

# GLOBAL FINANCIAL STABILITY REPORT

COVID-19, Crypto, and Climate:  
Navigating Challenging Transitions

2021  
OCT

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#GFSR



**MONETARY AND  
CAPITAL MARKETS**

## The Crypto Ecosystem and Financial Stability Challenges

DECEMBER 7, 2021

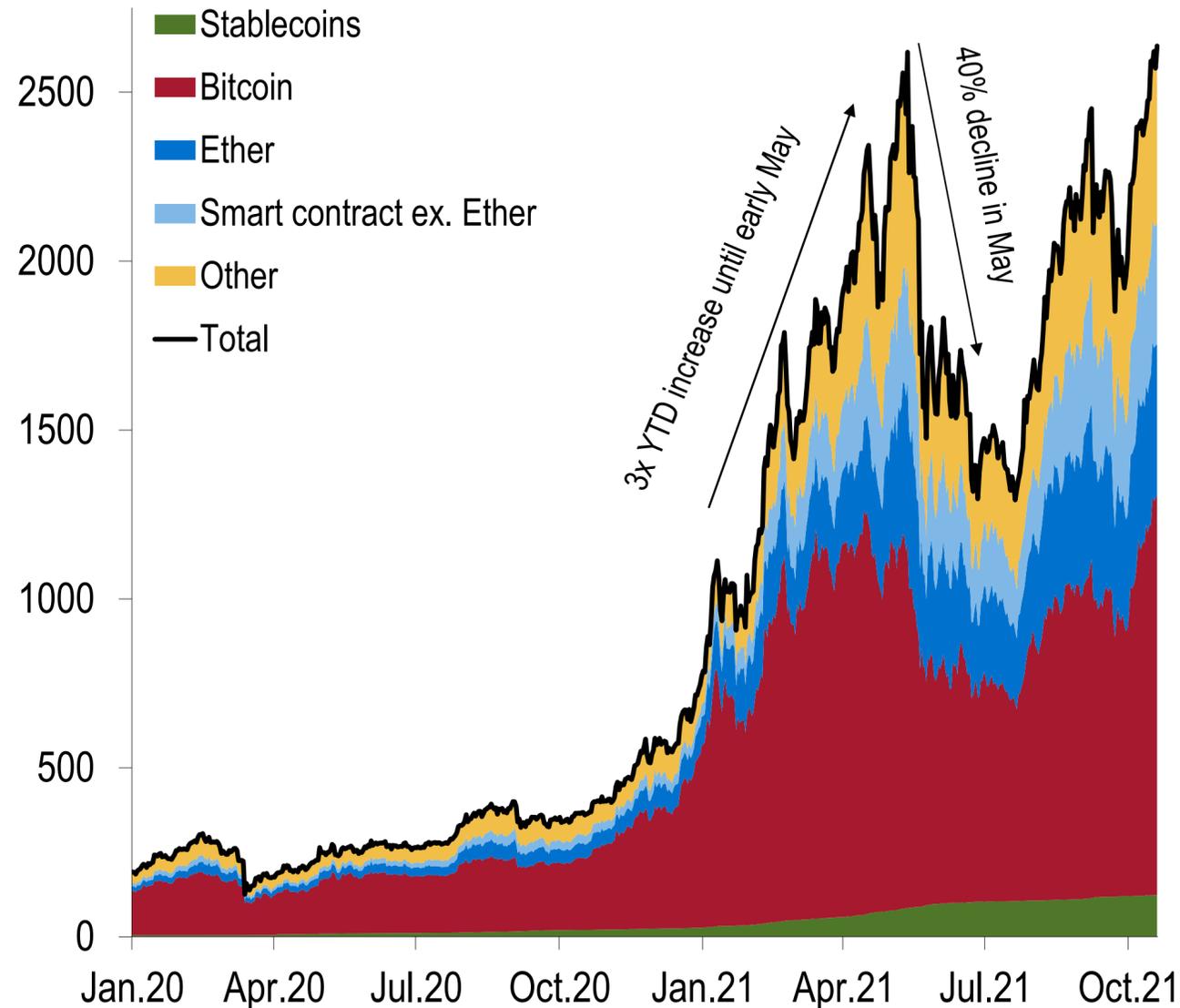
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Financial Supervision and Regulation Division  
Monetary and Capital Markets Department

# Recent Market Developments

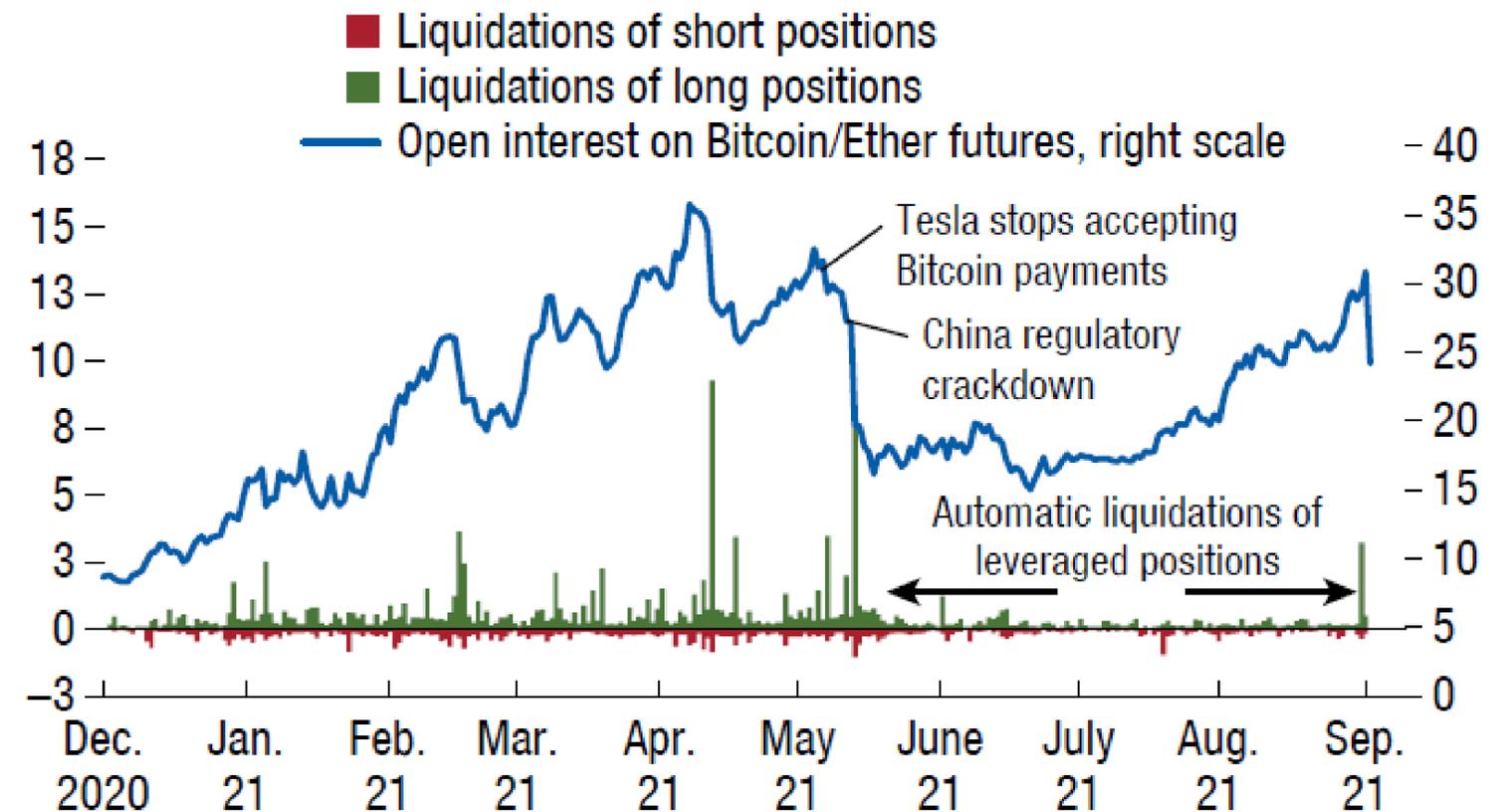
*The market value of the ecosystem increased dramatically in 2021 and expanded beyond Bitcoin.*

*The April/May 2021 sell-off was accompanied by a sharp unwinding of leveraged positions from all-time highs.*

**Market Capitalization for Crypto Assets**  
(Billions of US dollars)



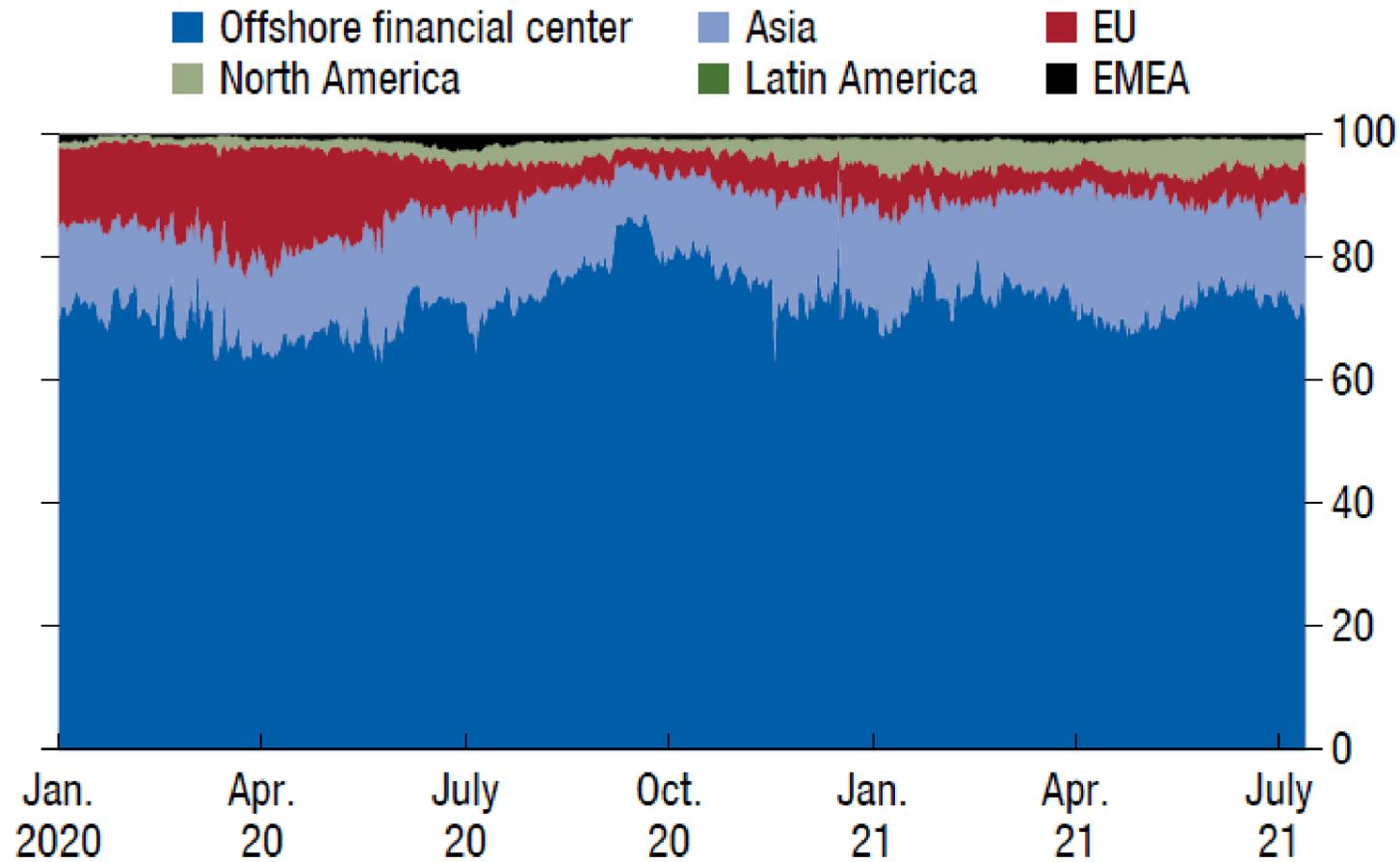
**Liquidations of Futures and Open Interest**  
(Billions of US dollars)



# The Offshore On/Off Ramps and Data Gaps

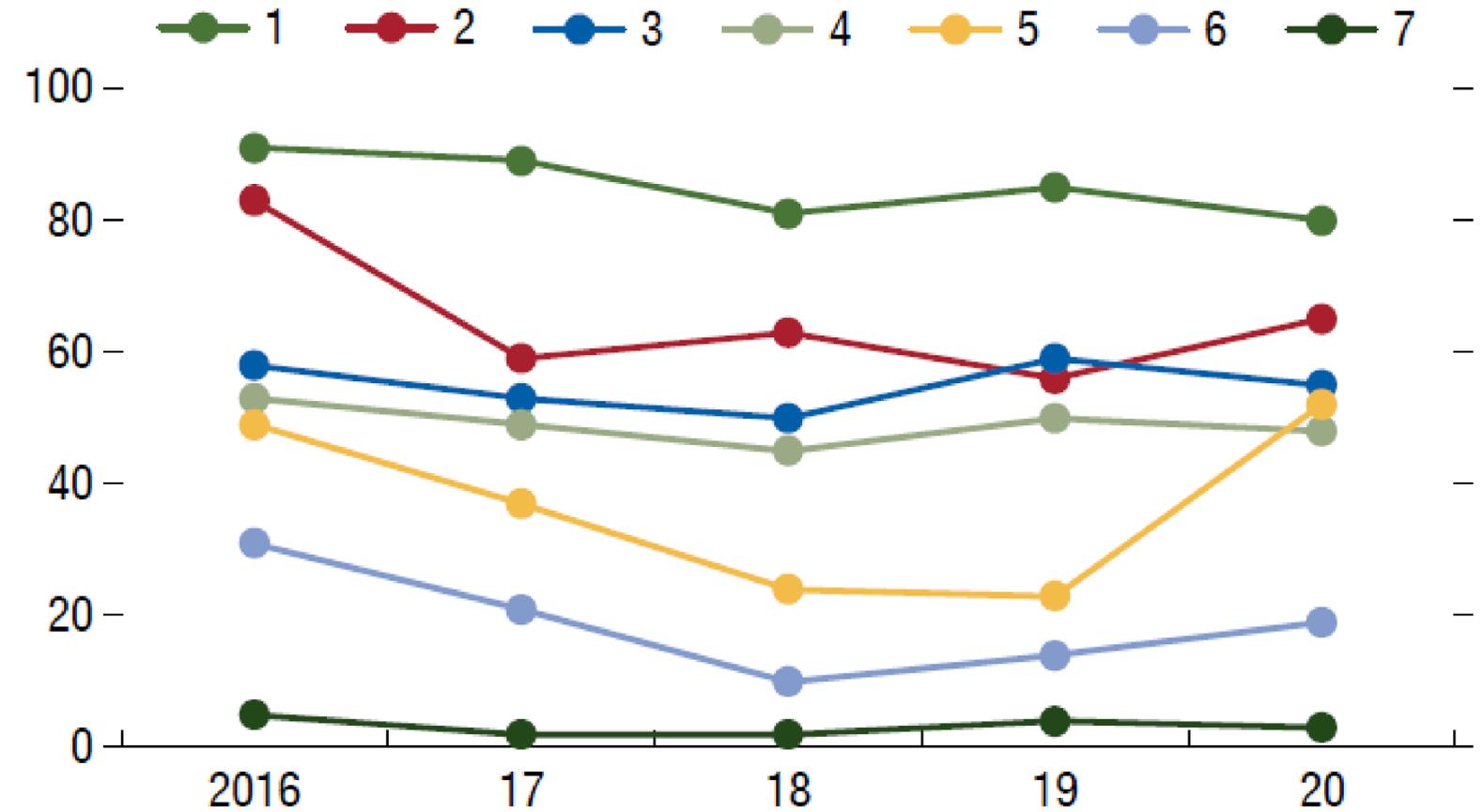
*Crypto exchange trading activity occurs primarily through entities in offshore financial centers*

**Trading Activity of Exchanges, by Registration**  
(Percent share)



*Data gaps can be significant when estimating on-chain activity*

**Estimated Share of P2P Bitcoin Transactions, Based on Various Data Providers**  
(Percent share)



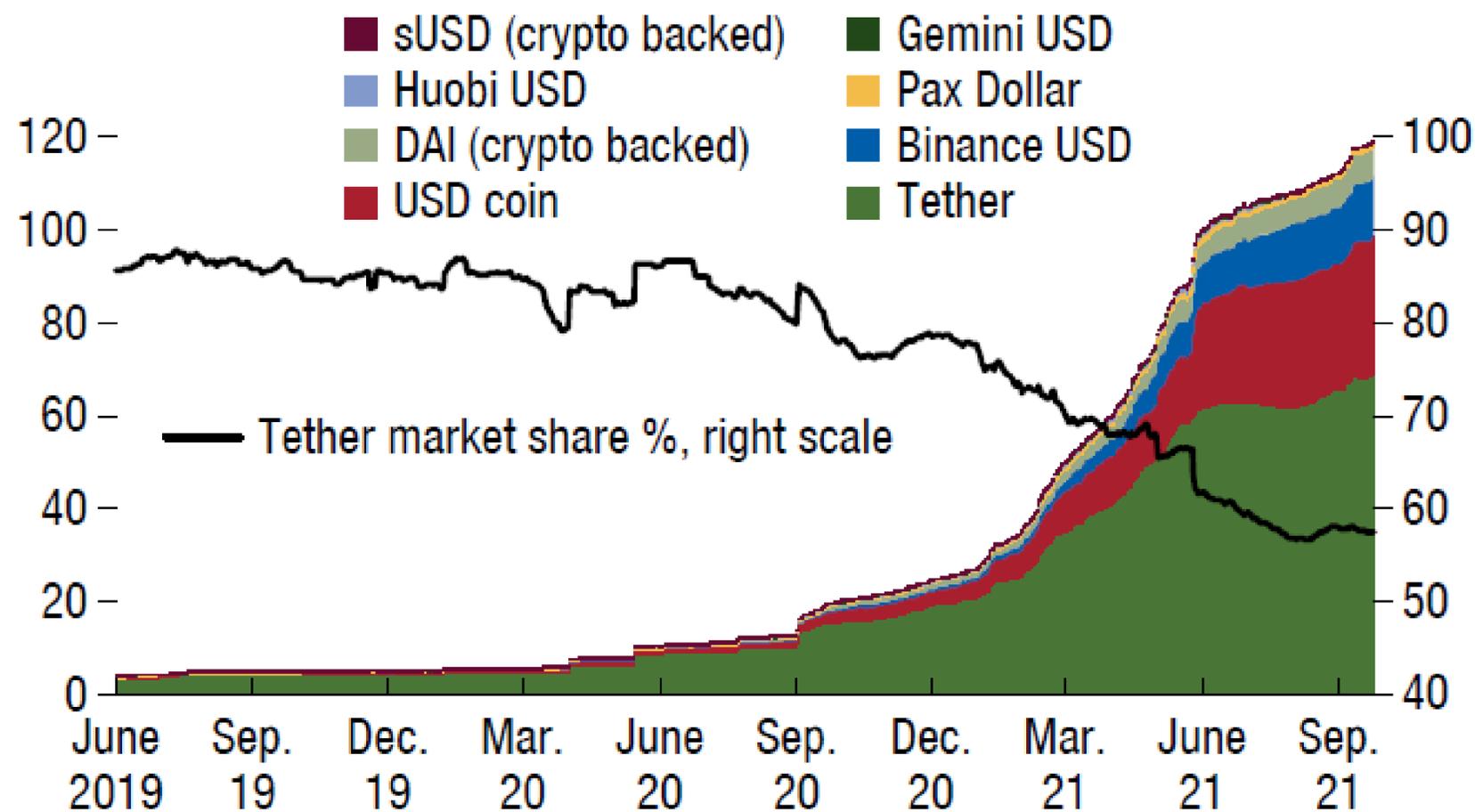
# Growth of So-Called Stablecoins

*The market cap of stablecoins has quadrupled in 2021 while Tether's dominance has declined.*

*Stablecoins vary considerably with respect to their reserve composition.*

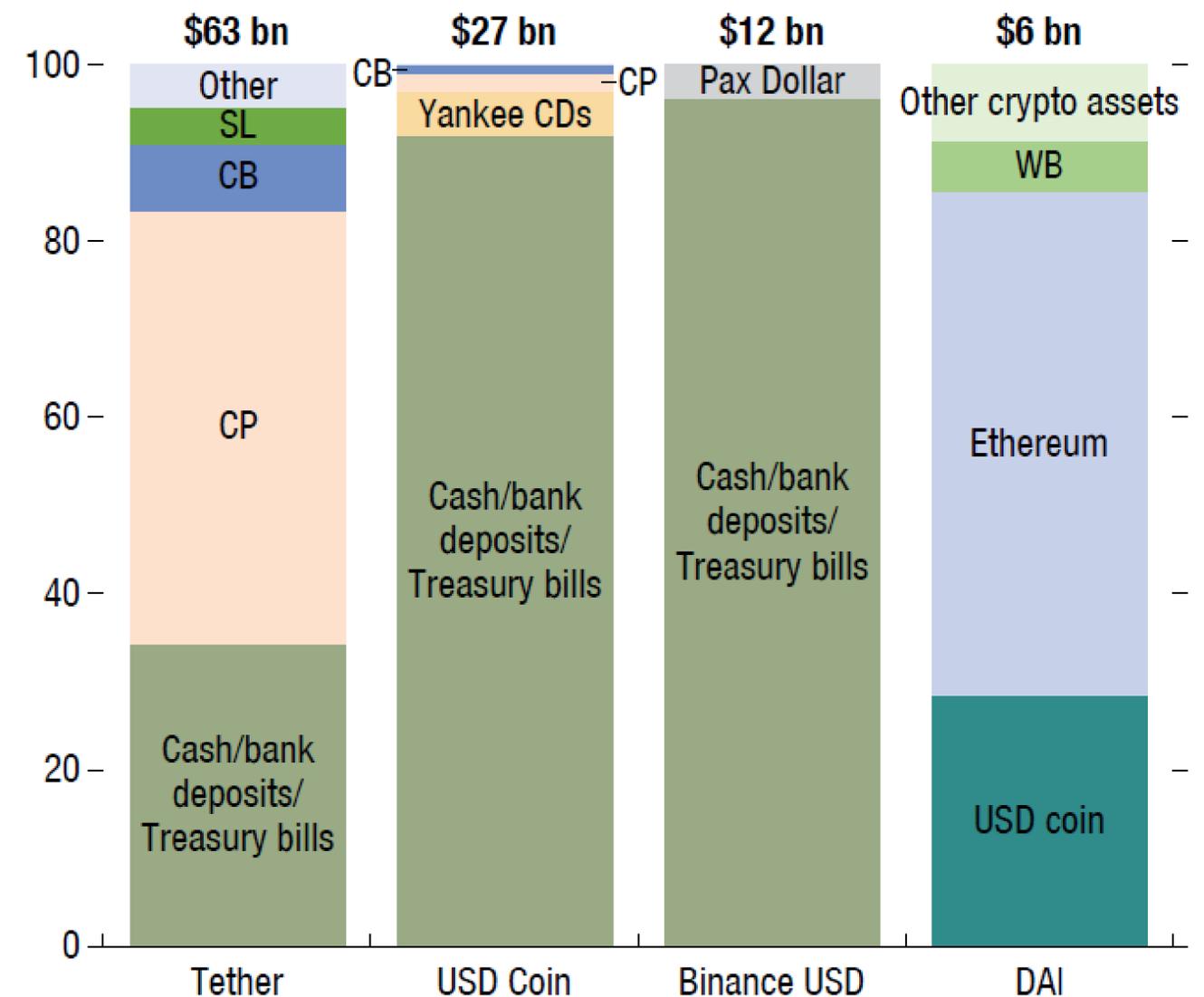
## Stablecoin Market Capitalization

(Billions of US dollars and percent share)



## Reserves of Top Stablecoins

(Percent and billions of US dollars)

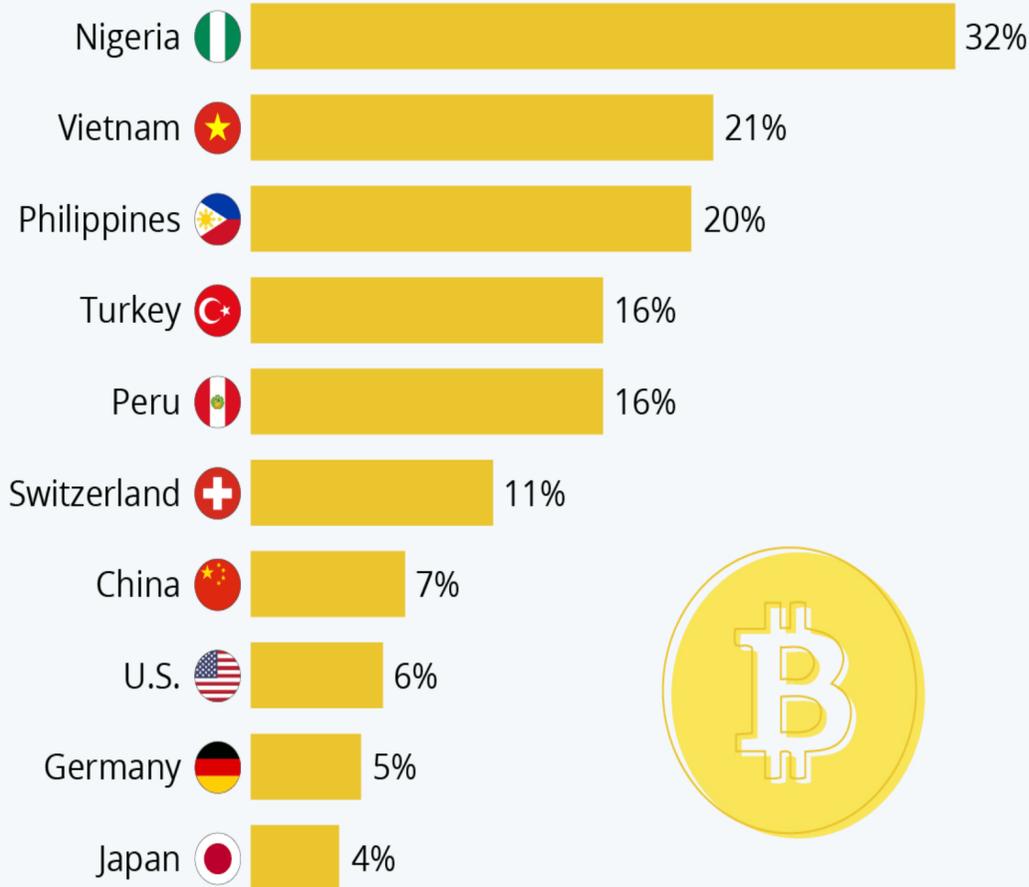


# Cryptoization: EM Adoption Growing

Surveys are an imperfect metric...but EM adoption seems to be leading in AEs

## How Common Is Crypto?

Share of respondents in selected countries who said that they used or owned cryptocurrency (2020)



Percentage of citizens who say they own cryptocurrency

Country	Any crypto
Nigeria	24.2%
Malaysia	18.0%
Australia	17.7%
Indonesia	16.7%
Hong Kong	15.8%
Singapore	15.6%
India	15.4%
Philippines	13.3%
Mexico	12.1%
<b>Average</b>	<b>11.4%</b>
United States	10.4%
South Africa	10.4%
Brazil	10.2%

EMDE residents are among the top visitors of major crypto exchange websites

Geographic Breakdown of Internet Visitors  
(Unique visitors, October 2020–June 2021)



1,000-4,000 respondents per country  
Source: Statista Global Consumer Survey

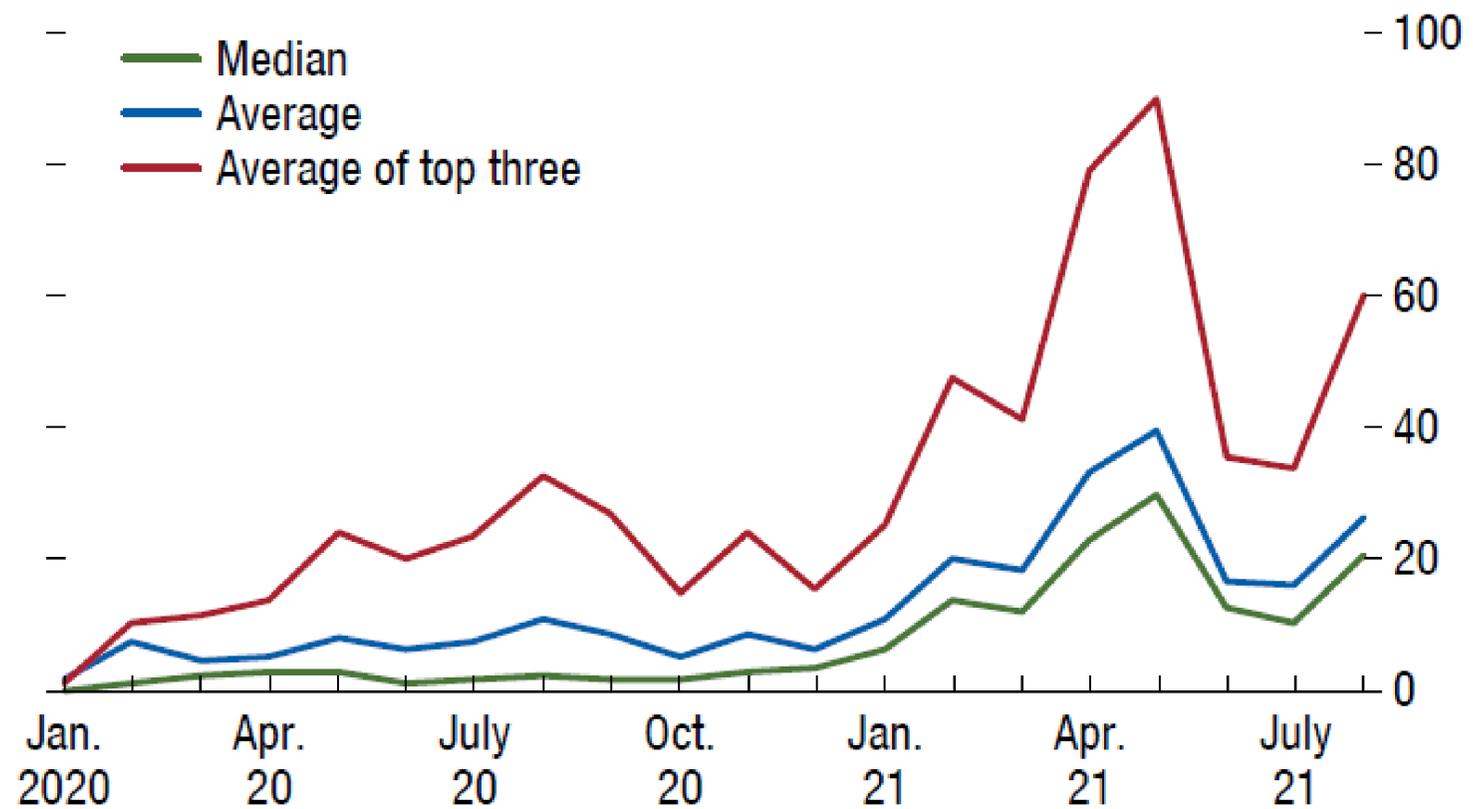


# Cryptoization Risks

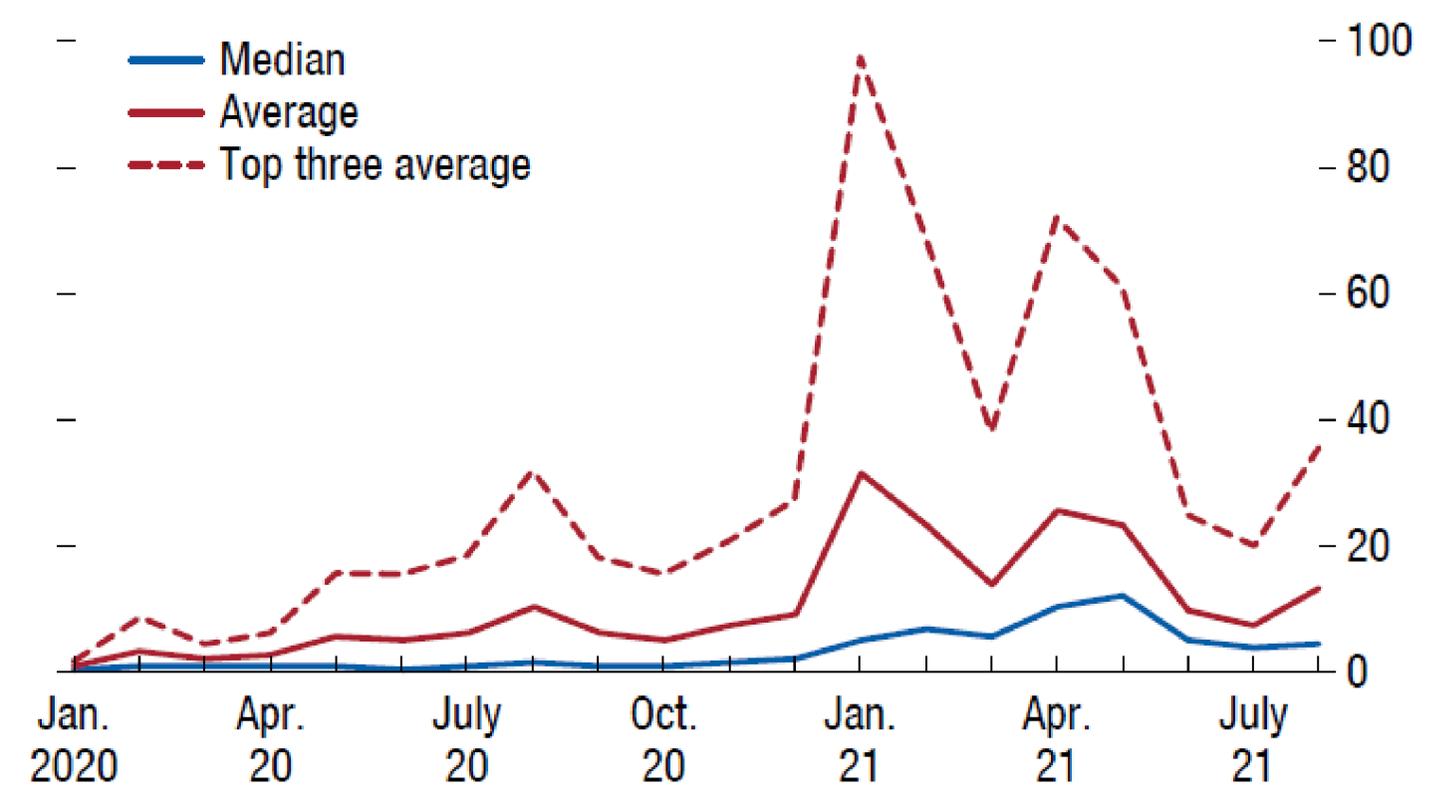
*Volumes in local exchanges have grown rapidly and are comparable to some equity markets.*

*Off-chain trading volumes against some EMDE FX pairs have shown large volatility in 2021.*

**Volumes of EMDE Registered Crypto Exchanges**  
(Percent share of local equity exchange volumes)



**Volumes of EMDE FX on Crypto Exchanges**  
(Share of interbank FX volumes)



# Policy Recommendations

## **Standards, Supervision, and Data**

- National regulators should prioritize the implementation of global standards applicable to crypto assets
- Regulators need to control the risks of crypto assets, especially in areas of systemic importance
- Coordination among national regulators is key for effective enforcement and less regulatory arbitrage
- Regulators should address data gaps and monitor the crypto ecosystem for better policy decisions

## **Stablecoins**

- Regulations should be proportionate to the risk and in line with those of global stablecoins
- Coordination is needed to implement recommendations in areas of acute risk; enhanced disclosure, independent audit of reserves, fit and proper rules for network administrators and issuers; and more

## **Managing Macro-financial Risks**

- Enact de-dollarization policies, including enhancing monetary policy credibility; a sound fiscal position; effective legal and regulatory measures; and the implementation of central bank digital currencies
- Capital flow restrictions need to be reconsidered with respect to their effectiveness, supervision, and enforcement