

Article Information

Authors: Louisa Xu, Michael Bacina, Petros Xenos, Tom Skevington

Service: Blockchain

Sector: Financial Services, FinTech

Blockchain Bites: Libra, Her Majesty gets tax on crypto and digital identity updates

Wild claims about Libra, her Majesty provides updated taxation guidance for crypto businesses and digital identity updates by the Financial Action Task Force. Michael Bacina, Tom Skevington, Louisa Xu and Petros Xenos of the Piper Alderman Sydney Blockchain group bring you a round-up of the latest legal, regulatory and project updates in Blockchain.

The Libra project, The Australian Newspaper and Clickbait

[The Australian has reported](#) that Australia's financial regulators are cooperating to force the Libra Association (mistakenly identified as "Facebook" by that newspaper) to divulge details about its plans for the Libra project. The article has been [parroted](#) by [other news outlets](#) around the internet. According to the Australian, this regulatory pushback has been prompted by Facebook's failure to reassure officials over the threat posed by the very idea of Libra to national security, banking, consumers and investors, while no software product has been released or described in detail. The report strikes a sensationalist tone, alleging that eight Australian regulators (including [ASIC](#), [AUSTRAC](#), the [ACCC](#), and the [OAIC](#)) have struck a "secret deal" to use "formal powers" to probe Libra.

This assertion appears to be based on little more than fragments of documents obtained by The Australian which have been quoted without context. Libra hasn't released anything which could be properly analysed for compliance or non-compliance. To accuse Libra of failing to "divulge details" or answer detailed questions about the compliance of software which hasn't been built yet is both surprising and premature. When Libra products are released then they should of course be subject to proper scrutiny and consideration by all interested regulators. [Commenting on the report](#) in the Australian to the Age and the Sydney Morning Herald, Michael Bacina, Partner at Piper Alderman said: "Australian regulators are fiercely technologically neutral and put in great effort, often on their own time, to engage with and understand innovative projects in the Fintech and Blockchain space. Questions about the regulatory framework that might apply to Libra could be raised in the Senate Inquiry, once there is something released by Libra or Calibra which can be analysed."

FATF determines DLT desirable for digital identity

Following its [guidance](#) applying the travel rule to Virtual Asset Services Providers (**VASPs**), the Financial Action Task Force (**FATF**) has released [draft guidance](#) intended to help governments, financial institutions and other relevant entities apply a risk-based approach to the use of digital ID systems can be used for customer due diligence. FATF is seeking submissions on the draft guidance primarily from banks, virtual asset service providers, regulated entities, and public authorities.

The draft guidance suggests that regulatory authorities will need to develop clear guidelines or regulations allowing the appropriate, risk-based use of reliable, independent digital ID systems by entities regulated for AML/CTF purposes. The guidance also suggests that while digital ID systems are likely to become a more important tool for VASPs and other regulated institutions to combat ML/TF risks, these entities must "take an informed risk-based approach to relying on digital ID systems for Customer Due Diligence". Appendix B of the draft guidance includes various international examples of public digital ID projects. No Australian projects are mentioned, despite the recent launch of the NSW Digital Driver Licence by [Service NSW](#), which was developed in conjunction with [Secure Logic](#) using [DLT](#).

Blockchain Regulation & Australian Senate Issues Paper Review - 5 November 2019

[Blockchain Professionals](#) Sydney, and [Piper Alderman](#) hosted an event on 5 November 2019 to discuss the Australian Senate's Inquiry into Fintech and Regtech Issues Paper.

Released on October 23, the Issues Paper is calling for submissions on:

- the scope of opportunity in Fintech / Regtech;
- barriers to the uptake of these new technologies;
- how FinTech reform and benchmarking is taking place
- current RegTech practices and opportunities;
- the effectiveness of current government initiatives in promoting a positive Fintech environment; and
- how should Australia take a prominent role in supporting and developing international blockchain standards.

The event was presented by:

1. [Michael Bacina](#) presenting the Issues Paper and give an update on regulation in other jurisdictions;
2. [Nick Giurietto](#) giving an overview of the work [Blockchain Australia](#) has been doing and the opportunity to have a voice in the conversation by making a submission; and
3. [Chloe White](#) will be explaining the submissions process.

The Crown provides Crypto Companies Clarity on Taxation

Her Majesty's Revenue & Customs has provided [updated taxation guidance for cryptocurrency businesses operating in the UK](#). Guidance was first provided in December 2018 for individuals but this latest update covers businesses and companies.

While HMRC endorses the [categorisation of tokens](#) as "Exchange Tokens", "Utility Tokens" and "Security Tokens" by the UK government's cryptoasset task force, for taxation, "HMRC will look at the facts of each case and apply the relevant tax provisions according to what has actually taken place (rather than by reference to terminology)."

Similar to the Australian position, tokens being used as barter will be need to be treated as income, "if a company carrying on a trade accepts exchange tokens as payment from customers, or uses them to make payments to suppliers, the tokens given or received will need to be accounted for within the taxable trading profits."

The ASX distributed ledger technology based CHES replacement roadshow

The [ASX](#) has been conducting a national roadshow on the major ASX Listing Rule changes due to come into effect on 1 December 2019, and updating the market on progress with CHES replacement including timing, features and benefits both on "day one" and in the future. The Roadshow follows the ASX's release of its [Final Response](#) to the 8 November 2018 [consultation paper](#) "*Simplifying, clarifying and enhancing the integrity and efficiency of the ASX listing rules*".

Given that the reforms include some substantive rule amendments as well as new, updated and expanded guidance, the roadshow is an excellent opportunity for stakeholders to engage with the ASX on the changes and consider how they are affected before the changes commence from 1 December 2019.

Largest American Food Coop to Pilot Mastercard's Blockchain Tech

[Topco Associates](#), the largest American retail food group purchasing organization, along with member grocery chain, Food City, will pilot Mastercard's blockchain blockchain-based Provenance Solution in its operations. According to a [recent press release](#), Topco will test the traceability platform which was developed by logistics firm [Envisible](#), and use the platform to trace the provenance of produce, meat and seafood.

[Alex Manders](#), the head of blockchain solutions at Information Services Group, reinforced the significance of the [Food and Drug Administration](#) in keeping up with such rapid technological advances in the industry and implored that clear regulatory guidance is a necessity in order to manifest this technology effectively and efficiently within food supply chains.

\$600 Million London Luxury Hotel To Be Tokenized

[Liquefy](#), a technology platform which says it specialises in blockchain applications that enable the issuance of digital securities backed by illiquid assets such as real estate property, has closed a deal to be the technology provider for a consortium of Gulf families on a real estate digital securities project, with approximately US\$1 billion of real estate assets slated for tokenization

The initiative will begin with the tokenization of a luxury hotel valued at approximately AUD\$877 million (USD\$600 million), situated in London's affluent Mayfair district. This is an exciting development, and one can only hope that we see this use of technology permeate the real estate industry in Australia to such a degree in the near future. It is always worth

remembering that just because something can be tokenized and made tradeable, it doesn't mean it will suddenly become more liquid, but it cannot be disputed that lowering transaction costs in a structural way provides significant advantages to trade.