



Blockchain and Digital Assets News and Trends

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BLOCKCHAIN AND DIGITAL ASSETS NEWS AND TRENDS

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25 March 2020

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To remain competitive, companies find themselves increasing their efforts to digitally transform their businesses by developing new offerings based on emerging technologies and integrating these technologies into existing product and service offerings.

This is our third monthly bulletin for 2020, aiming to help companies identify important and significant legal developments governing the use and acceptance of blockchain technology, smart contracts and digital assets. In this issue, we feature significant international developments.

While the use cases for blockchain technology are vast, from copyright protection to voting, most of the current adoption is in the financial services section and the focus of this bulletin will be primarily on the use of blockchain and or smart contracts in that sector. With respect to digital assets, we have organized our approach to this topic by discussing it in terms of traditional asset type or function (although the

types and functions may overlap), that is, digital assets as:

- Securities
- Virtual currencies
- Commodities
- Deposits, accounts, intangibles
- Negotiable instruments
- Electronic chattel paper
- Digitized assets

Digital assets can themselves be assets or instead can reflect the ownership of an underlying asset. For example, electronic records that are the equivalents of negotiable instruments and electronic chattel paper would be digital assets, as would an electronic recording of a security interest in the underlying asset, such as recording title to real or personal property and the use of tokens to represent revenue streams from otherwise illiquid assets such as patents and commercial real estate (sometimes referred to as a “tokenized” or digitized asset).

In addition to reporting on the law and regulation governing blockchain, smart contracts and digital assets, this bulletin will also report on the legal developments to support the infrastructure and ecosystems enabling the use and acceptance of these new technologies.

Each issue will feature in-depth insight on a timely and important current topic. In this issue, we review key contract considerations in the age of viral outbreaks.

For related information regarding digital transformation, please see our monthly bulletin, eSignature and ePayment News and Trends.

INSIGHT

[The age of viral outbreaks: key contract considerations in a world facing COVID-19](#) By Victoria Lee, Mark Lehberg, Vinny Sanchez and Jim Vickery

Coronavirus disease (COVID-19) is the latest in a series of viral outbreaks that researchers predict will only become more frequent in the years ahead. In the last 20 years, the world has experienced SARS (2002-03), swine flu (2009), MERS (2012), Ebola (2014-16), Zika (2015), dengue fever (2016) and now COVID-19. Each outbreak presents different challenges to the performance of existing contractual relationships. This latest virus creates the opportunity to consider – or reconsider – some key strategies for mitigating the risks associated with these ever-increasing global outbreaks in pending contract negotiations. [Read more.](#)

FEDERAL DEVELOPMENTS

Blockchain

- **House committee holds hearing on benefits of blockchain.** On March 7, the US House Committee on Small Business held a hearing entitled “Building Blocks of Change: The Benefits of Blockchain Technology for Small Businesses” to discuss the multiple benefits that blockchain can bring to a business including the ability to “boost productivity, increase security, open new markets, and change the way business is done.” Witnesses testifying included members of the Chamber of Digital Commerce and the Blockchain Association.

Digital assets

- **DOT convenes cryptocurrency working session.** On March 2, the US Department of the Treasury convened a meeting of industry thought leaders and compliance experts to discuss methods and challenges for regulating digital assets, including cryptocurrency, while achieving the treasury's goals to prevent misuse through illicit means. Secretary Steven T. Mnuchin noted that the US "welcomes responsible innovation, including new technologies that may improve the efficiency of the financial system," but that this must be balanced "with the need to protect our national security and maintain the integrity of our financial system."

Securities

- **SEC disapproves NYSE Arca proposed rule change for bitcoin ETP.** On February 26, the SEC issued an order disapproving a proposed rule change by NYSE Arca, Inc. to allow it to list and trade shares of the United States Bitcoin and Treasury Investment Trust under Rule 8-201-E. In its ruling, the SEC stated that "NYSE Arca has not met its burden under the Exchange Act and the Commission's Rules of Practice to demonstrate that its proposal is consistent with the requirements of the Exchange Act Section 6(b)(5)" with a specific concern that the exchange must be set up to prevent fraud and protect investors. SEC Commissioner Hester M. Peirce issued a dissent noting concerns with the SEC's disapproval and past proposed rule changes, including heightened standards for bitcoin ETPs and "delayed improvements in market structure and investor protections," which "deprived investors... of the ability to access bitcoin in markets within [SEC's] regulatory framework." For more information on the proposed rule change, see our July issue.

Virtual currency

- **IRS holds Virtual Currency Summit.** The IRS has reportedly conducted a March 3 Virtual Currency Summit to allow cryptocurrency companies and advocates to discuss how the agency can "balance taxpayer service with regulatory enforcement." The focus of the summit was discussing the IRS' existing approach to taxing cryptocurrencies and new enforcement efforts. The summit included four 90-minute panels on technology updates, issues for cryptocurrency exchanges, tax return preparation, and regulatory guidance and compliance.
- **IRS Priority Guidance Plan addresses virtual currency.** Virtual currency is ranked in the second quarter update to the IRS's 2019-2020 Priority Guidance Plan published on March 6 as issue #12 in General Tax Issues, and #3 in Tax Administration.
- **Federal Reserve Bank issues briefing on CBDC.** On February 26, the Federal Reserve Bank of Kansas City issued a briefing entitled, "How Did We Get Here? From Observing Private Currencies to Exploring Central Bank Digital Currency" discussing whether privately-issued digital currencies, can coexist with central bank-issued currencies, and whether central banks will ultimately need to issue their own version of a digital currency—a central bank digital currency, or "CBDC." The Briefing gives a historical overview of private currencies in relation to central banks, explains the impetus for the new wave of digital currencies, and explores some of the problems that could be addressed by a CBDC.
- **FinCEN Deputy Director speaks on AML/BSA compliance by networks developing cryptocurrencies.** During the February SIFMA 20th Anti-Money Laundering (AML) and Financial Crimes Conference in New York City, the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) Deputy Director Jamal El Hindi discussed the "evolutionary state" of the financial sector's dealing with new technologies and new payment systems, such as those using virtual currencies, noting that all actors, including social media and messaging platforms developing cryptocurrencies, are "subject to the same AML principles and requirements of other financial institutions." FinCEN will "regulate in this space consistent with the existing principles underlying the BSA/AML regime", and will "judge emerging financial institutions on whether and how they make their systems resilient to, and report on, money laundering, terrorist financing, sanctions evasion, human and narco-trafficking, and other illicit activity."
- **Proposed rulemaking changes BE-180 Benchmark Survey reporting to identify cross-border cryptocurrency transactions.** On February 25, the Department of Commerce's Bureau of Economic Analysis (BEA) issued a notice of proposed rulemaking to renew reporting requirements for the mandatory BE-180

Benchmark Survey of Financial Services Transactions between US Financial Services Providers and Foreign Persons and apply the rules to the 2019 fiscal reporting year with changes in data items collected and design of the form. One of the new questions proposed asks respondents to identify cross-border financial transactions related to cryptocurrency activities, in part “to identify respondents involved in these transactions without a significant increase in reporting burden.” The proposed rule is open for comment until April 27, 2020.

- **CFTC holds public meeting on cryptocurrency.** The CFTC Technology Advisory Committee (TAC) held a public meeting on February 26 to discuss “stablecoins, audit trails, compliance solutions, and cryptocurrency self-regulatory organizations, insurance, and custody.”

STATE DEVELOPMENTS

Blockchain

- **Wyoming establishes select committee on blockchain.** On March 13, the Governor of Wyoming signed HB27 creating the Select Committee on Blockchain, Financial Technology and Digital Innovation Technology. The Committee is charged with developing knowledge and expertise among its members regarding issues pertaining to blockchain, financial technology and digital innovation technology, and developing and introducing legislation as necessary to promote blockchain, financial technology and digital innovation in Wyoming.
- **Washington establishes blockchain work group.** On March 12, the Washington legislature enacted SB6065 to establish a Washington blockchain work group to “examine various potential applications for blockchain technology including, but not limited to, applications in computing, banking and other financial services, the real estate transaction process, healthcare, supply chain management, higher education, and public recordkeeping.” The bill is awaiting execution by the Governor.

Digital Assets

- **Wyoming modifies state laws regarding handing of digital assets.** Wyoming’s Governor signed SF47 on March 13. This new law clarifies several matters regarding digital assets, including:
 - the jurisdiction of Wyoming courts to hear claims related to digital assets, including those arising under the WY UCC;
 - the duty of a digital asset custodian to pay supervision fees to the state;
 - the means to perfect a security interest in virtual currency and digital securities in the state;
 - modifying provisions relating to security agreements involving virtual currency and digital securities;
 - factors relating to location of digital assets used as collateral;
 - amending duties and requirements for banks that provide custodial services, and;
 - amending the scope of authorized custodial services.

Virtual Currency

- **NYDFS requires cryptocurrency firms to provide coronavirus preparedness plans.** New York’s Department of Financial Services (NYDFS) issued an industry guidance letter on March 10 requiring state regulated virtual currency firms to submit to NYDFS detailed preparedness plans “to address operational and financial risk posed by the outbreak of a novel coronavirus known as ‘COVID-19,’” specifically describing the firm’s plan of preparedness to manage the risk of disruption to its services and operations. The plan must include, at a minimum, preventative measures tailored to the institution’s specific profile and operations, which include a documented strategy addressing the impact of the outbreak in stages; assessment of all facilities, systems, policies and procedures necessary to continue critical operations and services if staff are unavailable for long or are working off-site; and an assessment of potential increased risk of cyber-attacks and fraud due to an outbreak. Responses are required no later than thirty (30) days from the date of the guidance letter.

INDUSTRY DEVELOPMENTS

Digital Assets

- **KPMG publishes report on crypto custody issues.** On March 2, KPMG published a report entitled, “Cracking Crypto Custody,” discussing four key issue areas digital asset custodians should consider when offering custody solutions: security and resilience, compliance, third party trust, and value-added custody. The report provides an overview of each category and recommends the steps custodians should take to help address critical issues within the cryptocurrency system including losses due to hacks and compromises and other compliance failures.

ENFORCEMENT ACTIONS

FEDERAL

Commodities

- **CFTC charges Colorado resident with fraud in digital asset Ponzi scheme.** On February 14, the CFTC announced the filing of a civil enforcement action against Venture Capital Investments Ltd. and Breonna Clark, charging them with fraud and failing to register with the CFTC. The complaint alleges that the co-defendants solicited 72 individuals to trade \$534,829 in foreign currency contracts and Bitcoin through the defendant-operated commodity pool by misleading customers on their experience and future profitability, while failing to register this commodity trading with the CFTC. Co-defendants allegedly used a majority of the funds received for personal expenses and “make Ponzi-type payments to other pool participants” instead of fulfilling the promised trades and hid this misappropriation by falsifying accounts statement.

Digital Assets

- **SEC, CFTC, FBI and New York indict in cryptocurrency fraud scheme.** On February 11, Ohio businessman Michael Ackerman was indicted on multiple charges related to a fake cryptocurrency investment scheme.
 - The United States Attorney for the Southern District of New York, the New York Field Office of Homeland Security Investigations, and the Tampa Division of the FBI announced the unsealing of an indictment charging Ackerman with wire fraud and money laundering in raising \$35 million from over 100 investors by falsifying cryptocurrency investment documents to overstate his cryptocurrency balance.
 - The Securities and Exchange Commission (SEC) charged Ackerman with violating the antifraud provisions of the federal securities laws by “orchestrat[ing] a digital asset scheme” that raised \$33 million by “lur[ing] investors” with false claims of a “proprietary algorithm” that generated “extraordinary profits while trading in cryptocurrencies.” These false claims were supported with falsified documents to show large, profitable investments in cryptocurrencies to entice investment and defraud approximately 150 investors of \$33 million. Ackerman used a portion of the raised funds on personal items, including home renovations, jewelry, automobiles, and security services. The SEC is pursuing a “permanent injunction, disgorgement plus pre-judgement interest, and a civil penalty.”
 - The Commodity Futures Trading Commission (CFTC) charged Ackerman and his companies, Q3 Holdings, LLC and Q3 I, LP, with “fraudulently soliciting over \$33 million to purportedly trade digital assets and misappropriating a substantial portion of that total.” Over a period of two years, Ackerman and his companies misrepresented earnings for customers and security measures to protect customer funds through falsified accounting statements, newsletters, and screenshots while “misappropriat[ing] funds.”
- **OFAC and DOJ pursue Chinese nationals for laundering cryptocurrency.** On March 2, the Department of the Treasury and the Department of Justice announced actions against Tian Yinyin and Li Jaidong for efforts related to a North Korea cyber hack of a cryptocurrency exchange in 2018.
 - The Department of the Treasury’s Office of Foreign Assets Control (OFAC) sanctioned Tian and Li for having “materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, a malicious cyber-enabled activity” and in support of Lazarus

Group, a U.S.-designated North Korean (DPRK) state-sponsored malicious cyber group. OFAC alleges that Tian and Li laundered \$91 million in stolen funds received from DPRK as part of a hack of a cryptocurrency exchange, with Tian laundering at least \$35 million in “illicit funds” through a bank account tied to him. With the sanction, “all property and interests in property of these individuals that are in the United States or in the possession or control of U.S. persons must be blocked and reported to OFAC.” OFAC further listed Tian and Li on the Specially Designated Nationals List including their digital currency addresses.

- The Department of Justice announced the unsealing of an indictment charging Tian and Li with money laundering conspiracy and operating an unlicensed money transmitting business in connection with their involvement in laundering over \$100 million in cryptocurrency stolen by North Korean actors. The DOJ seeks to recover the illicit funds.
- **DOJ convicts former Microsoft engineer for stealing digital assets.** On February 25, the Department of Justice announced that former Microsoft engineer, Volodymyr Kvashuk, was convicted of defrauding Microsoft of \$10 million in digital gift cards. He used his testing access to Microsoft’s retail online sales platform to steal the “currency stored value” of the digital gift cards, and resell the stolen value on the internet for personal enrichment including purchasing a home and vehicle. Kyshuk sought to mask the source of the funds by using a bitcoin “mixing” service, before ultimately filing false tax returns “claiming the bitcoin had been a gift from a relative.” His conviction includes eighteen felonies including “five counts of wire fraud, six counts of money laundering, two counts of aggravated identity theft, two counts of filing false tax returns, and one count each of mail fraud, access device fraud, and access to a protected computer in furtherance of fraud.” Kyshuk faces up to 20 years in prison.

Securities

- **SEC settles with blockchain startup for unregistered ICO.** On February 19, the SEC announced an agreed upon settlement with Enigma MPC, a blockchain startup based in San Francisco and Israel. Enigma sold \$45 million in digital assets as ENG Tokens in 2017. The SEC states the ENG Tokens are securities and were not registered as Initial Coin Offerings (ICOs) prior to sale, which did not provide investors with documentation and information to assist investment decisions. In an agreement where Enigma does not admit or deny findings, Enigma will “return funds to harmed investors via a claims process, register its tokens as securities, file periodic reports with the SEC, and pay a \$500,000 penalty.”
- **SEC settles with actor on charges of unlawfully touting digital offering.** On February 27, the SEC announced a settlement with actor Steven Seagal for charges of “failing to disclose payments he received for promoting an investment in an initial coin offering (ICO) conducted by Bitcoin2Gen (B2G).” In the settlement, Seagal did not admit or deny the SEC’s findings that Seagal did not disclose B2G’s promise to pay him \$250,000 in cash and \$750,00 in B2G tokens to promote B2G’s ICO on his social media account and press release. Seagal has agreed as part of the settlement to pay \$157,000 in disgorgement (representing his actual received payment) plus prejudgment interest, and a \$157,00 penalty along with agreement not to promote traditional or digital securities for three years.
- **SEC granted judgment against digital asset startup incubator and its founder.** On March 10, the SEC announced it was granted default judgment on March 5 against defendants ICOBox and Nikolay Evdokimov for conducting an illegal \$14.6 million securities offering of ICOBox’s digital tokens and for acting as unregistered brokers for other digital asset offerings. The default judgment granted a permanent injunction against the defendants and ordered them to pay disgorgement and prejudgment interest of more than \$16 million, in addition to Evdokimov’s civil penalty of \$192,768. For more information on the complaint see our October issue.
- **SEC and Kik file dueling motions for summary judgment.** In the SEC’s ongoing enforcement action against token issuer Kik, on March 20, the parties filed dueling motions for summary judgment, each seeking a pretrial victory. The motions focused on the parties’ disagreements over several core issues in the litigation. Most importantly, the parties dispute whether Kin tokens constitute securities and thus whether Kik’s unregistered public sale of Kin violated Section 5 of the Securities Act. On this score, the SEC argues that Kik promised purchasers that they could use Kin tokens to interact with the Kin ecosystem, which Kik would build with the

proceeds of the sale, and that purchasers could resell Kin for profit. In rebuttal, Kik argues that there was no “common enterprise” between Kik and purchasers since Kik sold the tokens “as is,” without ongoing obligations to purchasers. Kik also argues that it promoted Kin as a medium of exchange, not an investment opportunity. Kik also argues that at least its presale of SAFTs for the Kin token met the Rule 506(c) exemption to the registration requirement because Kik verified that SAFT purchasers were accredited and filed a Form D with the SEC. The SEC rejects that Kik can rely on this exemption, arguing that Kik sold many Kin to unaccredited US investors, that any separate offerings were integrated into a single, unregistered offering, and that any Rule 506(c) exemption fails because Kik did not restrict resales. Presumably, in the coming months, the parties will file opposition and reply briefs and the Court will hear and then rule on the motions.

Virtual Currency

- **OCC settles with NY bank for BSA/AML violations.** On January 30, the Office of the Comptroller of the Currency (OCC) entered into a consent order with the New York bank M.Y. Safra Bank, FSB. The OCC issued findings that the Bank did not properly identify and monitor risks of financial crimes from high risk jurisdictions, including “deficient” BSA/AML policies. For more than two years, the bank opened digital asset customer accounts with cryptocurrencies without proper policies or consideration for the increased BSA/AML risks these accounts have, and the bank failed to notify OCC of this change in operations. The bank agreed to implement compliance measures by stated milestones, including appointing a permanent BSA Officer and Compliance Committee, and hiring a SAR Look-Back Consultant to perform a Look-Back and determine “whether additional SARs should be filed for any previously unreported suspicious activity.” In the settlement, the bank did not admit or deny findings.

STATE

Virtual Currency

- **Washington man charged with money laundering using bitcoin.** On March 11, the Eastern District of Washington announced charges against Kenneth Warren Rhule for conducting an unlicensed money transmitting business and laundering of monetary instruments, among other crimes, for selling bitcoin to customers in exchange for cash without registering with the Financial Crimes Enforcement Network.
- **Long Island woman sentenced to imprisonment for supporting ISIS using cryptocurrency.** On March 13, Zoobia Shahnaz was sentenced in federal court in the Eastern District of New York to 13 years’ imprisonment after pleading guilty in November 2018 to providing material support to a foreign terrorist organization. Shahnaz provided over \$150,000 to ISIS, including \$62,000 in bitcoin and other cryptocurrencies, and she attempted to travel and join ISIS.
- **Washington DC indicts child pornography website distributor.** On March 12, the US Attorney’s Office for Washington, DC announced that Michael Rahim Mohammad (a/k/a Mr. Dark), a Dutch national, was indicted on charges related to distribution of child pornography and laundering of monetary instruments. The complaint alleges that law enforcement was able to trace payments of bitcoin and ethereum to Mohammad’s website by following the flow of funds on the blockchain. The 303 virtual currency accounts identified in the complaint were allegedly used by customers across the world to fund the website and promote the exploitation of children and other vulnerable victims. The complaint seeks to recover these funds and return the illicit funds to victims of the crime through the restoration process.
- **Washington DC charges man for operating darknet-based cryptocurrency laundering service.** On February 13, the US Attorney’s Office for the District of Columbia announced the arrest and indictment of Larry Harmon, owner of Coin Ninja and Harmon Web Innovations, with “conspiracy to launder money instruments, operating an unlicensed money transmitting business and money transmission without a license.” In an operation that laundered over \$300 million in cryptocurrency, Harmon’s project “Helix” worked with online darknet marketplaces including AlphaBay to allow customers to “send bitcoin and obscure its origin” through exchanging bitcoins.

SPOTLIGHT ON INTERNATIONAL DEVELOPMENTS

Blockchain

- **Australia Releases Blockchain Roadmap.** Last month, the Australian Department of Industry, Science, Energy and Resources released a National Blockchain Road Map which sets out a strategy for governments, industry and researchers to capitalize on opportunities and address challenges. It also showcases a number of businesses applying blockchain, including: agricultural supply chains in the wine sector, trusted credentials in the university sector, and transferable customer checks in the finance sector.
- **BIS reviews CBDC, distributed ledger technology and tokenization.** On March 1, the Bank for International Settlements (BIS) published its Quarterly Review, March 2020, which includes the following articles discussing blockchain applications:
 - Shaping the future of payments
 - Innovations in payments
 - The technology of retail central bank digital currency
 - On the future of securities settlement

Digital Assets

- **IOSCO issues report on crypto-asset trading platforms.** On February 12, the International Organization of Securities Commissions (IOSCO) published a report entitled, “Issues, Risks and Regulatory Considerations Relating to Crypto-Asset Trading Platforms” (CTPs). The Report describes seven key issues and risks identified to date that are associated with the trading of crypto-assets on CTPs, and provides toolkits for each:
 - Access to CTPs;
 - Safeguarding Participants’ Assets;
 - Conflicts of Interest;
 - Operations of CTPs;
 - Market Integrity;
 - Price Discovery; and
 - Technology.

Securities

- **Malta regulator publishes report on feedback from securities token offering framework.** The Malta Financial Services Authority (MFSA) on February 25 published a report entitled, “Feedback Statement to the Consultation Document on Security Token Offering,” in which it summarizes responses it received to its consultation for revising its regulatory framework to include securities token offerings (STOs) and lays out its reaction and position on such responses. The MFSA concluded that certain STOs may be classified as transferable securities under the European Union’s law, and traditional STOs should trade on a centralized exchange through investment firms or a decentralized exchange with investment firms granting direct electronic access.

Virtual Currency

- **Financial intelligence units meet to discuss global issues surrounding virtual assets.** On February 16, fifty senior officials and experts of government Financial Intelligence Units (“FIUs”), including officials from the US Treasury FINCEN, met to discuss the challenges virtual currencies pose to the international FIU community. Virtual asset experts from the United States, France, and Israel made presentations discussing cryptocurrency business models, money laundering, terrorist finance risks, and the role of FIUs in tracing digital assets.
- **Australian tax authority warning individuals to accurately report virtual currency trading.** The Australian Taxation Office (ATO) is reportedly contacting up to 350,000 individuals to “remind” them of their taxation obligations when they trade in cryptocurrency. An ATO spokesperson stated that the agency’s “campaign is designed to help raise awareness and give people the opportunity to fix any mistakes.”

- **Bulgaria announces regulatory sandbox.** On February 27, the Finance Minister of Bulgaria reportedly announced at the opening of the annual Fintech and InsureTech Summit in Sofia that the country is planning to launch a regulatory sandbox. The sandbox will be the first sandbox in the Balkans.
- **French court finds bitcoin to similar to fiat money.** The French Commercial Court of Nanterre reportedly decided on February 26 to qualify bitcoin as a “fungible interchangeable asset” that is not individualizable, just like fiat money. The case involved a cryptocurrency exchange that sued an alternative asset investment firm over rights to bitcoin earnings that the investment firm received as a result of a hard fork after the token trading platform loaned 1000 bitcoin to the investment firm. The court identified bitcoin lending as a consumer loan which transfers ownership of the property to the borrower during the term of the loan, and held that the bitcoin earnings belongs to the borrower – in a manner similar to dividends belonging to shareholders.
- **France AMF proposes an EU regulatory sandbox.** On March 6, France’s Financial Markets Authority (AMF) proposed in a legal analysis the creation of a collaborative “Digital Lab” that would enable innovators in the EU to develop blockchain-based security token offerings under a waiver of regulatory requirements relating to securities settlement in return for certain guarantees. The “Digital Lab” would continue for three years.
- **India’s Supreme Court overturns Indian Central Bank ban on the provision of banking services to virtual currency companies.** On March 4, the Supreme Court of India reportedly held that the Reserve Bank of India cannot bar Indian banks from dealing in virtual currencies or providing services to facilitate any person or entity in dealing with or settling digital currencies. The Reserve Bank of India (RBI) reportedly plans to return to the Supreme Court to fight the ruling.
- **Iranian general calls for use of cryptocurrency to evade international sanctions on Iran.** Reportedly, Saeed Muhammad, commander of a branch of the Islamic Revolutionary Guard Corps (a branch of the Iranian Armed Forces), said in a speech on February 27 “[t]o circumvent sanctions, [Iran] must develop solutions such as the exchange of products and the use of cryptocurrencies with our partnerships.”
- **Jamaican Central Bank issues guidelines for regulatory sandbox.** On March 2, the Bank of Jamaica published FinTech Regulatory Sandbox Guidelines, which will open on March 16. The initial phase of the sandbox will be open to Jamaican regulated entities and fintech companies in partnership with depository trust institutions. The objectives are to provide a platform to encourage innovations in financial services, promote competition and promote financial inclusion.
- **Arrests of two Dutchmen for money laundering using cryptocurrency.** On February 18, the Joint Chiefs of Global Tax Enforcement (leaders of tax enforcement authorities from Australia, Canada, France, the Netherlands and the United States, known as J5) announced that Dutch authorities had arrested two men on suspicion of money laundering using cryptocurrencies.
- **New Zealand tax agency discusses excluding virtual currency from goods and services taxation.** On February 25, New Zealand’s Office of Inland Revenue (IR) published a consultation entitled, “ GST Policy Issues – An Officials’ Issue Paper” which discusses excluding virtual currencies from goods and services tax (GST). Income tax would still apply to any profits made when cryptocurrencies are sold or traded. Additionally, activities such as mining, exchange services, and providing advice related to virtual currency remain subject to GST. Goods and services paid for using virtual currency would still be subject to GST. The closing date for public comment is April 9, 2020.
- **Sweden’s central bank announces CBDC pilot.** On February 20, Riksbank, the Swedish central bank, announced its e-krona pilot project targeted at the general public. Test users will store e-krona in a digital wallet, from which they will be able to make and receive payments. There will also be solutions for smartwatches and cards. The bank emphasized that the project is intended as a learning experience and no decision has been made to proceed with a CBDC. The initial test will last through to February 2021.
- **Ukrainian Taxpayers Must Report Virtual Currency Holdings.** Ukraine’s revenue agency has reportedly published guidance for taxpayers to report their cryptocurrency holdings. As of March 4, Ukrainian taxpayers

should report digital assets as intangible property, similar to intellectual property.

- **FCA becomes AML and CTF supervisor of UK cryptoasset activities.** On January 10, the Financial Conduct Authority (FCA) became the anti-money laundering and counter terrorist financing supervisor for businesses that undertake the following cryptoasset activities: Cryptoasset Exchange Providers; and/or Custodian Wallet Providers. These cryptoasset activities have been brought in-scope of anti-money laundering and counter terrorist financing (AML/CTF) laws. For more information, see our report.
- **Bank of England seeks feedback on CBDC.** On March 12, the Bank of England published for comment a discussion paper entitled, "Central Bank Digital Currency - Opportunities, Challenges and Design," in which it solicits feedback on considerations for a Bank of England-issued CBDC. Feedback must be submitted by June 12 to cbdc@bankofengland.co.uk.

For more information

Please visit our Coronavirus Resource Center and subscribe to our mailing list to receive alerts, webinar invitations and other publications to help you navigate this challenging time.

More from DLA Piper

Fifth Money Laundering Directive - Summary of changes to UK AML law

DLA Piper is pleased to announce the release of a special report, "Cryptocurrency and its impact on insolvency and restructuring," prepared on behalf of INSOL International. Among its findings: the rise in the use of cryptocurrencies has begun to create difficulties for the administration of bankruptcy cases.

In case you missed it

Legal Developments in Categorising and Tracing Cryptoassets – DLA FinBrief blog.
DoD's new cybersecurity compliance program – what you need to know
The February 2020 issue of eSignature and ePayment News and Trends

Recent Events

Margo Tank presented at DLA Piper's FinTech 2020 and beyond: eContracts and Asset Backed Securities event in New York on February 12, 2020.

Read these next

Effective January 1, 2020, a game-changing privacy law has gone into effect in California, the California Consumer Privacy Act of 2018. The CCPA will have profound implications for businesses that collect personal information about persons in California, even if the business is not based in the state. Find out more on our CCPA focus page.

DLA Piper discusses tokenization in real estate in the latest installment of our new series, PropTech in the United States – where we're heading.

DLA Piper has released an analysis of the July 31 FCA policy statement PS19/22: Guidance on Cryptoassets, which sets out the FCA's final guidance on whether dealings involving cryptoassets require authorisation under FSMA.

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