

Article Information

Authors: Louisa Xu, Michael Bacina, Tom Skevington

Service: Blockchain, Regulatory Compliance & Investigations

Sector: Financial Services, FinTech, Government, IT & Telecommunications

Blockchain Bites: IMF conference on CBDCs, Andreesen Horowitz hires crypto partner, FinCEN travel rule thresholds and Kik settles with SEC

Michael Bacina, Tom Skevington, Louisa Xu and Jade McGlynn of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and Digital Law.

Powell pessimistic about purpose of CBDCs in IMF conference comments

The [International Monetary Fund \(IMF\)](#) recently hosted the “*Cross-Border Payments: A New Beginning*” [conference](#), with Central Bank Digital Currencies (**CBDCs**) featuring heavily in the discussion. The first session discussed a vision for the future of cross-border payments, specifically including “the advent of digital currencies”. The session featured an all-star cast, including:

- **Ahmed Abdulkarim Alkholifey** - Governor of the Saudi Arabian Monetary Authority
- **Agustín Carstens** - General Manager of the Bank for International Settlements
- **Jerome Powell** - Chair of the US Federal Reserve
- **Nor Shamsiah Mohd Yunus** - Governor of the Central Bank of Malaysia

Moderated by **Kristalina Georgieva**, Managing Director of the International Monetary Fund.

This panel acknowledged that the Libra project enlivened CBDC discussions globally, with the acknowledging the growing role of the private sector in the cross-border payments space.

Speaking on the thinking of a CBDC in the US, Powell [said](#):

“We have not made a decision to issue a CBDC, and we think there’s a great deal of work yet to be done. [...] In fact, I actually do think that CBDC is one of those issues where it’s more important for the United States to get it right than it is to be first.”

Unsurprisingly, Powell elaborated that “getting it right” means that the US is much more concerned about the potential risks of a CBDC than it is about the potential benefits.

Head of Regulation at NYSE heads to Andreesen Horowitz

Chief Regulatory Officer at the [New York Stock Exchange \(NYSE\)](#) Anthony Albanese ([not that one](#)) has announced a move

to Andreesen Horowitz (**a16z**) as an operating partner on their crypto team. Albanese certainly comes to a16z at an exciting time, with the fund having closed its second crypto fund (aptly named “Crypto Fund II”) in April 2020 with a cool USD\$515 million ready to invest.

Albanese certainly comes to a16z with a powerful resume behind him, having overseen the NYSE regulatory engagement, including working with regulators at the state, federal, and international levels. Before the NYSE, Albanese ran the [New York Department of Financial Services](#), an agency of 1,400 employees, regulating more than 3,800 financial services entities with assets exceeding \$7 trillion. Prior to that, Albanese was, after our own hearts, a partner at a major law firm, working primarily in securities litigation.

While a16z [hasn't been shy about making investments in digital assets companies to date](#), it said in the press release announcing Albanese's appointment that:

“Sensible regulation of this emerging field will be a major factor in its success. We believe innovation and regulation can coexist, just as they did with the development of the Internet, but to do so both sides must fully understand each other's points of view. That's where Anthony, like he did with us, will bring a long-term approach to his relationships with both regulators and entrepreneurs.”

Defining “money”: digital currency draws closer to cash

The US Treasury, Financial Crimes Enforcement Network (**FinCEN**) and the Board of Governors of the US Federal Reserve banks (the **FRB**) have [proposed a new rule](#) which would include digital currency (or as they are calling it “convertible virtual currency”) and digital assets as legal tender.

However, before digital currency fans get all excited about insisting they can pay for things with bitcoin, this is not so much about pushing the use of digital currency forward so much as bringing more reporting obligations on those businesses involved in digital currency dealings. The change to the definition of money would include:

“[digital currencies] and a medium of exchange currently authorized or adopted by a domestic or foreign government, including any digital asset that has legal tender status in any jurisdiction”

In May 2019, which seems like years ago at this point, FinCEN [published guidance](#) indicating that nonbank financial institutions processing transfers of digital currency may fall within the *Bank Secrecy Act's* Recordkeeping Rule and Travel Rule.

The Recordkeeping Rule and Travel Rule are regulations which require banks and nonbank financial institutions to keep and pass on information concerning funds transfers and transmittals of funds in amounts of \$3,000 or more including: the name and address of sender; the amount of the payment or transmittal order; the execution date of the payment; payment instructions received from the sender; and the identity of the beneficiary's bank or the recipient's financial institution. As well as this, personal information about the beneficiary has to be retained by the sending institution including account information.

The new proposed change both brings digital currency into the definition of “money” but also lowers the threshold for US nonbank financial institutions from US\$2,500 to \$250 for cross-border transactions. It will apply where a sending bank or nonbank financial institution has “reason to know” a transaction begins or ends outside the USA.

Many involved in the blockchain world have challenged whether digital currencies should be considered “money” for the purpose of AML/CTF reporting requirements. The area of international transaction reporting for digital currency transactions has been a vexing one, particularly given the peer-to-peer and borderless nature of digital currencies and information transmitted with a blockchain transfer on a public chain could be exposed to third parties.

JPM Coin goes live with launch of dedicated blockchain division

[JPMorgan's](#) digital currency, [JPM Coin](#), has made its first live commercial transaction this week by a large international technology company. The JPM Coin transaction coincides with the launch of [Onyx](#), a new division of JPMorgan with over 100 staff dedicated to blockchain and digital currency efforts of JPMorgan.

Takis Georgakopoulos, JPMorgan's global head of wholesale payments said:

"We are launching Onyx because we believe we are shifting to a period of commercialization of those technologies, moving from research and development to something that can become a real business."

The JPM Coin is a stablecoin that represents US dollars held in designated accounts at JPMorgan. It was successfully tested by JPMorgan in 2019 and was designed to make instantaneous payments in US dollars with further plans for it to be extended to other major currencies.

The JPM Coin is supported the [Liink](#), a peer-to-peer network previously known as the Interbank Information Network, of over 400 participating banks and corporations across 78 countries.

Kik now out of the legal woods after court ratifies its settlement with the SEC

Just a few months after [the dismissal of both parties applications for a summary judgement](#), the Kin case has come to a surprising close after a New York court ratified the proposed settlement between the SEC and Kik Interactive (**Kik**), [last Tuesday](#). For over two years the instant messaging app vehemently denied its \$98 million initial coin offering (**ICO**) was an unregistered securities offering.

After [US District Court Judge Alvin Hellerstein sided with the SEC](#) at the end of September, the SEC proposed to the court that Kik only need pay a \$5 million fine on top of disgorgement.

The settlement, which has been accepted, requested Kik to wire the \$5 million to the SEC and give it 45 days notice before it starts another token sale - nothing further. Considering how hard Kik fought hard to deny the suit, the small civil penalty fine seems somewhat unusual.

What makes this settlement more bizarre is the SEC has not asked Kik to register its token as a security, and has not imposed any trading restrictions. Just [five days ago](#), the SEC announced [the court found](#) that:

"undisputed facts established that Kik's sales of "Kin" tokens were sales of investment contracts, and therefore of securities."

After referring to the lawsuit as a "a cloud of uncertainty" over Kik's future, [Kin foundation's](#) cheerful post settlement announcement encapsulates its returned hopes for the future:

"In a nutshell, Kik is going to be OK. Beyond the monetary fine, Kik's assets are still Kik's property, including its remaining treasury, its Kin reserves, and all of its intellectual capital"