



Director, Crypto Policy Unit
Financial System Division
The Treasury
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via email crypto@treasury.gov.au

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Crypto asset secondary service providers: Licensing and custody requirements

We welcome the opportunity to provide our insights on the government's first major public consultation on regulation of the crypto ecosystem.

PwC Australia shares the Government's desire to see our economy benefit from the technological innovations arising from the crypto ecosystem, including the creation of a local crypto ecosystem. We support the government's focus on ensuring this ecosystem is trusted by consumers, protects investors, minimises fraudulent activities, and provides a clear framework to allow Australian companies to innovate and remain competitive in this new ecosystem.

As we are not a Crypto asset secondary service provider (CASSPrs), and as we continue to scrutinise and assess the merits of different regulatory approaches in conjunction with our colleagues across the PwC Global Network, we have not provided detailed responses to the questions outlined in the consultation paper. Instead we wanted to take the opportunity to:

- Endorse the government's plan to create a licensing regime for Australian CASSPrs. Given the exponential growth in the number of Australians engaging in the purchase, custody and sale of crypto assets, we believe it is appropriate that Australia create and implement a framework that includes minimum standards of conduct, custody security safeguards and obligations.
- Welcome Treasury's assessment of the challenges in the current regulatory environment, in particular the challenges around applying legislative and regulatory structures designed long before the crypto ecosystem was envisaged. The clarification and mapping of various crypto asset types will be an important first step in the development of an appropriate regulatory framework. We also look forward to engaging in further consultations scheduled for later this calendar year.

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- Support Treasury in other forms of outreach and consultation on the development of a regulatory framework. The evolution of the crypto ecosystem continues to be very dynamic and challenged by complex technologies (e.g. Defi, DAOs, NFTs etc) and different jurisdictions across the globe working at different speeds and levels of risk appetite. In our experience, assessing the operational risks and then creating the most appropriate regulatory responses are best dealt with through structured and timely engagement with existing regulators (notably ASIC, APRA, RBA, AUSTRAC etc), industry experts (e.g. Blockchain Australia), participants in the existing financial market and CASSPrs, as well as professional services firms such as ourselves who provide global capability in the evaluation of and assurance over risk and control frameworks.

We would like to thank the Treasury for the opportunity to contribute to the consultation process. If you need any further information, please feel free to contact Tony Richardson on [REDACTED] or Nicola Costello on [REDACTED].

Yours faithfully,

A handwritten signature in black ink that reads 'A Richardson'.

Tony Richardson
PwC Australia Partner

A handwritten signature in black ink that reads 'Nicola Costello'.

Nicola Costello
PwC Australia Partner