

Article Information

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Blockchain Bites: Chainalysis release new criminals in crypto report, IBM secure patent for 'self-aware' token, Uzbekistan unravel new STO framework, India goes back to school with blockchain

Chainalysis have released their 2020 report summarising what, how and where cryptocurrency is being used for illicit activity, IBM has been awarded a patent for the development of a "self-aware token", India are developing a blockchain-based solution for improving the quality of government schools, and Emurgo have partnered with Uzbekistan's National Agency of Project Management (NAPM) in order to establish a regulatory framework for security token offerings. Michael Bacina, Tom Skevington and Petros Xenos of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and crypto.

Cryptocurrency and criminals: assessing the evidence in Chainalysis' 2020 Report

Blockchain analysis company [Chainalysis](#) has released their [2020 report summarising](#) what, how and where cryptocurrency is being used for illicit activity.

Expanding on its [2019 report](#), the [2020 Crypto Crime Report](#) includes research using Chainalysis' blockchain data and analysis tools and case studies on the trends shaping law enforcement and compliance for cryptocurrency in 2020, including:

1. the evolution of darknet markets;
2. the role OTC desks and exchanges play in money laundering; and
3. the cryptocurrency scams that have cost victims billions.

The report also found that the vast majority of darknet market transactions flow through exchanges, including peer to peer exchanges. The report also found that, "while darknet markets' total share of incoming cryptocurrency activity remains extremely low at 0.08%, recent increased volume speaks to the resilience of darknet markets in the face of heightened law enforcement scrutiny."

A common remark in any discussion around cryptoassets, blockchain and criminal activity is that most criminals use privacy-focused coins such as Monero, Dash or Zcash, and that any analysis of major cryptoassets doesn't take this into account. This argument remains more theoretical than practical, with Chainalysis commenting that, "as the most popular cryptocurrency, Bitcoin continues to represent the vast majority of funds used in criminal activity, [it is] an adequate representation for examining money laundering in cryptocurrency as a whole."

IBM secures patent for 'Self-Aware Token', is definitely not building Skynet

Tech giant [IBM](#) has been awarded a patent for the development of a "[self-aware token](#)" designed to record events of an offline transaction. The [patent](#) has been filed with the United States Patent and Trademark Office, and sets out a process involving the use of financial data in an electronic currency network with e-commerce tokens but involving offline transactions.

The device integrates a so-called “[self-aware token](#)” to track and document instances of offline transactions. The patent describes the use of the token as follows, “in the event a user of the platform makes an off-line transaction involving a token from the platform then a system is needed to allow a token to re-appear on-line at a later time and continue to be authenticated, validated, and rated by the platform. It is believed such a system would constitute a significant improvement to the art of financial data processing.”

There are intriguing possibilities to a “self-aware token” to help bridge the purely crypto world and the real assets which underpin almost all financial products available in the markets today. There is no question that being able to better verify, authenticate and organize transactions via different forms of payment and exchange that have historically had little or no contact would be a significant improvement if it can be executed properly, and potentially have serious implications for legal work.

LocalBitcoins shuts down accounts across the globe

[LocalBitcoins](#), one of the oldest cryptocurrency exchanges, has begun to suspend the accounts of long-term users without notice. It was recently [reported](#) that across at least three regions, including Asia, Africa, and the Middle East, accounts were being “deactivated,” as LocalBitcoins users received messages from the exchange operator telling them they could take out their Bitcoin holdings by deleting their account.

Some users were not able to access their funds, as one Nigerian user who manages a three-year-old account said that his customer’s account had been shut down with no warning or notification that it might be reactivated. This would not be the first time an exchange has been crippled by a new Directive, with crypto derivative trading platforms such as [Deribit](#), [announcing](#) that from 10 February they would restructure out of British Virgin Islands, due to increased oversight and the costs of having to “*demand an extensive amount of information from our current and future customers*” stated as the main reasons. U.K based custodial wallet provider [Bottle Pay](#) and crypto mining pool [Simplecoin](#), have also shut down in anticipation of the AMLD5 implementation in their countries.

George Lucas uses force to Raiz Bitcoin for investors...

In a recent [email sent to investors](#), George Lucas, CEO and Managing Director of micro-investing app [Raiz](#) (sadly not the Star Wars Lucas), confirmed that Raiz plans to deliver a portfolio including an asset allocation including Bitcoin launching in June 2020. This email follows a story in the [Australian Financial Review](#) which suggested that ASIC had issued Raiz “relief to operate a Bitcoin retail fund”.

All operators of retail managed investment schemes are required to lodge their Product Disclosure Statement (PDS) and Compliance Plan with ASIC for approval. The [PDS currently available on Raiz's website](#) is dated 16 December 2019, and is likely to have been amended to update the PDS’s disclosure of risks to include risks specific to investing in and holding Bitcoin. Similarly, to ensure it can comply with section 601HA of the Corporations Act, Raiz will have, or will need to, amend its Compliance Plan to incorporate how it manages the specific risks around Bitcoin. Before publishing an amended PDS, and implementing an amended Compliance Plan, Raiz is required to lodge the amended documents with ASIC for approval.

However, after issuing a [new compliance update regarding cryptocurrency-related activity](#) on 1 August 2019, the ASX has made it clear that it views any interaction with cryptocurrency by a listed entity with a generous amount of skepticism. In particular, the ASX has provided that for listed entities considering a cryptocurrency activity, the ASX’s primary areas of concern are compliance with:

1. [Listing Rule 3.1](#) (Continuous disclosure – general rule);
2. [Listing Rule 11.1](#) (Significant transactions – change to activities); and
3. [Listing Rule 12.5](#) (Ongoing requirements – appropriate structure and operations).

It doesn’t seem likely that Raiz’s announcement should cause issues around the Listing Rules, but it remains to be seen whether the ASX begins to more closely monitor Raiz in future in response

Sacramento Kings to auction retired player’s jerseys on Ethereum

The relationship between blockchain and sports has matured significantly over the past few years, with the NBA proving to be the standard-bearers of innovation within the industry.

Last week, the Sacramento Kings basketball team worked with ConsenSys to launch a new blockchain-based [auction platform](#) to sell retired player’s jerseys on the Ethereum network.

The partnership permitted individuals to “live-bid” on retired jerseys, and was designed to counter fraud and ensure that

all bets, materials and transactions were authentic, valid and recorded to a transparent ledger. The Kings were concerned at the fraud that is common in sports-related auctions, particularly on the secondary market.

The Ethereum blockchain deployment lets users purchase the jerseys directly from the Kings themselves, steering away from individuals or resellers, “the total value of the [United States] sports memorabilia market has been valued at \$5.4 billion annually, yet there are no industry standards for authenticating items and protecting fans from purchasing counterfeit merchandise. Through this partnership, the Kings and ConsenSys are effectively increasing the resale potential for authenticated merchandise on secondary markets.”

A jersey worn during a game by Kings guard Buddy Hield received 73 bids and was sold for \$1,090 for the benefit of Hurricane Dorian relief. Proceeds from the auctions also went to the Sacramento Kings Foundation.

Independent Reserve announces Singapore expansion plans

Leading Australian cryptocurrency exchange Independent Reserve has announced that it will soon be expanding into Singapore. As part of the expansion, Independent Reserve will be adding Singaporean dollar trading pairs to the exchange.

Commenting on the motivation for the expansion plans, Adrian Przelozny, CEO and co-founder said that, “a number of positive moves by Singaporean regulators, including the introduction of the Payments Services Act by the Monetary Authority of Singapore (MAS).”

The [Payment Services Act \(the Act\)](#) was passed by Parliament on 14 January 2019, and recently came into effect on 28 January 2020. The [Explanatory Brief](#) published by MAS for the Act provides that the Act is intended to streamline payment services regulation by combining the Payment Systems (Oversight) Act (Cap. 222A) (“PS(O)A”) and the Money-Changing and Remittance Businesses Act (Cap. 187) into a single piece of legislation.

Back to School: India hits the blockchain books to streamline schools

Indian Telecoms and IT Minister, Ravi Shankar Prasad, has tasked the National Informatics Centre (**NIC**) with developing a blockchain-based solution for improving the quality of government schools.

It has been [recently reported](#) that the Minister made the request at the inauguration of a blockchain technology Center of Excellence, set up by NIC in Bengaluru. Plans to develop a ‘proof of concept’ model on implementing blockchain-as-a-service have begun, as Prasad reinforced that it was necessary that the “blockchain revolution” started at the root level and be implemented in primary education in government as well as private schools.

Prasad said, “The NIC and local state authorities should open their doors for startups working under defined norms. I am very keen [to see] how we can leverage blockchain in primary education. In fact, today I am going to give you a task, NIC team. Can you think of a good application of blockchain technology for improving the quality of government schools all over the country?”

Event: Blockchain for Social Good @ Piper Alderman

On 17 February 2020, Women in Blockchain, Blockchain Australia: Young Professionals and Crypto Fire Alliance will join together to host a Women in Blockchain event at Piper Alderman’s Sydney Office.

Crypto Fire Alliance is seeking to raise crypto funds to assist those impacted by the ongoing Australian Bushfire Crisis.

Tickets are available [here](#) with all proceeds going to Crypto Fire Alliance.

Uzbekistan to unravel security token framework

The [Cardano blockchain’s](#) commercial arm, [Emurgo](#), has partnered with [Uzbekistan’s National Agency of Project Management](#) (NAPM) in order to establish a regulatory framework for security token offerings (STOs) and exchanges.

As part of the agreement, the collaboration will involve the creation of a task force for the integration of blockchain technology finance. [KOBIA Group](#) and [Infinity Blockchain Holdings](#) have both been announced to aid in the development of the task force as advisors.

Emurgo will work with KOBIA to provide advisory services regarding digital asset banking, digital asset exchanges, and general education on blockchain. The task force said it will explore the possibility of the Cardano blockchain playing a role by providing the infrastructure for its developments. Emurgo will also provide advisory services to develop and mutually explore the potential for Cardano’s third-generation blockchain for infrastructure projects.

According to a recent [report](#) from the World Bank, an estimated 37% of Uzbekistan's 31 million people are unbanked, providing the perfect foreground for EMURGO to deliver digital banking and STO services to the unbanked masses. It will be interesting to see how this project develops.