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Media Contacts:
Chris Sullivan/Julia Stoll
MacMillan Communications
212.473.4442
chris@macmillancom.com

VanEck CEO Says Stablecoins Are More Like Funds Than Banks

Global asset manager and leading voice in crypto world points to specific steps regulators should take to keep pace with stablecoin innovation

New York, (February 9, 2022) – Jan van Eck, CEO of leading global asset manager VanEck, today published an op-ed at Barrons.com titled “What the Government’s Recommendations for Stablecoins Got Wrong, and How to Do Better”.

“Stablecoins trade on exchanges. They invest to track a target asset, mainly the U.S. dollar. They can fluctuate in price, and they take in money and redeem like ETFs,” says van Eck. “They don’t lend money, so I don’t understand why there is a push to regulate them like banks. Bank regulation may in fact imply some sort of government guarantee.

“Because ETFs have to use qualified custodians, this should address the primary regulatory concern of stablecoins not having the assets they claim to,” he says.

In this piece, van Eck details the similarities between stablecoins and mutual funds, making a compelling case as to why policymakers should use the regulatory regimes around the mutual fund and ETF space in mapping out their recommendations for stablecoins. The stablecoin paper issued last November by the President’s Working Group (PWG) on Financial Markets “reflected… regulatory confusion,” he writes, “and made some odd recommendations.”

“First, the PWG had trouble defining a stablecoin,” he writes. “Despite the similarity that stablecoins have with money market funds, the PWG suggested that stablecoin issuers be ‘insured depository institutions’” regardless of the fact that stablecoins invest in securities and do not lend in the same way as banks. Lastly, he points to the PWG recommendation that stablecoin issuers comply with activities restrictions that limit affiliation with commercial entities, which he labels “an unnecessary additional burden with no obvious benefit.”

Then van Eck adds two specific recommendations for a more forward-thinking regulatory approach to stablecoins:

- Allow a stablecoin to voluntarily subject itself to Securities and Exchange Commission oversight, similar to a fund operating under the Investment Company Act of 1940.
- Do not force tax withholding on stablecoins.

Through these approaches, he adds, the market is allowed "to determine the value of this additional oversight… and it is better than creating regulatory requirements that treat (stablecoins) like banks when they aren't."

The full op-ed is available by clicking here.

VanEck has robust crypto-focused fund offerings available to investors around the world, particularly in Europe, where the firm has pioneered a number of crypto ETN exposures. In the U.S., VanEck offers a range of digital asset private funds for high net worth individuals and institutions, as well as several ETFs, including one that provides exposure to companies driving innovation and adoption in the digital assets economy, and another that provides a unique actively managed approach to investing in bitcoin futures.

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Today, VanEck offers active and passive strategies with compelling exposures supported by well-designed investment processes. As of January 31, 2022, VanEck managed approximately $78.6 billion in assets, including mutual funds, ETFs and institutional accounts. The firm's capabilities range from core investment opportunities to more specialized exposures to enhance portfolio diversification. Our actively managed strategies are fueled by in-depth, bottom-up research and security selection from portfolio managers with direct experience in the sectors and regions in which they invest. Investability, liquidity, diversity, and transparency are key to the experienced decision-making around market and index selection underlying VanEck's passive strategies.

Since our founding in 1955, putting our clients' interests first, in all market environments, has been at the heart of the firm's mission.

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Van Eck Associates Corporation
666 Third Avenue
New York, NY 10017