ISO standards are increasingly used in the international financial services industry and by international regulatory bodies. We believe ISO's robust governance model is a critical factor that is difficult to replicate elsewhere.
- **The criticality of cyber-security for DLT implementations.** The digitised nature of the asset-class places even greater importance to ensuring best practice implementations of cyber-security for FMIs. In order to mitigate the risk of successful cyber-attacks and to provide comfort that cyber-security best practices are being followed, we urge HM Treasury to consider recommending the

¹ <https://www.iso.org/standard/80601.html>

adoption by FMIs of ISO 27001² (information security management), supported by third-party accreditation.

We have provided answers below to HM Treasury's specific questions. We stand ready to engage with and support HM Treasury on matters discussed in our response.

Response to Questions

QUESTION 25: Would common standards, for example on interoperability, transparency/confidentiality, security or governance, help drive the uptake of DLT/new technology in financial markets? Where would common standards be most beneficial?

We support HM Treasury's view that common standards on interoperability will assist with the uptake of DLT in financial markets. We note this view is also shared by the Bank of England and Financial Conduct Authority as described in their consultation on transforming data collection in the UK³. To quote from their report: *"Standards are a key part of the soft infrastructure of the digital age. As such they can bring benefits throughout the financial sector: improvements in operational efficiency, greater clarity for firm management and firm investors, and support for new innovations like blockchain"*

We recommend the use of ISO standards for achieving interoperability, efficiency and transparency as well as to support innovation. ISO's strong governance model and the existing well-established set of ISO financial reference data standards in use by the financial services sector provides a unique set of benefits to authorities, FMIs and industry.

We therefore recommend exploring the use of ISO's new Digital Token Identifier standard (ISO 24165) to establish a common reference data set for digital assets for FMIs, market participants and public authorities. Such a common reference data set will allow all stakeholders to uniquely and unambiguously identify the digital asset being traded (for example to distinguish unambiguously between a trade involving 'bitcoin' versus a trade involving 'bitcoin cash').

The ISO DTI is part of the same family of ISO standards and maintained by the same subcommittee of ISO (TC68 SC8⁴) whose existing identifiers are already heavily used globally, such as the ISIN⁵, the UPI⁶ and the LEI⁷. The close alignment of the DTI with these existing identifiers provides the opportunity for stakeholders to simplify their implementation into existing infrastructures.

The scope of DTI issuance is all fungible digital assets which use distributed ledger technology for their issuance, storage, exchange, record of ownership, or transaction validation, excluding central bank digital currencies. This scope includes all the digital tokens discussed in the consultation paper, such as stable tokens, exchange tokens, utility tokens as well as security tokens.

² <https://www.iso.org/isoiec-27001-information-security.html>

³ <https://www.bankofengland.co.uk/paper/2020/transforming-data-collection-from-the-UK-financial-sector>

⁴ <https://www.iso.org/committee/6534796.html>

⁵ <https://www.iso.org/standard/44811.html>

⁶ <https://www.iso.org/standard/80506.html>

⁷ <https://www.iso.org/standard/75998.html>



The key principles behind the DTI include:

- The identifier will be random, unique and fixed length (8 characters plus checksum)
- Registration eligibility is based on objective, verifiable information
- The identifier is assigned to the token, not registered to any applicant
- Uniqueness criterion is based on the digital token's origins on the distributed ledger data structure

Etrading Software, in its capacity as the Registration Authority for the DTI, will launch the DTI service globally to coincide with the publication of the standard, expected in the second half of 2021.

