The Committee on Payments and Market Infrastructures and International Organization of Securities Commissions

Re： Application of the principles for financial market infrastructures to stablecoin arrangements

November 28, 2021

Dear CPMI and IOSCO,

In response to the following issues, I have the following comments:

Q1.
In the activities of commercial insurance, the premiums charged are based on SAs, and in terms of transaction function, this insurance activities should be considered FMIs. Therefore, the transaction function is supported.

Q2.
Because the SAs can provide some values guarantee function, or create the credit line for users. Therefore, it is recommended that an indicator for the type or nature of transactions should be added to: the creation of credit lines.

Q3-Q4.
For governance issues, we can try to use assets from countries as SAs reserve assets. For example, use a part of deposit insurance funds as SAs, and the deposit insurance supervisory unit is responsible for supervising the SAs.

In addition, the governments of all countries should actively participate in the community development of distributed and/or automated technology protocols and decentralisation, and good communication can guide new technologies to comply with the principle of governance.

Q5.
The guidance on Principle 3 is not clear and hard to operate. The reasons are as follows:

1. Under peer-to-peer transactions for SAs, the both parties to the transaction cannot catch the actual risks. Because it is difficult to complete the KYC, CDD or EDD procedures of both parties. Therefore, it is difficult to identify, measure, monitor and manage risks on SAs.

2. The existing risk response plans and tools that can be provided for SAs issues are not complete enough and need time to verify.

Q6.

If the specific NPOs or NGOs are authorized to participate in the consensus network of each DLT, it is easy to serve as a bridge between new technical and legal finality. For example: the NPO or NGO is the important node of a PoS(Proof of Stake) consensus network, responsible for the network settlement function, and through the on-chain governance function, inappropriate hard forks can be rejected.

Q7.

If the SAs choose central bank currency as its settlement asset, we have to consider whether it will affect the development of CBDC and erode commercial banking activities in the region.

In addition, the central bank currency of a particular country should clearly state the amount of the highest reserve assets to avoid affecting the international settlement issues between countries.

Q8-Q9.

No comment.

Yours sincerely,

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