

Article Information

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Blockchain Bites: IRS deploys new crypto tax form, China ramps up blockchain integration, Ukraine approve new crypto AML policy

The U.S. Internal Revenue Service (IRS) has deployed a new tax form requiring users to declare any dealings with cryptocurrency, the Bank of China has issued \$2.8 billion worth of bonds using blockchain technology, and the Ukrainian government has approved the final version of a money laundering law that will handle virtual assets and VASPs. 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.

IRS now requires taxpayers to disclose crypto activities

The U.S. Internal Revenue Service (IRS) has deployed [a new tax form](#) that requires crypto owners to declare whether they have received, bought, sold, exchanged, or acquired any cryptocurrencies in 2019. The Schedule 1 form is part of the 1040 tax form for U.S. taxpayers to declare “Additional Income and Adjustments to Income.”

The form is now on the IRS website, for use in filing 2019 tax returns. Form 1040 is used by over 152 million U.S. taxpayers. The first question on the new Schedule 1 reads, “at any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?”

This is part of the IRS moving to assess possible tax due on crypto transactions. So far only “dozens” of offenders have not been paying tax on crypto transactions, which raises the real question of whether unlawful tax behaviour is present in cryptocurrency transactions in significant amounts.

Bank of Lithuania launches blockchain collector coin

The Bank of Lithuania has [announced](#) in a press release that it will release a digital, blockchain-based collector coin in the spring of 2020. The coin is dedicated to the 16 February 1918 Act of Independence of Lithuania and its 20 signatories.

The 24,000 tokens will be blockchain based and feature one of the Act’s 20 signatories. The coins will be divided into six categories with 4,000 coins in each category. The digital collector coin is a small, but important step for the Bank of Lithuania in gaining knowledge of, and carrying out, blockchain research.

When can we expect an Australian Reserve Bank collectible token? It could be a great way for the RBA to get more comfortable about digital currencies.

Ethereum evangelist or money-laundering lecturer: Implications for Virgil Griffith

The U.S. Justice Department in the Southern District of New York has filed a [criminal complaint](#) against Virgil Griffith, a prominent employee of the Ethereum Foundation, after arresting Griffith at Los Angeles International Airport on 28 November 2019. The complaint alleges that Griffith violated the International Emergency Economic Powers Act, 50 USC § 1705 (IEEPA).

The criminal complaint states that Griffith admitted he attended the Pyongyang Blockchain and Cryptocurrency Conference in the Democratic People’s Republic of Korea (DPRK) between April 26 and April 27 with approximately 100

other attendees, despite being refused permission to attend by the US State Department.

Griffith has been released from jail pending a trial. Founder of Ethereum Vitalik Buterin has expressed his support for his employee.

The matter has yet to receive a date for trial, but the arrest has already proved to be divisive in the blockchain community. With regulators and governments internationally expressing concerns about the money-laundering risks enabled by blockchain technology, a relatively high profile member of the Ethereum Foundation giving instructional talks in the DPRK (a country with significant US sanctions in place) sends a bad message.

BIS seeks submissions on prudential regulatory treatment of crypto-assets

The [Basel Committee on Banking Supervision](#) has published a [discussion paper](#) seeking views on the prudential regulatory treatment of crypto-assets, including:

1. the features and risk characteristics of crypto-assets that should inform the design of a prudential treatment for banks' crypto-asset exposures; and
2. general principles and considerations to guide the design of a prudential treatment of banks' exposures to crypto-assets, including an illustrative example of potential capital and liquidity requirements for exposures to high-risk crypto-assets.

The Committee is encouraging submissions primarily from academics, banks, central banks, finance ministries, market participants, payment system operators and providers, supervisory authorities and technology companies, and welcomes submissions from any other interested parties.

Submissions and feedback can be submitted [here](#) by **13 March 2020**. Submissions need to be marked as confidential or they will be published by BIS.

Italian Society of Authors and Publishers partners with Algorand to develop copyright management

The Italian Society of Authors and Publishers ([SIAE](#)), which was established for the collective management of authors' rights, has partnered with blockchain company [Algorand](#) to develop a new blockchain-based platform for copyright management.

SIAE had previously announced it was working on a similar project in collaboration with "La Sapienza" University of Rome and consulting company Blockchain Core on the Hyperledger platform. SIAE has now decided to move development entirely onto the Algorand platform.

Management of intellectual property rights on Blockchain has seen increasing interest and development in the last few years, as public and private authorities look for better ways to manage the complex web of domestic and international IP protection regimes.

The World Intellectual Property Organisation (WIPO) has recently established its [Blockchain Task Force](#), which is exploring blockchain use cases in this space and collaborating with international standards authorities to develop blockchain standards in IP.

China chasing the global blockchain throne

The Bank of China has [issued](#) \$2.8 billion worth of bonds using blockchain technology. The bonds were used as part of small business loans, in order to leverage China's own independently developed blockchain bond issuance system. The bonds feature a two-year fixed-rate offering and a final coupon rate of 3.25%. [According to the bank](#), the system represents "the nation's first bookkeeping system based on blockchain technology".

Beyond a Central Bank issued Digital Currency, the integration of blockchain in securities is also looming. Weimin Guo of the Bank of China recently revealed that once the system is functional, China will soon after provide a legal framework for Security Token Offerings within a strict regulatory sandbox mechanism.

Since the recent crypto crackdown with Binance and Tron banned on China's largest micro-blogging service, Weibo, China's relationship to blockchain remains volatile, but their push towards global market leadership continues.

Ukraine underline crypto policy in new AML law

The Ukrainian government has approved the final version of a money laundering law that will handle virtual assets and virtual asset service providers (**VASPs**) as per the Financial Action Task Force (**FATF**) guidelines. Rada, Ukraine's

legislative body, [published a final version of the law](#) that considers virtual assets to be a store of wealth, while also recognizing its potential use in financial crimes, such as money laundering, fraud, and the financing of terrorists.

The new money laundering law includes certain guidelines regarding how the Ukraine government plans to regulate and extend oversight over cryptocurrency trading. One of the requirements, under the law, focuses specifically on individual virtual asset transactions that are valued at less than 30,000 hriven (approximately \$1,846.15 AUD). For these transactions, the nation's government says it will only obtain the sender's public key for financial monitoring purposes.

If the transaction amount is greater than 30,000 hriven, then the government will verify both the sender and recipient of the transfer. The process will reportedly include ID verification, and will also attempt to verify the nature (if one exists) of the business relationship between the parties involved in the transaction.

Australian Payments Network Summit hosts Libra debate

The [Australian Payments Network hosted its annual Summit](#) in Sydney last week. The Summit featured a debate moderated by prominent economist Warren Hogan between Assistant Governor of the Reserve Bank of Australia, Michelle Bullock, Piper Alderman's Michael Bacina, Holon Global Investments' Heath Behncke and USYD researcher Luke Deer. The debate asked whether Australia is ready for a digital currency like Facebook's Libra.

As with any comments from a central banker on Libra, Michelle Bullocks' comments have since been picked up by both the [Australian](#), and the [Australian Financial Review](#). Ms Bullock's comments broadly echoed the comments already made by various other RBA representatives, namely that regulators remain unprepared for global stablecoins, but are aiming to level the playing field to avoid regulatory arbitrage and that Libra will not be able to operate until regulators are satisfied that Libra can operate with sufficient regulatory oversight.

Speaking more generally on the merits or otherwise of the Libra Project, Michael Bacina commented that the Libra Association's promises to comply with all necessary regulations before it proceeds should be taken in good faith, and that the Libra Association should be given time to address issues raised by the regulator.

Ethereum Istanbul Hard Fork has gone live

After the initial code changes were [approved](#) in June 2019, block number [9,069,000](#) was successfully mined at 11:25am AEST on Sunday 8 December, marking the 8th hard fork of the Ethereum network. As a non-contentious hard fork, all Ethereum clients agreed to and have implemented the software upgrade without major disruption to the network.

However, like all good upgrades in the blockchain ecosystem, Istanbul has not been without controversy. Some in the community have criticised Istanbul as potentially introducing functionality or issues which will be incompatible with important aspects of Ethereum 2.0. Others have highlighted that Istanbul is likely to make a number of existing smart contracts break.

This latest hard fork follows the successful implementation of the [St. Petersburg and Constantinople](#) hard forks in February. Further information about Ethereum 1.x, including the roadmap and details of team behind its development and upgrades can be found [here](#).

Former Head of CFTC joins law firm to push for digital dollar

Former Commodity Futures Trading Commission (CFTC) Chairman J. Christopher Giancarlo has announced that he will [join law firm Willkie Farr & Gallagher](#) as a senior counsel. Giancarlo is widely regarded as the "Crypto Dad" within large circles of the crypto space, primarily because of his public lobbying for a blockchain-based digital dollar.

In an [op-ed for the Wall Street Journal](#) published in October of this year, Giancarlo and Daniel Gorfine, former director of [LabCFTC](#), the US watchdog's focal point for the promotion responsible Fintech innovation, proposed a blockchain protocol to digitise cash in order to allow the dollar to compete "in the new digital era."

Their USD-backed stablecoin proposal was envisioned to be used for daily transactions both within the US and internationally. It was to be created and administered by a privacy entity, as opposed to a central bank or other government entity, and primarily depend on participation from the Federal Reserve, commercial banks, non-bank intermediaries, technology companies and social-media platforms.

While he was working for the agency, Giancarlo advocated for a soft regulatory perspective on the cryptocurrency sector in testimony before Congress, earning himself major support from industry members in the process.