



**ITU Asia-Pacific Centre of Excellence Training
On
“Distributed Ledger Technologies
(Blockchain) Ecosystem and Decentralization”
3-6 September 2018,
Bangkok, Thailand**



Distributed Ledger Technologies (Blockchain)

Law & Regulation of DLTs

Dr. Leon Perlman

Head: DFS Observatory @ CITI
Columbia University, New York, USA

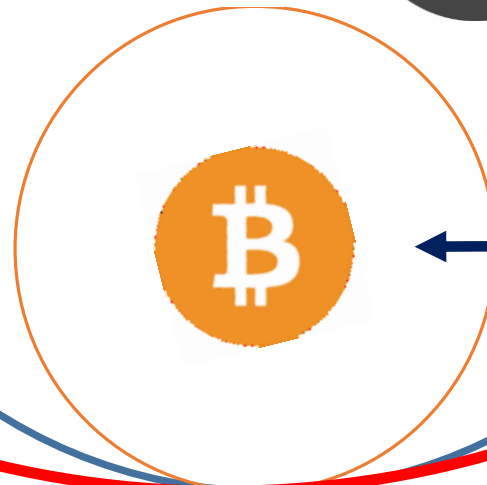
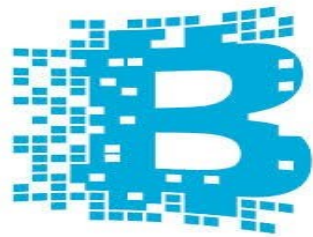
 **Columbia Business School**

 **@leonperlman**

TECHNOLOGY HIERARCHY

Distributed Ledger
Technologies (DLT)

 ripple



Technologies:
Used To *Create*
Applications

Applications:
Crypto-currency as a
'means of payment'
and/or a 'digital
asset'

Regulators in the DLT world

- **Central Banks**
 - Payments
 - Banking
 - Sandboxes
- **Financial Services**
 - Licensing
- **Securities/Shares**
 - Investments
- **Tax**
 - Capital Gains
- **Financial Intelligence Units**
 - Money Laundering
- **Telecommunications**
 - Data Protection
 - Sandboxes
- **Data Protection Regulators**
 - Data Privacy

US Regulators



THE SECURITIES AND EXCHANGE COMMISSION (SEC)

An independent federal agency responsible for protecting investors from fraud schemes.

Primary overseer of the U.S. securities markets.

How does it view crypto? **Securities.**



THE INTERNAL REVENUE SERVICE (IRS)

A bureau of the U.S. Department of the Treasury that collects taxes and enforces tax laws.

How does it view crypto? **Properties.**



THE COMMODITY FUTURES TRADING COMMISSION (CFTC)

An independent federal agency that protects market participants from frauds.

Regulator of futures and option markets in the U.S.

How does it view crypto? **Commodities.**



THE US OFFICE OF FOREIGN ASSETS CONTROL (OFAC)

An agency of the U.S. Treasury Department. Enforces economic sanctions in support of U.S. national security and foreign policy.

How does it view crypto? **Money, or fiat currencies.**



THE FINANCIAL CRIMES ENFORCEMENT NETWORK (FINCEN)

A bureau of the U.S. Department of the Treasury. Analyzes financial transactions in order to fight money laundering, terrorist financing, and other financial crimes.

How does it view crypto? **Money.**

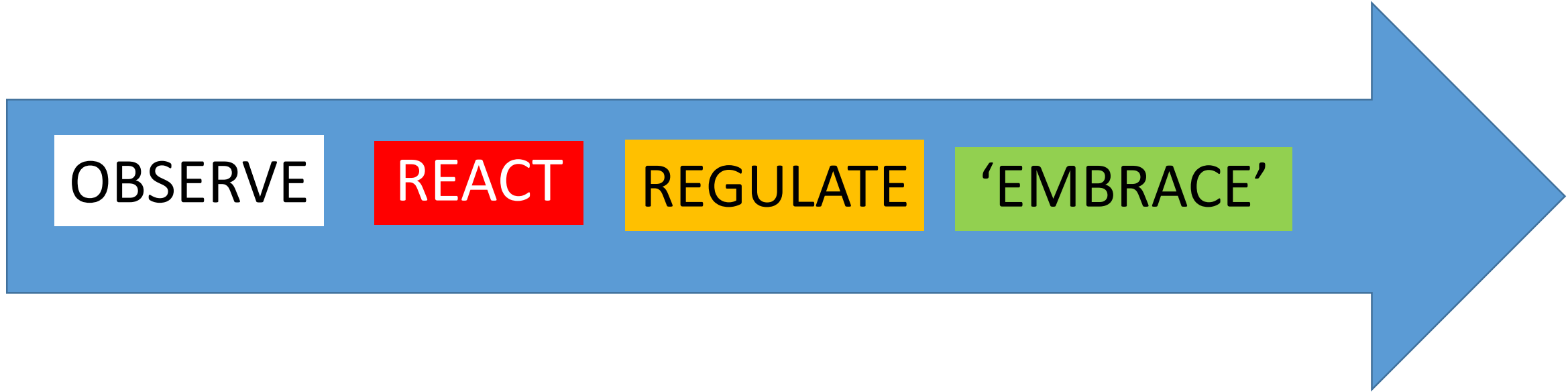
Regulator Evolution On Crypto.....

OBSERVE

REACT

REGULATE

'EMBRACE'



React.....

**Bitcoin Prices Drop as China Extends
Ban on Crypto** Cryptocurrency News | Aug 30, 2018 12:51AM ET

**Russian Police Seize 22
Cryptocurrency ATMs Under
Central Bank Request** SEPTEMBER 03, 2018 15:31

**RBI cracks down on Bitcoin; bans banks
from dealing with cryptocurrency traders**

Last Updated: July 3, 2018 | 17:25 IST

United Kingdom Creates its Own India
Moment By Freezing Accounts of
Cryptocurrency Users

By Ashish Bhatnagar - August 17, 2018 NEWS BITCOIN

Central Bank of Kenya warns of
Bitcoin risks

SHARE BOOKMARK PRINT RATING ★★★★★

Belgian Minister of Justice Plans to
Crack Down on Bitcoin Activity

JP Buntinx April 15, 2017 Crypto, News



Evolution of Regulatory Thought....



Tension: Crypto-trading vs blockchain innovation

Embracing...

■

British Government Grants Millions for Blockchain Technology Research

April 12, 2017 4:28 pm 197 views

Reserve Bank of India Quietly Opens Cryptocurrency Research Unit Monday, 27/08/2018 | 15:42 GMT

Dubai government bodies sign MoUs to use blockchain and other technologies

Wednesday, April 12, 2017 5:27 AM UTC

China's Central Bank Completes Digital Currency Trial on a Blockchain

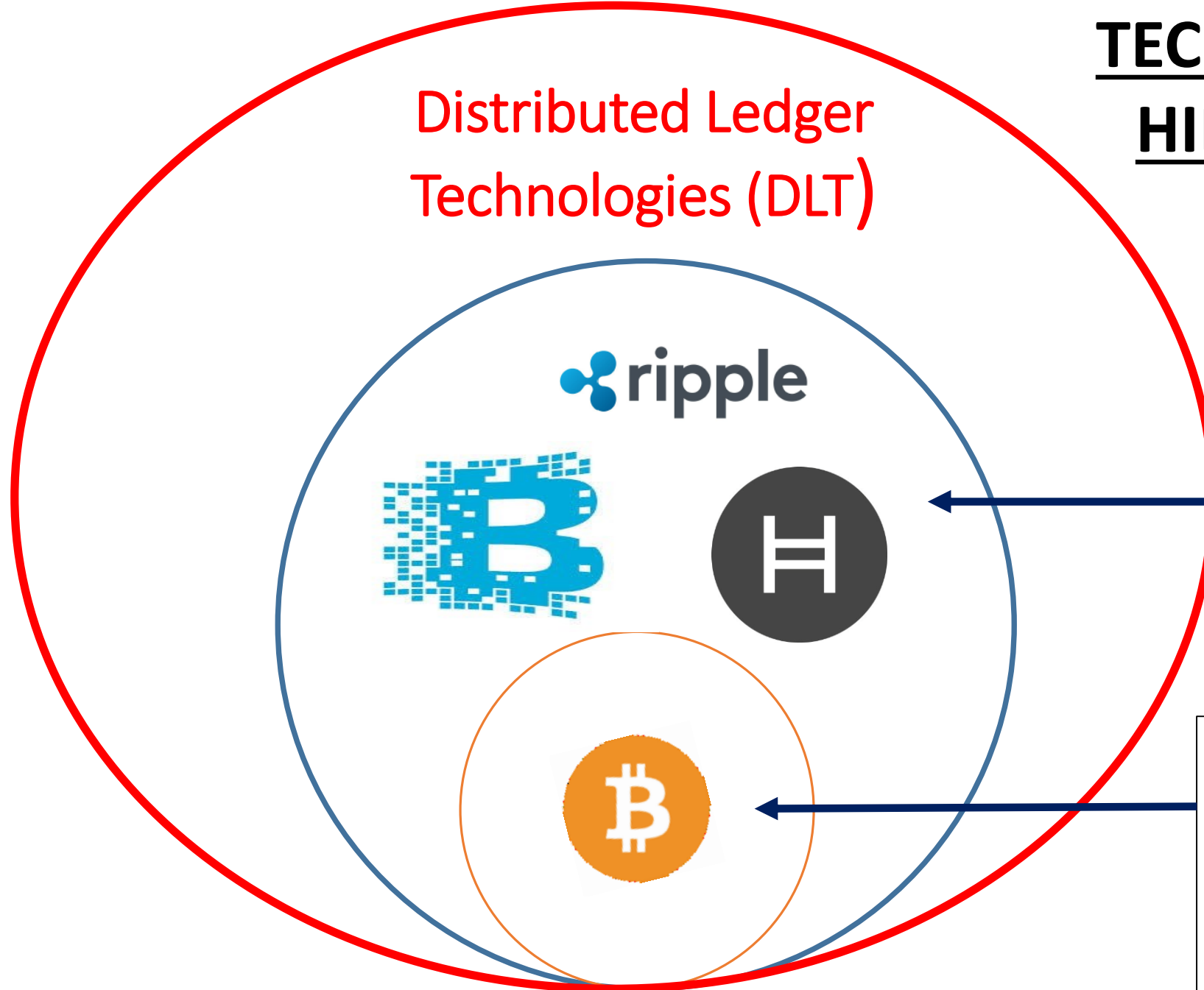
Samburaj Das on 30/01/2017

South African Reserve Bank Circulates First Ever Smart Contract Using Private Ethereum Blockchain

BY SELLO MOLOI ON NOVEMBER 02, 2016

TECHNOLOGY HIERARCHY

Distributed Ledger
Technologies (DLT)



EMBRACING

Technologies:
Used To *Create*
Applications

REGULATING

Applications:
Crypto-currency as a
'means of payment'
and/or a 'digital
asset'

Regulatory Issues: Blockchain & DLTs

- Varying, local approaches worldwide
- ‘Blockchain Laws’ emerging....
 - Defines a blockchain (or tries to)
 - Recognize smart contracts as real notarized contracts
 - Legal recognition of property rights in a blockchain
 - Right to mine
 - Power usage in mining
 - Types of data that can be stored (Arizona, gun registries)

Regulatory Areas of interest

- How to apply consumer protection measures...
- How to apply AML measures...
- Use of identities registered in one jurisdiction, in others
- ICOs
- Money Laundering
- Exchanges
- Systemic Effects

What's being regulated:

- Regulation of crypto-currency exchanges (Japan)
- Banning of exchanges (China, Zimbabwe)
- Crypto-trading (Saudi Arabia)
- Holding of crypto currencies (Bangladesh, Saudi Arabia)
- ICOs (USA, Thailand)
- Use of bank accounts for crypto-currency funding (Australia, India, Zimbabwe)
- Cant use bank account for specific currencies (USA = Venezuela petro-coin)
- Use of local power grid for mining (USA)
- Ban on meetings to discuss crypto assets (China)
- Social network chats (China)
- Import of mining equipment (Vietnam)
- AML/KYC (Bank-Wallet) (Israel)
- Uses of blockchain technology (Arizona)
- Market intermediaries such as broker dealers, custodians, asset managers) (Abu Dhabi)
- Bitcoin as a legal form of payment (Japan)
- Self regulation of exchanges (Japan, South Korea)

Open Regulatory Issues....

- Bitcoin regulation vs. Blockchain regulation
- Often thought of as interchangeable
- But NOT the same issues, “risks”
- “Currency” (Bitcoin) vs “Infrastructure” (Blockchain)

Challenges in legal definitions in laws & regulations

- Definitions can make-or-break a law or regulation (arbitrage)
 - Needs to be future-proof
 - Technology neutral
 - Principles-based
- **Examples** of terms with varied, inconsistent definitions in laws and regulations:
 - Blockchain
 - Nodes
 - DLT
 - Crypto-currency
 - ICO
 - Smart contract
 - Decentralised

Legal definition of Smart Contract....

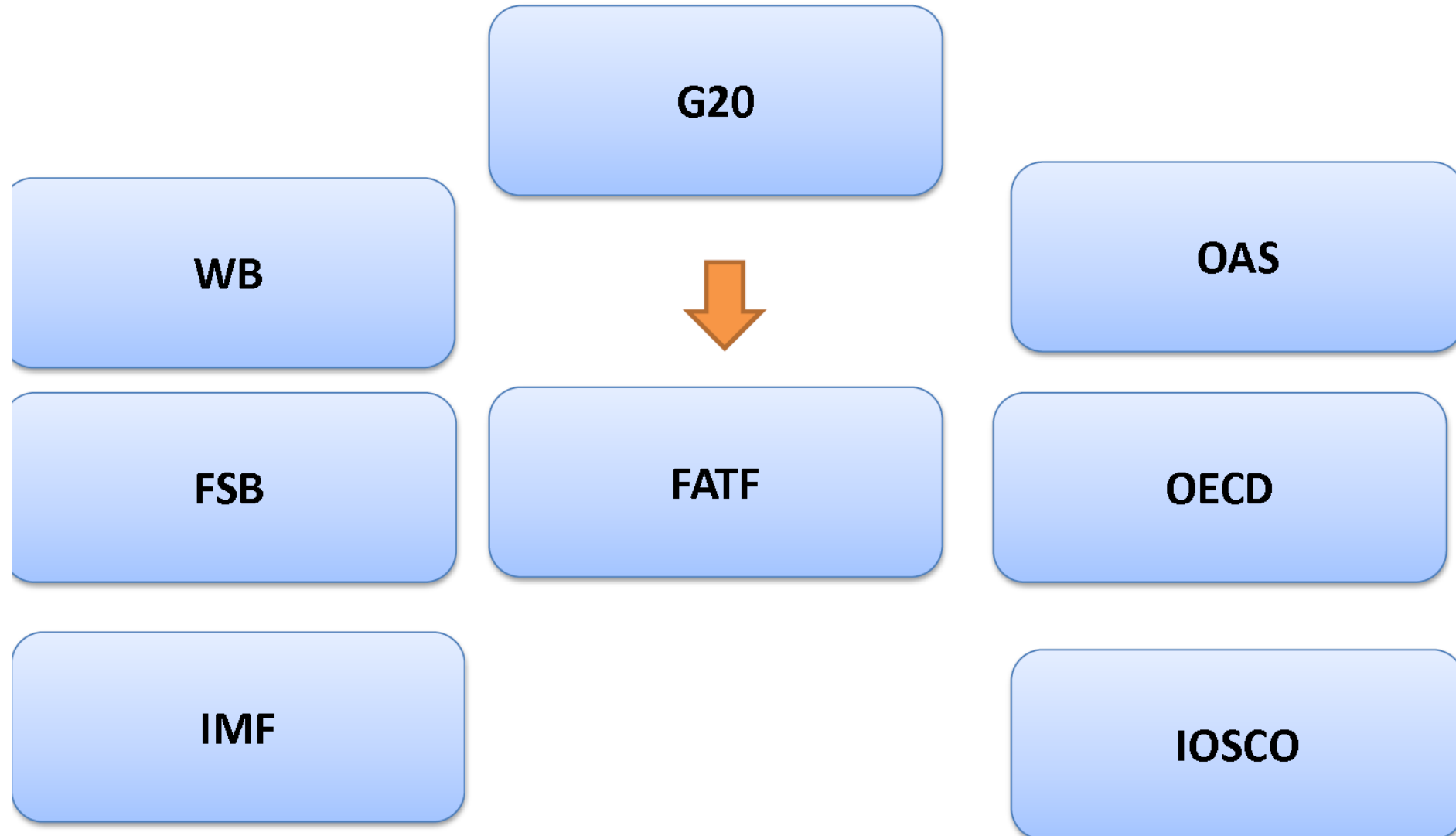
- Is a smart contract a legal contract? Does it replace lawyers?
- “Smart contract” is a misnomer from a legal perspective—it doesn’t necessarily have anything to do with a legal contract.
- A smart contract is simply an “if-then” statement that runs on a blockchain.
- While it’s possible to automate some actions that parties must take under an actual legal contract, like payment obligations that kick in on a certain date, **a real contract is a much more multi-faceted instrument**
 - Eg it may include a standard of behavior, like “reasonable” or “in good faith,” that can’t be encoded in software.
 - Liabilities

Other legal issues....

- Reminder of Law 101:
 - If no DLT regs, or regs inconsistent – **then** use the LAW (precedent)
- So what about (where laws/regs silent)?
 - Time of contract on a DLT (last node?)
 - Place of contract on a DLT (first node?)
 - Liabilities in case of mal-performance (coders, owners, nodes)
 - Inconsistencies with other laws
 - Eg Child porn (link on blocks you host as a DLT node)
 - Personal data on blocks (EU GDPR) – hide or delete(!!) to satisfy?

Global Responses

Global Regulatory & Policy Bodies



Global Responses & Concerns

- Responses (EU, G20) to crypto-currency range from:
 - Clamp down
 - Comparatively 'light touch regulatory approach'
- AML (FATF)
- Security & systemic focus (FSB)

The Global Response

Jonathan M. Padilla/icentre

- Many different approaches to the regulation of cryptocurrencies and related fields.
- While a comprehensive framework is likely years away, there are a few key points that stand out in crafting a regulatory setup.
- Simplest issue that the G20 and FSB can mediate is deciding on a working definition of cryptocurrency.
 - Eg Switzerland and Abu Dhabi already classify cryptocurrency into **payment tokens, utility tokens, and security tokens.**
 - Allows entrepreneurs and investors much firmer ground on which to build projects and governments more guidance on how to regulate.
- But information required to regulate does not yet exist – supports creation of **regulatory sandboxes** to provide both flexibility and capacity to evolve to meet the demands of the industry as it matures.
- Exchanges critical to figuring out how banks interact with cryptocurrency and how taxes will eventually be collected. Eg Japan and South Korean regulation
- As the value of the cryptocurrency market increases more and more attention to KYC and AML compliance will follow.

G20

G20

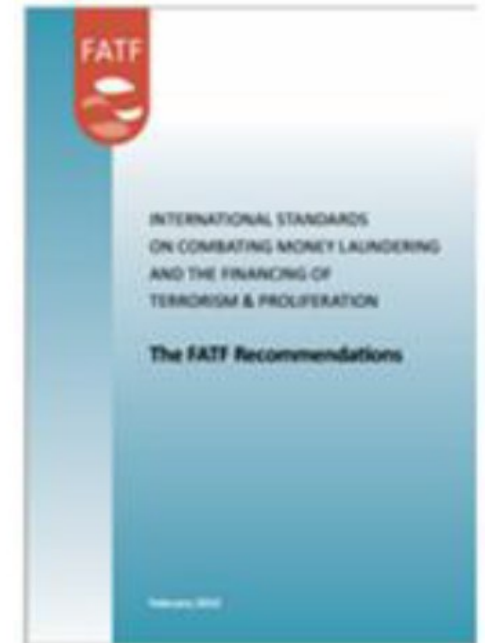
- Says that crypto-assets raise issues with respect to consumer and investor protection, market integrity, tax evasion, money laundering and terrorist financing.
- Explicit mandate to the FATF review of those standards, and call on the FATF to advance global implementation.
- Gave FATF October 2018 deadline for reviewing a global AML standard on crypto-currency

FATF

FATF 2015 Guidance

- FATF published Guidance for a RBA to virtual currencies in **2015**.
- FATF Recommendations apply to convertible virtual currency exchangers in the context of Virtual Currencies, identify AML/CFT measures that could be required, and provide examples; and
- Identify obstacles to applying mitigating measures

Guidance for a RBA
to virtual
currencies



Overall FATF View

- Greater anonymity than traditional non-cash payment methods, generally characterised by nonface-to-face customer relationships, and may permit anonymous funding and transfers.
- Decentralised systems are particularly vulnerable to anonymity risks.
- There is no central oversight body, and no AML software currently available to monitor and identify suspicious transaction patterns.
 - **But see 'coinfirm' web site mentioned by JM.**
- Law enforcement cannot target one central location or entity (administrator) for investigative or asset seizure purposes (although authorities can target individual exchangers for client information that the exchanger may collect).

Overall FATF View

- Digital currencies commonly rely on complex infrastructures that involve several entities, often spread across several countries, to transfer funds or execute payments. This segmentation of services means that responsibility for AML/CFT compliance and supervision/enforcement may be unclear.
- There is still a lack of standardization in approaches taken, which may lead to regulatory arbitrage opportunities for criminals
- STR linked to crypto-currencies is rising -This may signal a continued uptake of crypto-currencies by criminals but also a higher awareness
- The link between crypto-currencies and other predicate crimes appears to be growing

FATF Risk-based Approach Guidance

- ✓ **Recommendation 1:** For AML/CFT purposes, where VC activities are permitted under national law, all jurisdictions, financial institutions and DNFPBs, including convertible virtual currency exchangers, should assess the ML/TF risks posed by VC activities and apply a RBA to ensure that appropriate measures to prevent or mitigate those risks are implemented.
- ✓ **Recommendation 2:** Countries may consider developing national coordination mechanisms that facilitate appropriate risk-based AML/CFT regulation and supervision across various virtual currency products and services.
- ✓ **Recommendation 10:** Countries should require convertible virtual currency exchangers to undertake CDD when establishing business relations or when carrying out (non-wire) occasional transactions using reliable, independent source documents, data or information.
- ✓ **Recommendation 11:** Financial institutions and DNFBP should be required to maintain transaction records that include: information to identify the parties; the public keys, addresses or accounts involved; the nature and date of the transaction; and the amount transferred.

FATF Risk-based Approach Guidance

- ✓ **Recommendation 14:** Registration and licensing requirements should apply to domestic entities providing convertible virtual currency exchange services between virtual currencies and fiat currencies that are allowed to operate within a jurisdiction.
- ✓ **Recommendation 15:** Countries should ensure that financial institutions licensed by or operating in their jurisdiction take appropriate measures to manage and mitigate risk before launching new products or business practices or using new or developing technologies.
- ✓ **Recommendation 20:** STR when virtual currency transactions could involve the proceeds of criminal activity

FATF Risk-based Approach Guidance

- ✓ **Recommendation 26:** Countries should ensure that **convertible virtual currency exchangers** which act as nodes where convertible virtual currency activities intersect with the regulated fiat currency financial system are **subject to adequate regulation and supervision.**
- ✓ **Recommendations 37 - 40:** Countries should provide efficient and effective international cooperation to help other countries combat ML, associated predicate offences and TF, including mutual legal assistance (Recommendation 37); help identify, **freeze, seize** and confiscate proceeds and instrumentalities of crime that may take the form of **virtual currency** (Recommendation 38); and provide effective extradition assistance in the context of virtual currency-related crimes (Recommendation 39).

FSB

“Blockchain has "the potential to improve efficiency and inclusiveness of both the financial system and the economy, but unleashing this potential will require substantial work.”

- Mark Carney, Governor of the Bank of England and Chair of the G20's Financial Stability Board, March 2018

FSB

- The Financial Stability Board (FSB), an organization focused on analyzing and making recommendations to the G20 on global financial systems, has presented a framework for monitoring cryptocurrency assets.
- Lists several metrics that the FSB will use to keep an eye on the developing crypto markets and should help to identify and mitigate risks to consumer and investor protection, market integrity, and potentially to financial stability.
- The standardized framework submitted to the G20 nations' financial ministers and central bank governors.
- FSB's monitoring efforts will focus on crypto assets' price volatility, the size and growth of initial coin offerings (ICOs), crypto's wider use in payments and institutional exposure, as well as the market's volatility when compared to gold, currencies and equities.
- The FSB will also periodically compile qualitative reports to gather intelligence for market confidence

FSB Metrics July 2018

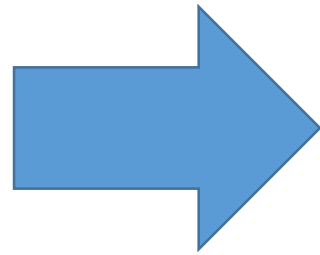
Annex – Metrics to be initially monitored by the FSB^{15,16}

Channel	Metric	Collection/Source
Primary risks / basic market statistics	Market capitalisation (size and rate of growth), price levels and volatility of major crypto-assets	BIS, based on public sources
	Developments in non-FSB jurisdictions (qualitative)	IMF
Confidence effects	Qualitative market intelligence gathering	Periodically by the FSB, from members and through regular calls and meetings
Wealth effects / market capitalisation	Market capitalisation metrics <ul style="list-style-type: none"> i. Size and rate of growth ii. ICO issuance iii. Inflows/outflows from fiat currencies 	BIS, based on public sources
	Price metrics <ul style="list-style-type: none"> i. Price levels ii. Price volatility iii. Rate of growth 	BIS, based on public sources
Institutional exposures	Derivatives metrics <ul style="list-style-type: none"> i. Trading volumes ii. Price levels and open interest iii. Number and type of clearing members iv. Margining 	FSB Secretariat and member authorities, based on publicly available CCP disclosures and/or publicly available market data
	Market capitalisation metrics	As above
	Banks' exposures to crypto-assets	BCBS
Payments and settlement	Wider use in payments and settlements	CPMI, based on member and collective intelligence gathering
Comparators	Comparisons of volatility and correlations between major crypto-currencies with other asset classes such as gold, currencies, equities	BIS, based on public sources

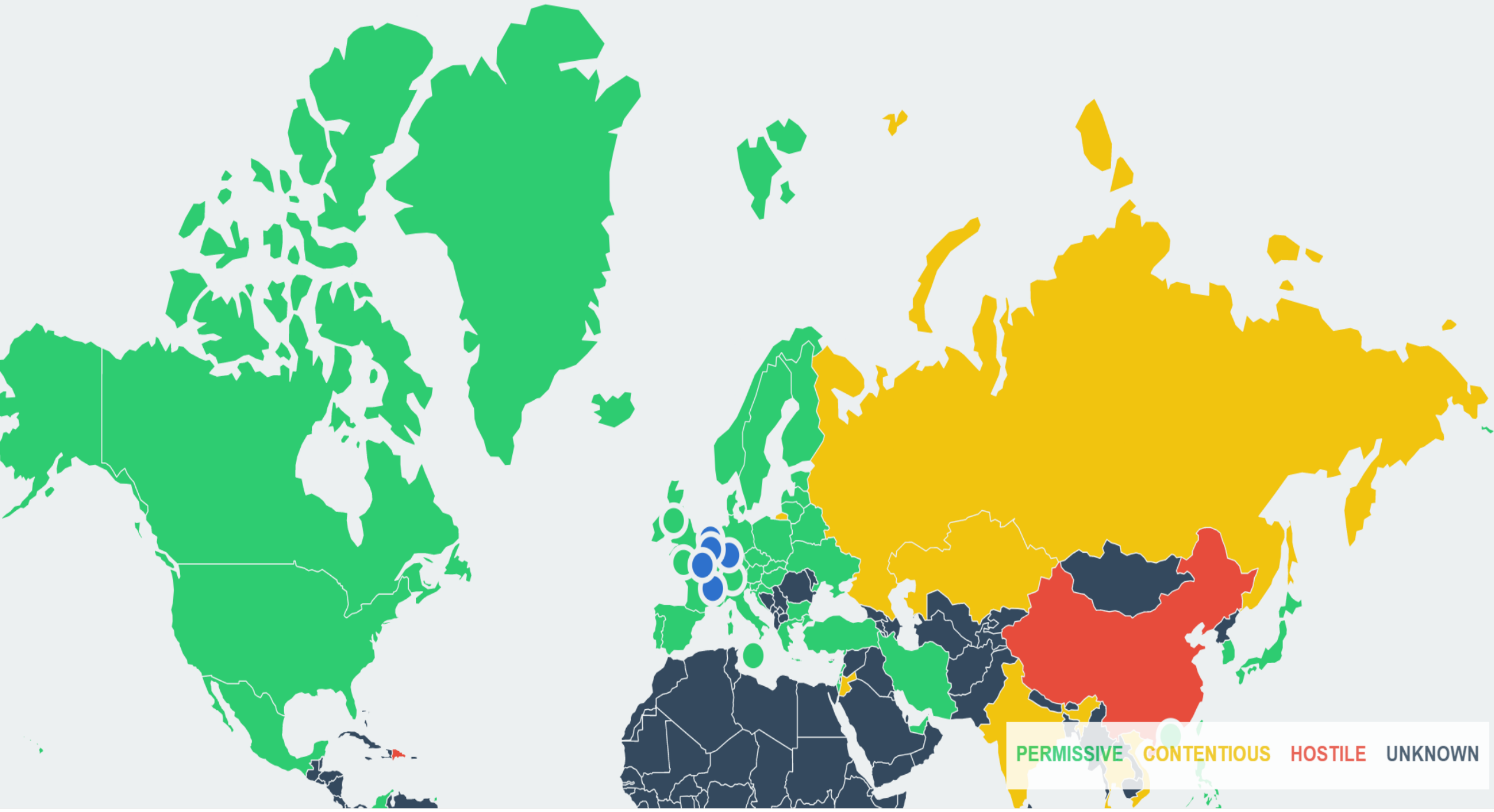
National/Regional Approaches

Regulatory Focus

Reactive



Framework



PERMISSIVE CONTENTIOUS HOSTILE UNKNOWN

European Union

EU

- Meeting on 7 September 2018 to discuss the challenges posed by crypto assets as well as the possibility of enacting stricter regulations
 - Include the lack of transparency in the crypto transactions and the potential use of virtual currencies to conduct illicit activities such as tax evasion, money laundering, and terrorism, human and drug trafficking.
- European Commission unveiled the European Blockchain Partnership:
 - *"Vehicle for cooperation amongst Member States to exchange experience and expertise in technical and regulatory fields and prepare for the launch of EU-wide [Blockchain] applications across the Digital Single Market for the benefit of the public and private sectors"*.
- EU 5th ML Directive: Crypto exchanges and wallet providers will be required to introduce CDD procedures, including ID verification.
 - The platforms will have to apply for registration in order to offer their services. The new measures come with the latest update of the EU Anti-Money Laundering Directive.

Malta DLT Framework

- “Blockchain Island” - Maltese parliament enacted 3 new laws enabling DLT-based businesses
 - The Malta Digital Innovation Authority Bill, The Technology Arrangements and Services Bill and the Virtual Financial Assets Bill
 - Creates a regulatory framework for blockchain technology
- First jurisdiction in the world to have laws which comprehensively cover the treatment of cryptocurrencies, the launch of ICOs and subsequent treatment of assets offered to investors as well blockchain/DLT service providers and services which they offer, including the setting up of cryptocurrency exchanges.
- Framework provides numerous crypto-currency exchanges with a clear and navigable regulatory framework
 - OKEx, BitBay, and Binance migrated to Malta in a bid to escape regulatory pressure in their home markets.

Definitions.....

- "Distributed Ledger Technology" or "DLT" means a database system in which information is recorded, consensually shared, and synchronised across a network of multiple nodes."
- "DLT asset" means -
 - A virtual token
 - A virtual financial asset
 - A electronic money, or
 - A financial instrument

**NO MENTION OF BLOCKCHAIN IN
ANY OF THESE LAWS**

Malta

- **Virtual Financial Asset Act for ICOs:**

- The Financial Instrument **Test** underpinned by a **three-stage process** that would seek to verify whether an asset derived from an ICO can be identified as a '**virtual token**', which, by definition, would operate similarly to a utility token.
- Digital assets that could be traded in a secondary market would accordingly move to a second phase of the test, which would then see European regulators apply various securities definitions to the token in question.
- Finally, should any token struggle to meet an easy definition in the second phase, the third and final process would see cryptocurrency assets regulated under the VFAA under a hybrid legislation comprised of both existing European regulations as well as Maltese law.
- Should the test be adopted by international regulators, it could provide worldwide authorities with a relevant framework to diagnose the legal status of both cryptocurrencies and ICOs.

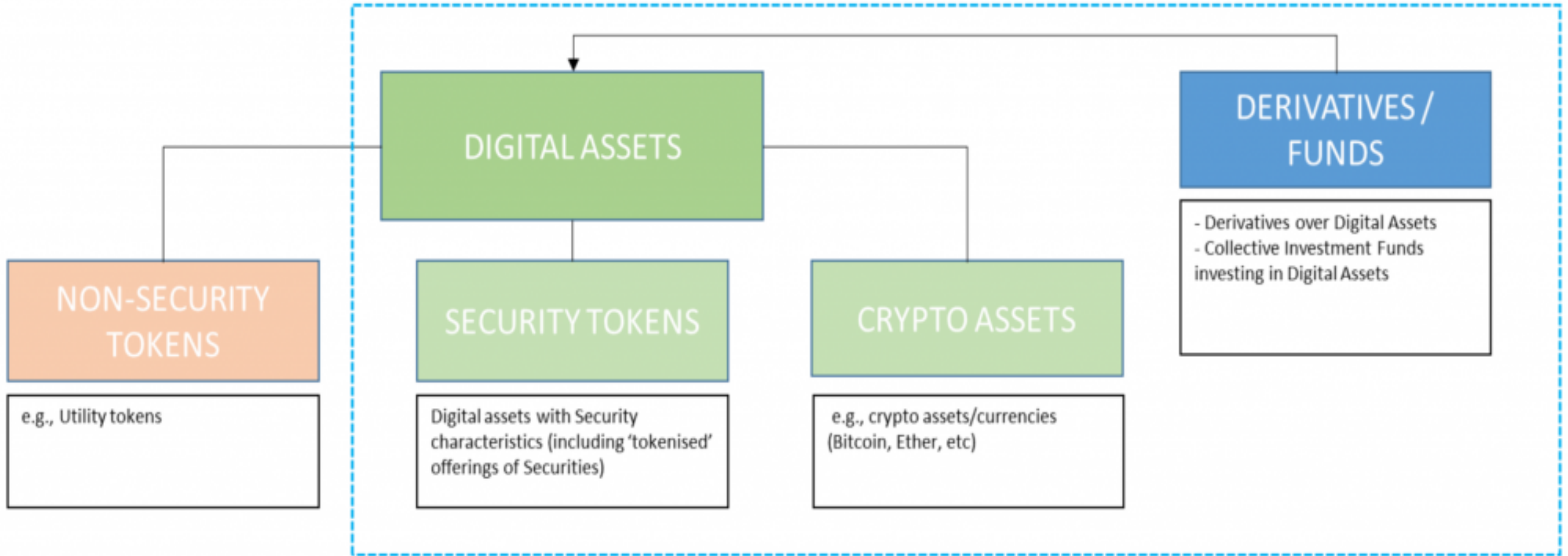
Swiss DLT Framework

	Pre-financing and pre-sale / The token does not yet exist but the claims are tradeable	The token exists
ICO of payment tokens	= Securities ≠ subject to AMLA	≠ Securities = means of payment under AMLA ³
ICO of utility tokens ⁴		≠ Securities, if exclusively a functioning utility token = Securities, if also or only investment function ≠ means of payment under AMLA if accessory
ICO of asset tokens ⁴		= Securities ≠ means of payment under AMLA

Abu Dhabi

Abu Dhabi DLT Framework

FSRA's regulatory approach in relation to different types of digital assets



Market intermediaries (e.g. broker dealers, custodians, **asset** managers) and **Crypto Asset** Exchanges dealing in or managing **Crypto Assets** will need to be licensed / approved by FSRA as OCAB Holders.

Only **activities** in Accepted **Crypto Assets** will be permitted.

USA

US Federal

US Regulators



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US Federal

- On a national level, the Federal Reserve and the Internal Revenue Service have taken the following positions:
 - Bitcoin – and all altcoins – are not currency, but a taxable commodity akin to stocks.
 - Bitcoin and altcoins are not recognized as legal tender.
 - Similar to property, bitcoin earned for services rendered are taxed as income.
 - Bitcoin paid for services rendered or to independent contractors must be reported on IRS Form 1099, with self-employment tax possibly being applicable.
 - Capital gain on altcoins is taxable, as gains would be in stocks and bonds.

US AML

- March 2018 the Financial Crimes Enforcement Network (FinCEN) published a letter stating that token issuers were money transmitters required to follow federal money transmitter requirements.
- The letter came just two days after a U.S. District Court in New York accepted the understanding of the Commodity Futures Trading Commission (CFTC) that cryptocurrencies were commodities, a ruling that on its face appears to take the exchange of cryptocurrencies for fiat currency outside of the definition of money transmission under previous FinCEN and now questionable past guidance.
- See, e.g., Application of the Definition of Money Transmitter to Brokers and Dealers in Currency and other Commodities, FIN-2008-G008, Sept. 10, 2008.



OPERATION CRYPTOSWEEP For ICOs



44 Jurisdictions Participating from U.S.
and Canada



70+ Inquiries/Investigations
(plus many more ongoing)



35 Pending/Completed Enforcement
Actions
(more expected from ongoing
investigations)

Client Testimonials



Mark Robert
United Kingdom

I am so excited about Wind Wide Coin investment company. I am so glad I found it and wished I would have found it sooner. This is life changing for me. Thank You!!



Kate Jennifer
Chicago, United State Of America

I invested 4 BTC at Thursday and I received 8 BTC at Friday. It's great to have extra money for weekend shopping – like they say- easy come, easy go. Thank you WindWideCoin



Niinistö Ann
Russia

I've been a member of windwidecoin.com for only 34 days. But my life has already changed! Not only have I made my first \$82K, but I've also met some of the most incredible people in the process. Thanks, Charles!



Houston, Texas, USA

**5015 Mitchelldale
Suite #120
Houston, TX 77082
United States of America**

Phone: (312) 248 - 1287
Email: support@windwidecoin.com





OPERATION CRYPTOSWEEP

Legal



CodeOfEthics Association

Contract Law

Due Diligence

Corporate Law

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The photo of **LeadInvest's legal team's** "CodeOfEthics Association" [sic] is in reality a photo taken from the 2005 edition of The George Washington Law Review.

The photo shows participants in a Solicitor General panel discussion at the law school, including **former Solicitor General Theodore Olson** and **current Supreme Court Associate Justice Ruth Bader Ginsburg**.

US State-level

Arizona Law **44-7061 (2018)**:

1. Blockchain technology

Means distributed ledger technology that uses a distributed, decentralized, shared and replicated ledger, which may be public or private, permissioned or permissionless, or driven by tokenized crypto economics or tokenless. The data on the ledger is protected with cryptography, is **immutable** and auditable and provides an uncensored truth.

2. Smart Contract

Means an event-driven program, with state, that runs on a distributed, decentralized, shared and replicated ledger and that can take custody over and instruct transfer of assets on that ledger.

Sec. 2. Title 11, chapter 2, article 4, Arizona Revised Statutes, is amended by adding section 11-269.22, to read:

11-269.22. Prohibition on regulation of running node on blockchain technology; state preemption; definition

A. A COUNTY MAY NOT PROHIBIT OR OTHERWISE RESTRICT AN INDIVIDUAL FROM RUNNING A NODE ON BLOCKCHAIN TECHNOLOGY IN A RESIDENCE.

Florida (2018)

"Blockchain technology" means:

Distributed ledger technology that uses a distributed, decentralized, shared, and replicated ledger, which may be public or private, permissioned or permissionless, and driven by tokenized crypto-economics or tokenless.

The data on the ledger must be **immutable**, auditable, 296 protected with cryptography, and provide an **uncensored truth**.

Tennessee (2018)

(1) "Distributed ledger technology" means

Any distributed ledger protocol and supporting infrastructure, including blockchain, that uses a distributed, decentralized, shared, and replicated ledger, whether it be public or private, permissioned or permissionless, and which may include the use of electronic currencies or electronic tokens as a medium of electronic exchange; and

(2) "Smart contract" means

An event-driven computer program, that executes on an electronic, distributed, decentralized, shared, and replicated ledger that is used to automate transactions, including, but not limited to, transactions that:

- (A) Take custody over and instruct transfer of assets on that ledger;
- (B) Create and distribute electronic assets;
- (C) Synchronize information; or
- (D) Manage identity and user access to software applications.

India

India Response

- RBI decision that came into effect July 5 implies a ban on banks' dealings with crypto-related businesses and persons.
- The Indian Supreme Court had upheld RBI's restriction until the July hearing, which was later postponed till **September 11**.
- The court also ruled **not** to grant interim relief to those affected by the ban.
- Created an inter-departmental group to study and provide guidance on the desirability and feasibility of a central bank digital currency.

Australia

Australia

CRYPTOCURRENCIES & EXCHANGES

- In the 2017-2018 Budget, purchase of digital currency will no longer be subject to the goods and services tax, removing double taxation of digital currency- once on the purchase of the digital currency and once on the use in exchange for other goods and services subject to goods and services tax
- Digital Currency Exchanges with business operations in Australia must register with the Australian Transaction Reports and Analysis (AUSTRAC) and meet AML/CTF compliance and reporting obligations

DLT

- If businesses have an Australian financial service or credit license, they must have adequate technological and human resources, maintain competence and provide financial/credit services as covered by their license even when adopting DLT.
- If a clearing and settlement facilities licensee intends to use DLT as part of its operations, then it must demonstrate the appropriateness of its technology and human resources for the service being offered
- The Australian government also allocated AU \$700,000 to its Digital Transformation Agency to explore blockchain applications within government agencies.
- IBM signed a AUS \$1 billion deal with the Australian government to use blockchain and other technologies to improve data security. This will include IBM providing blockchain, automation and AI technologies to federal departments.

ICO

- Australian Securities and Investments Commission (ASIC) **developed guidelines for ICOs** that state that laws applicable to a crypto-asset or ICO depends on whether the crypto-asset or ICO is a financial product or not.
- The information sheet also provides guidance on whether the Corporations Act might apply to an ICO or not. The legal status of the ICO is usually determined by assessing the rights attached to the tokens issued under the ICO. [9]
- The general Australian consumer law applies to crypto-assets and ICOs that are not financial products which also prohibits misleading or deceptive conduct.

Bangladesh

Bangladesh

- Bangladesh Bank has restricted bitcoin and cryptocurrency use in the country by referring it to as unlawful under existing AML statutes.
- Emphasized that transaction using cryptocurrency is a punishable act.

China

China

CRYPTOCURRENCIES & EXCHANGES

- All cryptocurrency exchanges, domestic and international, are banned which led to the closing of multiple exchanges.
- They ordered a bank account freeze associated with exchanges and banned online and mobile access to all things related to cryptocurrency trading.
- Guidelines have been developed to discourage Bitcoin mining in China through plans such as limiting the industry's power usage.
- **August 2018 Ban:** Cant meet, discuss crypto currency on we.chat etc

DLT

- The IT Ministry is looking to create national blockchain standards to boost the development of blockchain and DLT in the country.
- State Council of China has ordered local financial authorities and research centers to focus on development of blockchain and accelerate its commercialization.
- In April 2018, Hangzhou city government funded a US \$1.6 billion Global Blockchain Innovation Fund for emerging blockchain startups and development teams.
- The National Audit Office discussed the use blockchain to improve data storage infrastructure.

ICO

- ICO funding is banned.

Japan

Japan

Recognized cryptocurrencies as money, a 'property value' that can be used to buy goods and services, rather than as a currency.

CRYPTOCURRENCY & EXCHANGES

- The Payment Services Act was amended in 2016. The Act requires virtual currency exchanges operating in Japan to be registered with the Financial Services Agency (FSA), establish proper security systems to protect business information, provide information regarding fees and other contract terms to the consumer, separately manage customer's money or virtual currency apart from their own which needs to be reviewed by certified public accountants or accounting firms, and have a contact with a designed dispute resolution center with expertise in virtual currency exchange.
- The FSA is the regulatory authority for exchanges so they can order exchanges to submit reports and reference materials, dispatch officials to inspect exchanges where necessary and even rescind registration or suspend business of exchanges.
- The Act on Prevention of Transfer of Criminal Proceeds was also revised to include virtual currency exchanges, thus they are now obligated to check the identities of customers who open accounts, keep transaction records, and notify authorities when a suspicious transaction is recognized. [1]
- Profit earned by sales of cryptocurrency is considered miscellaneous income rather than capital gains under the Income Tax Act.
- FSA is urging cryptocurrency exchanges to give up dealing Monero, Zcash, Dash and other cryptocurrencies commonly used by criminals and hackers.

DLT

- Japan is testing the use of blockchain for accepting government contract bids. In the tendering process, governments collect information about vendors to assess whether they are the best fit for the project. The blockchain solution would improve efficiency of existing processes by developing a back-end system which allows data sharing among agencies. [4]

ICO

- FSA warned users and business operators about the risks of ICOs including the volatility of ICO tokens and risk of fraud. Depending on the structure of the token, it may fall under the scope of the Payment Services Act or the FIEA.

Thailand

Thailand

- A royal decree to regulate cryptocurrency was issued in May 2018, which **provided a new regulatory framework for cryptocurrencies, exchanges and ICOs.**
- The Thai Securities and Exchange Commission was tasked to regulate cryptocurrencies and its operators including the issuance and offering of cryptocurrencies and digital asset businesses, setting fees and requirements for registration and approval of cryptocurrencies and their operators and establishing a guideline for dealing with potential problem.
 - SEC developed a framework for ICOs under the Digital Asset Management Act of BE 2561 which requires companies conducting ICOs to register with the SEC and to have a minimum registered capital of USD 150,000, among other requirements.
- The decree enforced taxes on all cryptocurrency-related investments. Finance ministry revealed that a 15% withholdings tax on gains and 7% VAT for cryptocurrency trading and investments would be placed but the tax authority waived the 7% VAT on individual investors.
- Bank of Thailand is reviewing blockchain applications for purposes of document authentication, supply chain financing and cross-border payments using the central bank's regulatory sandbox.
- **August 2018:** Project Inthanon: Collaboration led by the BOT, R3 & 8 participating banks to explore the implications and the potential benefits of [DLT]. The BOT and the participating banks will collaboratively design and develop a prototype for wholesale funds transfer by issuing wholesale Central Bank Digital Currency (Wholesale CBDC). The prototype will be built on Corda.

Philippines

Philippines

- Philippines' Cagayan Economic Zone Authority (CEZA) is developing regulations for cryptocurrencies, primarily to protect investors. The authority will evaluate ICOs and those conducting ICOs need to be registered with the CEZA.
- They will only allow 25 crypto firms to operate in the economic zone, whether they conduct mining, ICO or exchange.
- These firms will receive tax breaks but need to invest at least \$1 million over two years and pay up to \$100,000 in license fees.
- **September 2018:**
 - Regulators plan to reveal draft cryptocurrency regulations
 - Cryptocurrency exchanges could soon be considered as traditional "trading platforms."
 - Filipino lawmakers to formalize regulatory environment for Initial Coin Offerings (ICO) and their issuers.

South Korea

South Korea

Cryptocurrencies are recognized as an 'asset with measurable value,'

CRYPTOCURRENCY & EXCHANGES

- Government recognized crypto exchanges as regulated financial institutions and banks under the industry called "Cryptocurrency Exchange and Brokerage".
- Financial Intelligence Unit developed Virtual Currency Anti-Money Laundering Guideline - requires exchanges to strengthen monitoring of non-trading accounts and conduct ECDD if there are signs of suspicious transactions
- Korean Communications Commission (KCC) has launched an on-site investigation of major cryptocurrency exchanges in order to assess protection measures for personal information.
- Regulators aim to introduce friendly blockchain investment legislation as means to promote technology innovation.
- Excluded cryptocurrency exchanges from legislation governing venture businesses - would now place exchanges alongside bars and nightclubs as businesses that it would "not encourage as a venture enterprise."
- Geyongsangbuk-do province announced efforts to replace its local currencies with a state-issued cryptocurrency. Participating merchants will then be able to accept the cryptocurrencies using QR codes.

DLT

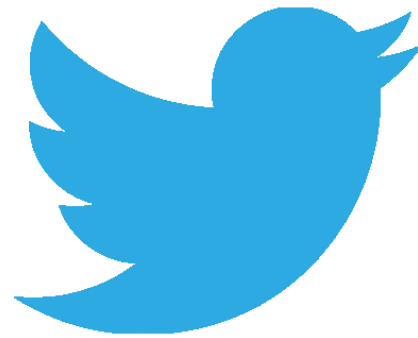
- Ministry of Science and ICT announced a Blockchain Technology Development Strategy for pilots in real estate, online voting, shipping logistics, livestock record management, customs clearance, international e-document distribution.
- The Central Bank is exploring a CBDC

ICOs

- Aims to lift an ICO ban that placed in September 2017.



Thank you!



@leonperlman