



"Supervisor, crypto-assets and advertising:
good industry practice"
AEFI (Spanish Fintech and Insurtech Association)
Conference

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Good morning to you all.

Thank you, Alejandro and Rodrigo, for introducing me.

It is a pleasure to be able to participate in this event.

The development of the technology-financial services nexus in recent years has been exponential.

The CNMV is strongly committed to financial innovation as a means of increasing the competitiveness of markets, reducing costs linked to greater efficiency and making markets more accessible to a wider spectrum of society.

That is why in 2016 we created an innovation hub called the Fintech Hub as a continuous communication gateway to provide support to developers and financial institutions on regulatory aspects of the securities market that could affect their projects.

Since then, as a supporter and advocate of technological disruption, the world of financial innovation in the securities market has been part of our activity. Thus, we have included as one of the CNMV's four strategic lines (and I quote) the "promotion of technological advances applied to the securities markets, preventing their risks".

We are not only convinced of the need to incorporate technology in the financial sector because of the benefits it brings. I believe that we are also obliged to support a sector, which the association and you represent, that is demonstrating dynamism and commitment that is helping to shape a new horizon for the markets and for the Spanish economy.

Blockchain technology is changing the dynamics of finance and the contribution of DeFi or decentralised finance will change the way investors interact with markets. These decentralised structures, without the need for common elements to provide the necessary trust, based on smart contracts within a blockchain transparently reflected in an unalterable and constant record, present enormous opportunities.

But at the same time, they are not without risks that need to be understood and monitored. From transparency in price formation, custody risks, investor information, anti-manipulation rules, structuring and backing of ARTs or the integrity of some layers of the system. And all of this, linked to the growth I mentioned earlier, points to the need to monitor the systemic importance that some crypto-assets or service providers may acquire. It is therefore necessary to regulate this area if it is to be open to non-professional investors. This is why the MiCA regulation is so relevant in this context at European level. On a global scale, IOSCO – International Organization of Securities Commissions - recently published for public consultation an interesting report on decentralised finance, to which, incidentally, I invite you to contribute, as IOSCO's work is often the seed for regulatory initiatives on a global scale.

Personally, I find the value of this technological disruption immense in improving, evolving and even replacing traditional financial structures. From a securities market perspective, which is the CNMV's responsibility, I believe that its essential value is that it may represent a new way of channelling savings flows into investment. I am very interested in new crypto versions of traditional assets such as crypto-stocks, crypto-bonds, crypto-shares of investment funds or even tokenised real assets (real estate). I am fascinated by the possibilities of removing securities clearing and settlement cycles, which currently consume a huge amount of resources that our society could put to other uses.

But I have to admit, although this is risky in this forum, that I am extremely sceptical about the value of cryptocurrencies as an investment product. I am concerned about their limited capacity for long-term value creation, beyond taking advantage of periods of intense volatility. Certainly, a few cryptocurrencies can generate or retain value in the long term to the extent that they eventually become a commonly accepted means of payment. Others support new networks or allow access to business models, which do allow for serious valuation. But I think it is clear that only a very small part of the more than 10,000 cryptocurrencies that can currently be found will become a means of payment, generate intrinsic value or be a way of acquiring services or products, and those who invest in this area without a deep understanding of how it works should be aware of this.

In this regard, since 2018, both the CNMV and other supervisors, including the European Securities and Markets Authority (ESMA), have been very active in warning to the general public of the risks of entering into crypto-assets as a mere investment object. The last public statement was only a fortnight ago. I know that this may sound to many like a symptom of conservatism, resistance to change or preservation of the traditional status quo. However, nothing could be further from the truth in our case. We securities supervisors in particular, who embrace the concept of financial disintermediation, of direct contact between savers and companies, are very much in favour of making structures safer, more efficient and less intermediated. We have no fear of disintermediation, quite the contrary. The source of our concern about the cryptocurrency investment boom (not the disruption, which we welcome) is determined by the investor protection mandate to which we are beholden and the damage that decisions on unregulated assets can have on thousands of investors when they are not able to properly weigh up and understand the risks they are taking.

At this point allow me to digress and talk about risks, fundamentally financial fraud, and deviate for a moment from the crypto world itself. The CNMV is not a judicial or

police authority and we do not prosecute fraud offences, but we have found that many, if not all, of the fraud cases currently being investigated or tried in the *Audiencia Nacional* (Spanish National High Court), with economic damage to the tune of hundreds of millions of euros, were initially reported as entities that were not authorised by the CNMV. That is why we launched initiatives months ago to better detect episodes of financial fraud.

Today, much of this genuine hacking activity is focused on cryptocurrencies because they are currently the most appealing asset. I do not want to be misunderstood: cryptocurrencies and financial fraud are neither synonyms nor should they be associated as concepts. That should be made clear. But many of the alleged criminals and perpetrators of today's financial fraud are taking advantage of these currencies as a way of scamming people. This is a classic case, as in every historical era, scams and pyramid schemes have used the fashionable asset as a lure, as it is the one that experiences the most striking price increases. And I know that this is a situation that is equally repugnant to organisations like yourselves that are dedicated to promoting honest business, as it can damage the image of a sector that is in no way connected to fraud.

The CNMV is aware of this problem, which affects society as a whole, and through a framework of public-private collaboration, we have brought together the common interests of many public and private entities to try to tackle, as far as possible, this scourge.

However, there is one area where very little progress is being made. Many fraudsters advertise with impunity on social media or search engines, and this is where they target their victims. This is difficult to detect, you may say, because a priori you never know who may be advertising a fraud.

But it is not so much. To the extent that the CNMV and our European counterparts frequently issue warnings about specific entities and domains that are not authorised to offer investment services, there would be a very simple and effective measure: large search engines and social networks should not accept payment advertisements from entities that have already been warned as suspicious in the lists published by financial supervisors. Unfortunately, these measures have not been implemented in Spain. I will say it clearly: it is in my opinion unjustifiable that companies that disseminate paid advertising on social networks or search engines profit by admitting advertisements from pirate entities, which are publicly warned as being financial boiler rooms. Even more so, by doing so, they jeopardise the savings of their users and clients, some of whom fall prey to this type of fraud. I would urge those entities, as they have recently done in the UK, to commit to rejecting advertisements from entities explicitly warned by public investor protection authorities such as the CNMV. We are asking them to commit, through self-regulation, to ensuring that their networks or pages will not serve as a vehicle for disseminating deception and potential crimes in exchange for increased revenues. But if they do not do so, if they do not assume their responsibility, we will exercise our responsibility by proposing to the Government to analyse a new regulation in Spain to prohibit and sanction this type of practice.

I shall now end my digression on fraud and return to the world of legitimate and honest innovation at hand. Investor protection was one of the fundamental reasons for the CNMV to publish the Circular on the advertising of crypto-assets for investment purposes, which will be extensively explained and debated at one of the roundtables

that form part of this conference. It is necessary that the advertising of these types of products is carried out following certain guidelines in terms of content and format, warning by means of sufficient information of the risks deriving from their potential investment. And we are the first European country (and to my knowledge the first country in the world) to adopt such an approach.

Since its entry into force in mid-February, a total of 118 advertisements have been reviewed in a total of 20 files. Of these, two thirds correspond to direct communications from the entities themselves, while the remainder correspond to the CNMV's own supervisory initiative. In parallel, during this time, more than a dozen queries have been received, a very high percentage of which have been clarified, mainly concerning the subsidiarity of advertising service providers, the processing of personal data on entities' contact persons, the duration of campaigns and the fact that the Circular applies to sponsored communications through influencers and such like.

Secondly, and as a sign of our involvement in promoting technological innovation and digitalisation linked to securities markets and financial services, I would like to refer briefly to sandboxes.

As you know, the deadline for the submission of new projects under the third call for proposals is in exactly one week's time. The first two took place in January-February and September-October last year.

Of the more than 80 projects submitted to date in the two calls for proposals, 25 of them (30%) correspond to projects which, due to their configuration and underlying framework, were addressed to the CNMV. Of these, seven received a favourable evaluation and started the testing period.

The support of the supervisory bodies of this innovation hub, the CNMV, the Bank of Spain, the DGI, under the coordination of the Treasury, is very clear. As with any new project with a specific legal regime, not everything goes smoothly from the beginning. But we have tweaked some procedures to streamline the process and I think we have accommodated projects of all kinds, as long as they met the specifications.

I will end by reiterating once again the message that I conveyed at the beginning of this speech and which I would like to be maintained beyond this conference that is now beginning. The development of technology and its effect on financial markets is the main element to achieve gains in competitiveness through efficiency and accessibility to markets. And in this equation, the CNMV will always maintain a dual role: as a supporting and driving factor to achieve this, but also as an element of vigilance to ensure that adequate investor protection is maintained.

Thank you very much for your attention. I hope you have a fruitful day.