

Article Information

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Blockchain Bites: PayPal launches Crypto Checkout, Coinbase's \$6.5M fine for misleading customers, Fine art meets blockchain, Expectations on DCEs Increasing

Michael Bacina, Barbara Vrettos and Jade McGlynn of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and Digital Law.

PayPal launches 'Checkout with Crypto'

[Major payments businesses are racing to launch digital currency services](#), with PayPal [announcing](#) that their customers in the US "will be able to choose to check out with crypto seamlessly within PayPal at checkout." This is a considerable expansion on PayPal's previous services which allowed users to buy, sell or store digital currencies, but not to use them for funding payments made using Paypal.

PayPal [announced](#):

customers using Checkout with Crypto can check out safely and easily, converting cryptocurrency holdings to fiat currency at checkout, with certainty of value and no additional transaction fees.

Dan Schulman, president and CEO of PayPal said:

Checkout with Crypto continues our focus on driving mainstream adoption of cryptocurrencies, while continuing to offer PayPal customers choice and flexibility in the ways they can pay using the PayPal wallet

The new feature will be available for use with Bitcoin, Ethereum, Litecoin or Bitcoin Cash with only one digital currency able to be used. The absence of additional transaction fees may well drive adoption and help existing PayPal customers dip their toes into digital currencies. While this is entirely within the walled garden of PayPal's systems, this is a significant step for digital currencies in both raising understanding and use of these payment options.

PayPal's move comes as interest in digital currencies is shooting higher and higher with the move being suggested by Dan Schulman, a foray into "[the next chapter in driving the ubiquity and mass acceptance of digital currencies](#)". No word yet on when PayPal Australia may either make digital currencies available to Aussie users, or allow payments funded by digital currencies. The final piece of the puzzle will be PayPal permitting withdrawal of digital currencies from PayPal to user's digital currency wallets, but this isn't on any public roadmap for PayPal just yet.

Coinbase slapped with \$6.5M fine for misleading customers

The [Commodity Futures Trading Commission \(CTFC\) has fined](#) California based digital asset exchange operator, [Coinbase Inc.](#), for "reckless false, misleading, or inaccurate reporting as well as wash trading by a former employee on Coinbase's GDAX platform."

The CFTC alleged that Coinbase provided misleading information about trading volumes between January 2015 and September 2018, when Coinbase operated two trading programs which “[sometimes traded Bitcoin and Litecoin with each other and included those trades in data it shared with outside services](#).”. That is, it was alleged Coinbase was counting related party trading in its volumes, which would artificially inflate those volumes. The CFTC also alleged Coinbase failed to tell the public that they were “[operating more than one trading program and trading through multiple \[related\] accounts](#).”

While the CFTC puts Coinbase’s actions down to acts of [carelessness rather than deceit](#), saying:

... [a] former Coinbase worker abused the programs between August and September 2016 to buy and sell crypto in “wash trades” that artificially inflated activity.

Dawn Stump CFTC Commissioner has [emphasised](#) that she does not want this decision to suggest the CFTC has “*more power to regulate crypto exchanges than it [presently does]*”.

However, [Vincent McGonagle, the Acting Director of Enforcement at CFTC said](#):

this enforcement action sends the message that the Commission will act to safeguard the integrity and transparency of [digital asset pricing].

While the CFTC acknowledges that there was no malice behind Coinbase’s actions, and that the misleading reporting had not occurred recently, the fine is a positive step in underlining the importance of the sector maturing out of the “wild west” reputation it previously had. With Coinbase’s IPO pending in a week, a clear signal has been sent that US digital currency exchanges will be held to clear standards of honesty and fairness. Australia of course has some of the strongest consumer protection standards in the world, and it would not be surprising to see those protections being applied to digital currency exchanges down under as the space matures.

Fine art meets blockchain - crypto connoisseurs or corked craziness?

With the booming trade in non-fungible tokens (**NFTs**), relatives of Wladimir Baranoff-Rossiné’s (1888-1944) have sought to auction off an NFT for one of his paintings “*Abstract Composition*”. The auction will [reportedly](#) take place through [Mintable](#), “*an online NFT marketplace that recently received an investment from billionaire Mark Cuban*.” The twist is that the winner of the auction will also receive the original artwork.

While 13 years ago, Baranoff -Reossine’s artworks were selling for [roughly \\$5 million a piece](#), according to an expert in Russian paintings, “*the bottom has totally fallen out of his market*” and just [40% of Baranoff-Rossine’s art have sold after 100 auctions](#). This being the case, [reportedly](#) “*Baranoff-Rossiné’s descendants, who have a large collection of his work, are taking his market into their own hands*”. The painter’s grandson - who is also named Wladimir Baranoff-Rossiné, has agreed with these reports, commenting:

In terms of the NFT, it’s about being able to showcase my grandfather’s work to a different audience—and a wider audience.

For those who know about graphic [designer and motion artist Beeple’s NFT efforts](#), mixing fine art and new technology isn’t unheard of. However, Baranoff-Rossiné grandson says what makes this NFT auction something that’s “*never been done before*” is the fact that the NFT is the focal point of the auction.

Zach Burks, Mintable’s founder and chief executive officer explains the perhaps semantical distinction stating:

This is an auction for an NFT that happens to come with a painting. It’s not a painting that’s auctioned that comes with [an] NFT.

He further said that it was “unlikely” that someone would be bidding for the painting itself and not the NFT. Given that the purchaser has to pay in crypto-currency, the buyer is most likely not going to be a traditional art collector, but will be likely to be a crypto-native user.

Fittingly, and “*unlike most fine art auctions*” the artwork/NFT hybrid won’t come with an estimate value. “*There’s no*

estimates for NTF's", Burks explains:

[t]he Baranoff-Rossiné painting [comes with], a starting bid of 6.5 ETH, which—as of 4:45 p.m. East Coast time on Tuesday—was worth about \$11,050.

It will be interesting to see if the family of this 1920's artist decision to hitch their ancestor's reputation to NFT's to try and restore value in his artworks that aren't selling now will be enough to boost the price. We tend to think that it is more likely that the value of the art is better reflected in the broader reach of an NFT, rather than the NFT craze being likely to help to revive interest in a lesser known classical artist.

Expectations on Digital Exchanges Increasing

The digital currency exchange space is growing increasingly sophisticated, and users are expecting more from their exchanges. A recent example of what happens when those expectations aren't met is the surge of customer complaints about digital exchange, MyCrypwallet, which has [reportedly](#) shut out customers from accessing their funds and digital assets for a year.

The exchange reportedly welcomed 20,000 users in its first three months of operation but in early 2019, *"a dispute with NAB ...saw the company's accounts frozen"* and later that year *"further issues with its technology partners... forced it to suspend withdrawals from the exchange."*

According to the [Sydney Morning Herald](#):

In August 2019, the company told its users its issues had been fixed and the business was operating as normal. However, over a year and a half later, many users are still in the dark, unable to access their funds or trade their crypto and left out of a market boom that has seen the prices of many cryptocurrencies soar.

It continued:

Some users have seen their funds 'disappear' when attempting to transfer them, while others have been unable to trade due to issues with the business' two-factor authentication systems. Some users have also cited failures with the business' website, with pages failing to load or appearing to not exist in the first place.

Concerns are certainly warranted given [the agony that ACX exchange customers have been going through](#) in response to the ACX's similar long running silence.

The good news is that in response to media pressure, it seems that MyCryptoWallet has begun to respond to customers on Twitter and has provided a support email for those who couldn't seek help through *"the company's support website (which) appears to be inactive."*

Perhaps this sudden spark of communication from the company has something to do with complaints to ASIC. [Reportedly](#):

the corporate regulator has received and is assessing a large number of complaints from users (which) may result in a formal investigation by ASIC.

"May" is a fairly loose word to support the headline over at SMH. A spokeswoman for the exchange has recently made a series of comments suggesting that *"the company was "completely unaware" of users reporting issues ...the business was "operating smoothly with no issues" and "it was "absolutely impossible" for the company to cease trading without authorities being notified."*

It is, of course, entirely possible for businesses to cease trading without authorities being notified, as the ACX example shows. Hopefully, the exchange will be able to address the concerns and complaints raised and help lift the bar for customer experiences in the digital asset space.