

## About the Stablecoin Project

Victoria University is partnering Novatti to better understand the regulatory issues for Stablecoins.

Identify key stakeholders that will be affected by any future regulation of Stablecoins.

There will be industry interviews undertaken by Victoria University throughout 2022–2023.

Develop a centre of excellence for regulating Stablecoins.

### The story so far

Victoria University is undertaking legal and business research into the Regulation of Stablecoins.

Victoria University and Novatti have begun working in partnership to examine the current, proposed and developing Regulation of stablecoin in Australia.

An Interview series has been established between both organisations to better understand the needs of industry.

The first interview focus questions included:

### What is a stablecoin?

Stablecoins are tokenised assets and exist on blockchain(s). They represent and are backed by an asset by maintaining a 1:1 value. While commonly depicting fiat currencies, they can represent commodities, financial instruments (eg. shares, futures contracts), and other cryptocurrencies.

### Does Australia need to consult other like-minded countries?

Consultation is required to assist Australia in gaining a competitive advantage as the “first mover.”

A review of any country’s stablecoin regulations will allow for a more diverse perspective and clear strategy.

### Is the current banking regulation framework adequate (for stablecoin regulation)?

Not at present. To date there has been little consideration to the ‘crypto asset’ sector. More research is required to ensure a fit-for-purpose framework is developed.

### Do we need a centre of excellence for the regulation and management of stablecoins?

Yes. As the digitisation of financial activities becomes more integrated as the ‘societal norm,’ resources should be prioritised for the study of stablecoins. There needs to

be a strong partnership between industry, government, regulators and the university sector.

### Do stablecoins provide sustainable and environmental benefits to the community?

More research is needed to determine the relative benefits of stablecoins and traditional financial systems. The energy consumption that support the stablecoins’ underlying infrastructure varies depending on the blockchain protocol used.

### How will ethics play a role in regulating stablecoins?

An ethical regulatory approach should deliver a risk-based assessment, to establish strong compliance and governance standards. Ethics will play a role in ensuring the suitability of backing and redeemability of the stablecoin. The ethical regulatory approach should address the fiduciary responsibilities of the stablecoin issuer, or, the liquidity of backing assets held.

### What are the important issues to consider in regulating stablecoins?

1. Addressing capital requirements and treasury functions applied to backing asset.
2. Diversification of funding to mitigate centralisation risks.
3. Limitation of cash reserve options.
4. Technical foundations of the stablecoin.
5. Blockchain protocols that support stablecoins.

### Outcome

The Project will provide economic growth, jobs, skills and capacity for Victoria and Australia.

Establish a Centre of Excellence for the Regulation of Stablecoin in Australia.

In partnership with