

As published in Global Investor Group - Louisa Chendler



Lack of Crypto regulation slows participation

1 May 2018

Institutional investors who are looking at cryptocurrencies as a means of diversifying their portfolios are being held back by a lack of regulation, an expert said.

According to Obi Nwosu, chief executive officer and co-founder of London-based cryptocurrency exchange Coinfloor, increasingly more institutions have been considering trading cryptocurrencies as “they provide an attractive alternative investment opportunity for those looking to diversify their portfolios from traditional assets”.

This is particularly the case as investors are finding it difficult to achieve returns on deposits and short term investors, and as client pressure for income generation grows in light of flat fund performance, he explained.

However, a clear regulatory framework is needed to drive institutional investor confidence and involvement in this emerging asset class.

“There is still more to be done to boost dialogue between industry, policymakers and regulators, though we believe that regulation will be implemented over the coming months and years,” Nwosu said.

He added: “Until then, institutional involvement will be held back - regulatory frameworks around consumer protection is also important to institutional investors, which could lead to their reservation in participating in this market.”

Meanwhile on Tuesday, industry body CryptoUK called on members of parliament to back plans for the regulation of cryptocurrencies.

Its proposals, outlined in a letter to the House of Commons Treasury Select Committee's inquiry into digital currencies, include bringing cryptocurrency platforms under the Financial Conduct Authority's (FCA) remit and issuing crypto-licenses to platforms which implement approved know-you-customer and anti-money laundering standards.

Early in April, the FCA said “it is likely that” firms engaging in certain activities involving [cryptocurrency derivatives will have to be authorised](#).

During the same month, Coinfloor's cryptocurrency futures exchange, CoinfloorEX, launched the [first physically delivered bitcoin futures contracts](#) in response to calls from investors for an alternative to the cash-settled contracts on other exchanges.