

Op Ed: Huobi Compliance Director Believes Regulatory Compliance in Full Focus as Digital Assets Reach Mainstream Adoption Globally

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By Elaine Sun, Compliance Director of Huobi Technology

The traditional financial infrastructure and the very idea of money are changing before our eyes. The concept of “store of value” has largely been tied to the physical, like gold, or faith-based systems backed by governments, like fiat currencies. But like many outdated beliefs of eras past, this narrow definition no longer holds true.

Today, we’re witnessing the rise of digital assets. Though they share many of the same characteristics as traditional assets like liquidity and exchange value, digital assets offer unique advantages. Many are decentralized, meaning no single governing body or entity controls it; the supply is often finite, something that can’t be said about fiat currencies; and its digital nature makes it much more easily accessible, especially to underserved populations.

And these benefits haven’t gone unnoticed. People from all over the world have flocked to digital assets like BTC, ETH, and countless others. Retail investors are buying up cryptocurrencies at unprecedented levels. Institutions both traditional and digitally native have started embracing digital assets. Publicly-listed corporations like Tesla, Square, and Microstrategy have diversified their balance sheets with bitcoin, and even legacy financial institutions like Goldmans Sachs and JP Morgan are rolling out crypto products to their wealth management clients.

It’s clear that we’re now at a tipping point and mainstream adoption is not only inevitable, but it’s nearly here. But as we enter this next stage of global adoption, the future of the digital asset landscape looks very different than in the years prior, particularly as it relates to regulatory compliance.

That’s because digital asset regulation in the past was murky to say the least. Regulatory agencies struggled to define and classify digital assets as they rushed to get a deeper understanding of the new asset class. In turn, many institutions sat on the sidelines while awaiting regulatory guidance. But regulators around the world are now catching up to the demand for digital assets and moving quickly to establish clear requirements and guidelines for digital assets. With these better defined regulations, institutions are no longer staying on the sidelines.

If the digital asset ecosystem of the past was defined by exponential growth, the next stage of this ecosystem will be driven by sustainable growth—one in which regulatory compliance plays a key role in global adoption. We’re now entering the golden age of digital assets as the asset class gains recognition from regulators, investors and institutions alike. And contrary to popular belief, regulation is good for the industry; it will make digital assets more appealing by helping to ensure assets and users are safe, something we prioritize at Huobi.

If regulatory compliance is the future of digital assets, we need all industry players to act in a compliant manner. As one of the leaders in this emerging industry, we see it as our responsibility to pave that path toward compliance for others by fully embracing digital asset regulations, which includes having open conversations with regulators, attaining all the proper licenses to operate in each jurisdiction, and helping develop regulatory compliant industry standards. By embracing regulation, we’re aiming to help bridge the traditional and decentralized finance industries.

In response to this industry shift, we’ve taken many measures to ensure regulatory compliance even when it’s difficult to achieve. This includes our entity structure. Huobi Technology, a company publicly-listed on the Hong Kong Stock Exchange, provides digital assets and traditional financial products and services to institutions and qualified investors. Earlier in the month, Huobi Capital Management, a wholly-owned subsidiary of Huobi Technology, was approved to launch a fund that consists 100% of virtual assets. In addition, Huobi Technology is also working to develop blockchain technology solutions.

Our global compliance strategy is also spread across several countries and regions. In Hong Kong, we acquired License No. 4 (for advising on securities), License No. 9 (for providing asset management), and the Hong Kong Trust and Company Service Provider License. We also acquired the Nevada Trust

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License in December 2020. Huobi Group possesses licenses to operate legally in Japan, South Korea, Thailand, Gibraltar, and more.

Speaking from experience, regulatory compliance can be difficult to achieve but there's no doubt that it's well worth the effort, not only for end-users but also for the longevity of the entire digital asset industry. Our conversations with regulators have helped us better understand their concerns, some of which have influenced the development of new security and compliance features. These conversations have also helped regulators understand the nuances of digital assets. It's this kind of open dialogue that drives new innovations, so everyone in the industry would benefit from a more collaborative approach to compliance.

As part of our global expansion strategy, we plan to continue evolving our operations to meet the requirements of the regulatory environment. Compliance will be crucial in the development of the blockchain industry, so we sincerely urge others to do the same. This next stage of the digital asset industry will require all of us to build trust with the market and ensure the safety of users and their assets through regulatory compliance.

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