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Blockchain Bites: Blockchain Global under external administration, The Glass Suit – Dolce & Gabbana go digital, physical & experiential, Grassroots of crypto adoption are not where you expect: Chainalysis releases new report, White House considers crypto Executive Order

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

Blockchain Global under external administration

After millions of dollars in bitcoin held by the alleged operator of failed crypto exchange ACX were frozen by the Victorian Supreme Court in September, a second winding up application in a year has been filed against Blockchain Global Limited.

On 8 October 2021, ASIC published a notice stating that Queensland-based Guangsen Nie and Keqi Yao had lodged a winding up application against Blockchain Global. The application is listed for a first hearing on 22 October in the Brisbane Federal Court but earlier that week the company entered voluntary administration.

Currently, there is a dispute concerning which company was responsible for the operations of the ACX exchange. Blockchain Global asserts that at the time the ACX exchange shut down and ceased customer withdrawals, the exchange was being operated by another company by the name of "Peak Trading Group Pty Ltd".

It should be noted that there has been no finding of insolvency or adverse facts against Blockchain Global by any court and the company is entitled to present evidence concerning the matters before the Supreme Court and Federal Court as part of due process. A voluntary administration prevents further steps being taken in legal proceedings without leave.

The Glass Suit – Dolce & Gabbana go digital, physical & experiential

Dolce and Gabbana is one of the most recent designers to ride the NFT wave by announcing a 9 piece collection. The Collezione Genesi boasts a range of items including suits, dresses and crowns. What sets the collection apart however is the interesting rights attached to these tokens for purchasers which go beyond just the right to enjoy a digital image.

The collection is described as:

the first luxury NFT collection that involves both digital and physical works, truly bridging the physical and the metaphysical.

The NFT grants the purchaser digital, physical and experiential opportunities, which is a fascinating extension of NFTs beyond just being a collectible image. The unique collection of rights were sold for a value of USD$5.7 million at the auction date. The rights attached to the NFTs ranged across the pieces however, as an example, the Glass Suit provided the purchaser with:

1. **Digital:** 4k digital animation and stills and a custom digital recreation of the suit in a metaverse of choice which could be redeemed within 2 years.

2. **Physical**: The suit itself, custom fitted, provided the purchaser travel to Milan for fitting and redeem the suit within one year. An original sketch of the suit was part of the physical package also.
3. **Experiential**: 2 year access to a range of Dolce & Gabbana events in Italy, private tours and 2 week exhibitions of the Glass Suit.

These NFTs are a great example of the flexibility of rights that can be attached to a NFT under contract law. The value of the D&G NFT will also be closely followed once the experiential redemptions have occurred. Will the digital aspects of the NFT retain their value or increase after 2 years when no further physical aspects can be redeemed?

NFTs continue to bridge the digital and physical world in novel ways. A similar (albeit not quite as glamorous) project VeeFriends also embeds redemption utility in VeeFriends NFTs including conference attendance and other Gary Vee related experiences which community members and fans of Gary Vee are trading.

The blending of the digital and physical is only set to increase as NFTs provide such an excellent “out of the box” solution to products such as ticketing and digital twinning, so further projects like D&G, or the Kings of Leon Golden Ticket, VeeFriends and other NFT combinations arise. There’s sure to be an explosion in experiments to come, all looking for a product market fit with consumers.

Grassroots of crypto adoption are not where you expect: Chainalysis releases new report

After a year of enormous growth for cryptocurrency markets and increased global attention for the industry, Chainalysis has released its second report on the Geography of Cryptocurrency pinpointing which countries are responsible for the highest levels of cryptocurrency adoption based on individual usage rather a country’s macroeconomics.

While Australia was not a name mentioned in the top 20 winners (coming in at number 38) a fascinating aspect of this report is the countries most responsible for grassroots adoption is Vietnam in 1st place, India as 2nd, Pakistan in 3rd, Ukraine in 4th and Kenya in 5th place.

Chainalysis explains:

> The goal of our index is to provide an objective measure of which countries have the highest levels of cryptocurrency adoption. One way to do that would be to simply rank countries by transaction volume. However, that would favor only the countries with high levels of professional and institutional cryptocurrency adoption, as those market segments move the largest sums of cryptocurrency.

Chainalysis surveyed 154 countries to spotlight adoption by ordinary people, concentrating on use cases related to transactions and individual saving, rather than trading and speculation.

The methodology used three metrics to determine the ranking:-

1. **On-chain cryptocurrency value received, weighted by purchasing power parity (PPP) per capita:** This means Chainalysis estimated the total crypto activity of each country and determined the significance of that value based on the measure of the country’s wealth per residence i.e. “If two countries had two countries with equal cryptocurrency value received, the country with the lower PPP per capita would rank ahead.”
2. **On-chain retail value received, weighted by PPP per capita** – This metric focuses on non-professional cryptocurrency traders. It’s the same as the metric above, but instead uses retail transactions, which saw Chainalysis approximate the total cryptocurrency activity of every day crypto users in each country and rank each country based on their PPP. Once again, the country with a lower PPP per capita would win over another country with the same total of crypto moved in retail transactions.
3. **Peer-to-peer (P2P) exchange trade volume, weighted by PPP per capita and number of internet users** – This metric took the P2P trade volume of each country and weighted the values with PPP and the average internet usage of each person. Once again, the goal here was to determine which country had higher uptake rates of cryptocurrency usage, based on individual wealth and access per person

Once all the data was collected and taken into account the top ten were as follows:-

1. Vietnam
2. India
3. Pakistan
4. Ukraine
5. Kenya

6. Nigeria
7. Venezuela
8. United States
9. Togo
10. Argentina

To download the full report for a view of the full list of countries and their ranks, visit this link.

Some insights

The report dives deeper into each country and the level of use of cryptocurrency there, and highlights some interesting trends around global cryptocurrency adoption, some including:-

1. Global adoption has grown by over 2300% since Q3 2019 and over 881% in the last year.
2. The reasons for cryptocurrency's "*skyrocketing adoption*" varies between countries – in emerging markets, many turn to cryptocurrency to: preserve their savings in the face of currency devaluation, send and receive remittances, and carry out business transactions; but in countries like: North America, Western Europe, and Eastern Asia, this years increased adoption has been driven largely by institutional investment.
3. Emerging markets like Vietnam and Kenya – who dominated the survey by taking out spots in the top 5, are largely ranking highly because their residents often don't have access to centralised exchanges/ alternatives.
4. China and the U.S have fallen down the ranks because their rankings in P2P trade volume weighted for internet-using population have fallen dramatically – last year China ranked fourth on Chainalysis's report while the U.S. ranked sixth. This year, China ranks 13th while the U.S. ranks eighth.

A global movement towards a more transparent blockchain economy

Like other Chainalysis reports, this is sound analysis from a highly regarded data-driven company to help build a greater understanding of legitimate cryptocurrency usage.

White House considers crypto Executive Order

Speaking to Bloomberg, unnamed people "familiar with the matter" have indicated the executive brand of the US Government is considering directing federal agencies to study cryptocurrencies and consider financial regulation, economic innovation and national security implications of this technology.

The executive order will seek to unify some agencies, such as the Securities and Exchanges Commission (**SEC**), the Commodity Futures Trading Commission (**CFTC**), the Internal Revenue Service (**IRS**) and more, in order to determine how to deal with the rapidly growing digital asset space.

The jostle for power between regulating authorities has been a source of frustration for many in the USA. Some agencies, most notably the SEC led by Gary Gensler, have been downbeat on digital currencies and their long term viability. Other agencies, like the Treasury Department, have just shown a sad ignorance towards how digital currencies work.

Speaking at the Texas Blockchain Summit, Wyoming Senator Cynthia Lummis expressed concern with the Treasury Department regarding their definition of Bitcoin in a proposed legislation:

> The definition that was proposed showed a fundamental misunderstanding of Bitcoin and other digital assets

The comments came amid a recent landmark infrastructure bill which is currently being debated in Congress. Under the wording proposed by the Senate in August, 'brokers' would have to report any digital asset transaction worth over $10,000 to the IRS. The obvious problem was that many would meet the very broad definition of being a "broker" but would not be ordinarily considered in the real world to fulfil any kind of brokerage transaction, as it would include node operators and miners who, by virtue of how blockchains operate, have no access to the identity of transactions moving through the public network.