

The Australian Government the Treasury**Re : Token Mapping**

March 3, 2023

Dear The Australian Government the Treasury,

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

Q1.

The government should actively participate in regulating the ecosystem of crypto-assets to facilitate its sustainable and stable development. In addition, the government needs to formulate a national strategic plan for 3-5 years, clearly indicating which areas involving crypto-assets are helpful to the country's development, setting the key directions for the development of the ecosystem, and then implementing them in an orderly manner according to the plan. Moreover, the regulatory department must have an independent unit or working group to provide guidance to the operators of crypto-assets and encourage or subsidize innovative operators to collaborate with the government to achieve the goals of the plan.

Q2.

Regarding consumer investment protection, the following directions can be explored:

- I. Implement consumer education and training on investing in crypto-assets. Consumers should be able to understand what crypto-assets are, which VASPs are compliant, and how to seek relief in case of investment disputes in an easily understandable manner.
- II. Establish a dispute resolution platform for consumer investment in crypto-assets. The government or self-regulatory organizations (SRO) can lead the planning of the dispute resolution platform, providing suitable third-party options for consumers and VASPs to resolve disputes fairly and quickly.
- III. Improve the platform for custody of crypto-assets. The government can lead the establishment of a national custody platform and cooperate with other national custody platforms to provide clearing and settlement services for crypto-assets.
- IV. Encourage consumers to join mutual insurance plans for crypto-assets. By harnessing the power of crowds, unforeseeable risks in the future can be mitigated through insurance.

Q3.

It is recommended to adopt a national crypto-assets custody platform to eliminate VASPs' direct access to consumers' crypto-assets. A unified approval system should be implemented for the crypto-assets that consumers can invest in, and sandbox experimentation should be encouraged for

new types of crypto-assets. During a specific period, regulatory authorities and consumers should have sufficient understanding of these crypto-assets.

Q4.

If it is a public-type crypto network, private large mining pools, large custody centers, or large token pledge centers should be eliminated. Otherwise, the government should take the lead in maintaining the crypto network within its jurisdiction.

Q5.

We strongly support this idea. In the future, we can follow the FpML (Financial products Markup Language) model to establish a Crypto Assets Markup Language standard, which will provide a clearer direction for the development of smart contracts and enable communication with existing financial services.

Q6.

For real-world assets, they should be held in recognized locations for custody, such as LME-approved warehouses, bank vaults, or trust accounts. Only by third-party accounting firm to audit the existence of real-world assets, the crypto-assets can be linked with real-world assets.

In addition, information on changes in ownership of crypto-assets and real-world assets should be compiled daily and monitored externally by regulatory authorities.

Q7.

Double-track third-party accounting firms auditing and assurance, for example, two VASPs can be audited and reviewed by two independent third-party accounting firms. By cross-checking through different third-party accounting firms, the quality of assurance can be improved, safeguarding the rights and interests of consumers.

Q8.

We need to clearly define the crypto-assets services for financial products. This will benefit companies in their financial reporting, as they can determine whether holding crypto-assets with financial services should be classified as inventory, intangible assets, or financial instruments.

Q9.

No comment.

Q10.

Even if the crypto-assets do not involve financial services, there are still risks of money laundering and financing of terrorist activities. Therefore, it is recommended for crypto-assets developers to

collaborate with regulatory authorities, understand the activity information of the crypto-assets from the regulatory sandboxes, and adjust the intensity of regulation appropriately.

Q11.

No comment.

Q12.

Generally, the development of smart contracts includes the inclusion of copyright statement code. As long as the jurisdiction formulates regulatory policies, the code design of the copyright statement can be referenced to incorporate the regulatory policy into the smart contract. If the regulatory policy changes, the version to be used can be determined when referencing, or the policy can be upgraded and changed through the smart contract.

Q13.

The main risk is that crypto-assets are in the virtual world, and it is difficult to recover them in case of disputes.

Q14.

The main risk is whether the referenced smart contract has technical or cybersecurity risks. If there are issues with the referenced smart contract, it can cause significant disasters in the operation of the AMM.

Yours sincerely,