

Article Information

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

Service: Blockchain

Sector: Financial Services, FinTech

Blockchain Bites: US Court files another lawsuit against Bitfinex and Tether, China cracks down on crypto, France moves forward

Another class action complaint has been filed against Bitfinex and Tether in the U.S. District Court for the Western District of Washington, Binance Holdings Ltd and Tron have been banned on China's largest micro-blogging service, and France shows clear signs of promoting blockchain growth. Michael Bacina, Louisa Xu, Tom Skevington and Petros Xenos of the Piper Alderman Blockchain group bring you the latest legal, regulatory and project updates in Blockchain.

Consensys compiles collection of Governments co-opting blockchain

Perhaps the most common refrain of the blockchain-skeptic is that blockchain has no real use case, and will never see acceptance or application by serious government entities. In our experience this does not align with reality. Helpfully, Consensys has [compiled a list of government or regulator-led blockchain projects](#) in various stages of development around the world. The list doesn't quite match the headline of "Which Governments are using Blockchain" as it includes a lot of pilot or proof of concept or intentions, which don't quite equal up to use, but they are all excellent starts

From the US, some highlights include; that Arizona have enacted a law ([HB 2417](#)) explicitly granting smart contracts the same legal effect, validity, and enforceability as their standard contract counterparts, that in 2018, Delaware officials [began exploring incorporating blockchain into different components of corporate filing processes](#), and Wyoming legislature passed legislation ([SF0125](#)) that amended Article 9 of the Wyoming Uniform Commercial Code to define digital assets that utilize blockchain and distributed ledger technology. Highlights from the UK include; that in partnership with ConsenSys Codefi, Her Majesty's Land Registry set up a digital asset management platform to [explore the potential of blockchain technology in the U.K. real estate industry](#), and that the Isle of Man [launched sandbox-development systems designed to help firms overcome emerging regulatory hurdles](#).

Finally, highlights from the Australian jurisdiction include; that Australia's Commonwealth Bank [issued a crypto bond for Queensland Treasury Corporation](#), and that the South Australian government [conducted an official election using the Horizon State blockchain-based voting system](#).

China crypto crackdown elicits Binance and Tron appeal

[Binance Holdings Ltd.](#) and Tron have been banned on China's largest micro-blogging service, Weibo, amid what appears to be fresh steps to crack down on digital currency trading. This crackdown comes after President Xi Jinping hailed blockchain as one of the core technologies spurring China-led innovations, encouraging faster development of blockchain-driven initiatives.

The President's remarks vigorously incentivised companies to jump on the blockchain bandwagon, despite warnings from Chinese state media, who were increasingly cautious and [warned against](#) the frenzy. Watchdogs in Shanghai subsequently began to issue notices calling for a cleanup of companies involved in cryptocurrency trading, and the Shanghai headquarters of China's central bank and the city's financial regulator said in a [notice](#) co-signed on 14 November, that local government agencies should engage with companies under their supervision and ensure they cut ties to any dealings with cryptocurrency or digital exchanges.

A Binance spokeswoman stated that Weibo suspended the exchange's account before any notice was issued, claiming that

the social media platform did not substantiate its reasons for the ban. Binance and Tron are said to be likely to appeal the decision, with Tron founder Justin Sun, uncertain as to whether the Weibo account shutdown was indeed related to the government notice.

France moving forward in blockchain regulation

In an [interview with Best Lawyers](#), Geoffroy Goubin of Bougartchev Moyne Associés, shared his thoughts on cryptocurrency projects in France and the country's attempts to promote growth in the industry, revealing some very interesting developments. On 22 May 2019, the French government enacted the [Law n°2019-486](#), allowing an optional visa for ICOs. Any token issuer wishing to make an initial coin offering may request a visa from the [French Financial Market Authority](#) (Autorité des Marchés Financiers (**AMF**), a French independent public body with a remit to safeguard investments in financial products, and is responsible for verifying the white paper.

The Law also allows for two types of funds which will now be able to invest in digital assets; specialized professional funds, subject to compliance with the liquidity and valuation rules applicable to them, and professional private equity funds up to 20% of their assets.

New offences have been introduced into the French [Monetary and Financial Code and Commercial Code](#), which incriminates certain behaviors, such as; not registering with the AMF when registration is mandatory, and a token issuer publishing inaccurate or misleading information.

Bitfinex and Tether receive another class action lawsuit in US Courts

[Another class action complaint](#) has been filed against Bitfinex and Tether in the U.S. District Court for the Western District of Washington. This lawsuit accuses the operators of Tether and Bitfinex of managing a sophisticated scheme to defraud investors, manipulate markets, and conceal illicit proceeds, by commingling their corporate identities and customer funds while concealing their extensive cooperation.

The lawsuit also alleges that the investors were lied to about the number of USDT tokens in circulation, as Tether has stated that the amount of tokens would always be the same as the amount of US dollars in the companies' bank accounts. This allegedly allowed Bitfinex and Tether to fake market demand for cryptocurrencies through printing more USDT and using it to buy coins, in particular Bitcoin.

Bitfinex and Tether have labelled this as a "copycat lawsuit" to the [one filed against them](#) in the U.S. District Court for the Southern District of New York on 6 October 2019, which at the time, quite bombastically accused Bitfinex and Tether of creating the "largest bubble in human history," and claiming "well over a trillion dollars in damages".

Wine marketplace built on ethereum launched

Following an [announcement](#) in May 2019, Singaporean company Blockchain Wine Pte Ltd has launched its direct to [consumer wine marketplace](#) built on the Ethereum blockchain, backed by Asian wine cellar The House of Roosevelt and using EY's [OpsChain](#) solution.

The wine marketplace is called TATTOO, which stands for traceability, authenticity, transparency, trade, origin and opinion. In terms of how blockchain is implemented in the marketplace, each bottle of wine is be "tattooed" with a unique QR code linking the wine with a corresponding token. Using a mobile app to scan the code will provide users with provenance details about the wine, including how it was transported, the vineyard, and where it was processed.

EY claims the technology has already been used to tokenize "more than 11 million bottles of wine for multiple clients." using Ethereum's ERC-721 standard for non-fungible tokens (the same token standard used for [CryptoKitties](#)). Of course, the blockchain provenance approach is not new, and comes with significant challenges. For one, it remains unclear how or whether EY's system can overcome the "garbage data in, garbage data out problem". Similarly, while EY claims that TATTOO is the "first e-commerce platform in the world enabled by blockchain", it remains to be seen how the platform will fare in the crowded and competitive wine industry, particularly as [various other entities](#) are preparing to address the same problems.

Bacina at BlockBali

On 26 November 2019, Michael Bacina was fortunate enough to be invited to present at the 3rd annual [BlockBali Summit in Bali, Indonesia](#). The event was well attended with a strong contingent of the Indonesian government presenting and present.

Indonesia has a population of 100M with almost half unbanked, and poses huge opportunities for blockchain to improve the

lives of the people and the economy. Thanks to BlackArrow for the opportunity!

Retail condo sold for \$15 million worth of bitcoin

A retail condo in the Upper East Side of Manhattan, New York has recently been [sold for \\$15.3 million](#) in Bitcoin. The 11,400-square-foot living space was previously owned by the landlord's firm [Magnum Real Estate Group](#). The property is being sold to the Taiwanese entity Affluent Silver International LLC. The transaction occurred through the use of [Bitpay](#) and [Starr](#). Real Estate broker Eric Hedvat, representative for Magnum, characterized the transaction as a "seamless process".

Agents for luxury properties such as the [10 East 76th Street on the Upper East Side](#), and a mansion marketed by Sotheby at \$40 million, have advised buyers that they will accept Bitcoin, Ripple or Ethereum as payment. Given the international market for buyers of such premium properties, the advantages of near instant settlement and very low fees are certainly attractive. Whether this remains popular as FATF's AML Tranche II requirements come into effect, bringing Real Estate agents into the AML reporting frameworks, will be seen.

Blockchain a solution to boost AUSTRAC compliance

Anti-Money Laundering and Counter-Terrorism Financing compliance is back in the news, with the announcement that AUSTRAC [will allege](#) in the Federal Court that major Australian bank Westpac has contravened the AML/CTF Act on over 23 million occasions, potentially leading to a billion dollar fine. These contraventions primarily relate to Westpac self-reporting a large number of international fund transfer instructions (**IFTIs**) which ought to have been reported earlier. This latest AUSTRAC action follows its [record \\$700 million penalty](#) against the Commonwealth Bank of Australia, also for serious breaches of the AML/CTF Act.

Given these problems appear to be so prevalent, any entity with AML/CTF obligations will be (or should be) considering whether they are meeting their obligations, and whether there is a better way of doing so. Eric Knight, an associate professor at the University of Sydney Business School and Nick Armstrong, CEO of [Identitii](#) have [argued in an editorial published in the AFR](#) that blockchain technology is the obvious, and optimal solution to this problem.