

Article Information

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Blockchain Bites: Supreme Court of India reverse digital currency banking ban, Lloyds launches digital currency insurance, NSW District Court approves digital currencies for security for costs, the Bank of International Settlements releases CBDC reports, Coronavirus stalls release of the digital yuan

The Supreme Court of India has struck down a 2018 circular issued Reserve Bank of India preventing regulated entities from dealing with blockchain businesses, Lloyds of London launches a new insurance policy designed to protect digital currency held in hot wallets, the New South Wales District Court recently made an interim order approving the use of a digital currency exchange account as security for costs, the Bank of International Settlements releases a series of reports on CBDCs, and the coronavirus outbreak has slowed down the pace of development of China's proposed CBDC. 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 Digital Law.

Supreme Court of India quashes crypto banking ban

In a landmark decision, the [Supreme Court of India](#) has [struck down](#) a circular issued by the [Reserve Bank of India \(RBI\)](#) on [5 April 2018](#), which instructed regulated entities not to deal with or provide services to any individual or business entities dealing with or settling digital currencies, in particular cryptocurrencies.

Without outright banning the use of digital currency, this effectively prevented any business which dealt in digital currencies from operating in India. In the [180-page\(!\) judgment](#), the Supreme Court ordered that the April 2018 circular be set aside *"on the ground of proportionality"*, saying *"When the consistent stand of RBI is that they have not banned VCs [virtual currencies] ... it is not possible for us to hold that the impugned measure is proportionate."*

This represents an interesting shift in approach with Courts moving increasingly to recognise the validity of digital assets as property in the UK and Australia, and perhaps India may soon follow suit.

Lloyds of London launches digital currency insurance

UK-based insurance giant [Lloyds of London](#) has [announced](#) the launch of a new insurance policy designed to protect digital currency held in hot wallets. The new policy is a liability insurance policy, and will have dynamic limits that increase or decrease in line with the price movements in digital currencies.

The new policy was created by Lloyd's syndicate [Atrium](#) in conjunction with [Coincover](#), and is backed by a panel of other Lloyd's insurers, which includes [TMK](#) and [Markel](#), all of whom are members of Lloyd's [Product Innovation Facility](#).

The dynamic limit of the policy, which starts from as little as £1,000, means that the policy holder can be indemnified for the underlying value of their digital currency even if the value fluctuates over the policy period.

Facebook backing away from Libra towards fiat denominated tokens

[Unverified reports](#) have emerged suggesting that the Facebook Wallet project Calibra will not be supporting Libra tokens upon launch but will instead support separate fiat currency backed tokens for each nation. It remains to be seen if the entire Libra project pivots to nation specific currency denominations to overcome this UX challenge, which may well occur, even if there remains a core Libra token acting as a payment rails to permit transfers between different national denominations.

Such an approach, while not reaching the levels of decentralisation which some might wish for, could still lead to a highly efficient foreign exchange system leveraging off of Facebook's dramatic global reach, and permitting smart contracts to be engaged with automatic hedging of denominations with Libra tokens underneath.

Bank for International Settlements considers CBDC technology requirements

The [Bank for International Settlements \(BIS\)](#) has released a report 'The technology of retail central bank digital currency' by [Raphael Auer](#) and [Rainer Boehme](#) which considers the technological design considerations for a retail CBDC. It explicitly excludes any discussion of the case for or against issuance of a CBDC, as well as the systemic implications of CBDCs and how these might be managed.

The report frames the technological requirements of a CBDC in terms of the underlying consumer needs a CBDC should be designed to address. In doing so, the report suggests that "the consumer's prime need is that the CBDC embodies a cash-like claim on the central bank, ideally transferable in peer-to-peer settings." The BIS then considers how the architecture of a CBDC would differ depending on the proposed legal structure of claims against the CBDC and the respective operational roles of the central bank and private institutions in payments.

In considering the way forward, the report acknowledges that as use of cash declines, and "*related developments in the private sector*" accelerate (read: Libra), central banks will need to "*step up*". While [early steps are being taken](#), there is some way to go. The BIS report and research into this exciting space is sure to help many central banks drive further forward with their own CBDC projects.

Blockchain: brewing a better coffee?

Low prices paid to coffee farmers and rampant speculation in the market have jeopardized the future of the coffee industry in recent years. The [iFinsa platform](#) is aiming to streamline trade, and provide coffee companies with full traceability to the farm gate.

The iFinsa platform says it utilises a network of verified transactions, and each actor in a supply chain has equal access to information. The iFinsa platform has grown since its launch in October 2019 to include 38 exporters, 14 importers, 26 roasters and 19 cafes, and 9,430 individual farmers and 13 cooperatives across Colombia, Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Haiti and the Dominican Republic.

Despite this concern, in the initial trading period, iFinsa say they demonstrated a verifiable increase in price per pound for smallholder farmers, which has been put down to consumers valuing very specific details about their coffee and presumably paying more for that information.

Lawsuit alleging Ripple's XRP is unregistered security strides forward

[The Court of the Northern District of California](#) has decided to allow a lawsuit alleging that [Ripple's](#) XRP crypto asset is an unregistered security.

[Orders](#) released by Judge Phyllis Hamilton of the Court of the Northern District of California ruled to only partially grant Ripple's motion to dismiss the lawsuit against it.

The lawsuit was ignited by Bradley Sostack in August 2019 as a class action on behalf of all those who purchased Ripple XRP tokens issued and sold by Ripple during their initial coin offering. He [alleges](#) that the firm conducted an unlawful scheme to raise hundreds of millions of dollars through sales of XRP (an alleged unregistered security) to retail investors in violation of the registration provisions of US federal and state securities laws.

NSW District Court approves digital currency as security for costs

As part of a New South Wales District Court defamation action, Judge Judith Gibson recently made an interim [order](#) approving the use of a cryptocurrency exchange account as security for costs. The decision is *Hague v Cordiner (No. 2)* [\[2020\] NSWDC 23](#).

In this case, the defendant sought an order for security for costs under rule 42.21 of the [Uniform Civil Procedure Rules 2005 \(NSW\)](#) against the plaintiff on the basis that, "the plaintiff is ordinarily resident outside Australia and/or has

misstated his address in Australia with intent to deceive.”

The parties agreed that an order for security was appropriate, and that the amount of security would be \$20,000, but could not agree on what form the security would take. In this case the plaintiff proposed using their digital currency reserves held at the popular Australian digital currency exchange BTC Markets. The defendant opposed the use of digital currency as security primarily on the basis that *“while the account from which these funds would come is in Australian dollars, it represents a highly unstable form of investment”*.

Ultimately, the plaintiff was ordered to give an undertaking to the Court which included that he not dispose of the value of the cryptocurrency in his BTC Markets account to cause it to drop below \$20,000, to notify the other side if the balance of BTC Markets account drops below \$20,000 and provide copies of the statements of the balance on the exchange once a month. Interestingly the undertaking provided that there would be no restriction otherwise on the Plaintiff withdrawing amounts from the BTC Markets account.

Bank of China: Coronavirus causing crawl on CBDC release

It has been [reported](#) that the coronavirus (COVID-19) outbreak has impacted the pace of work on China’s proposed central bank digital currency (CBDC).

An unnamed source is quoted as saying, *“the coronavirus outbreak has led to postponed work resumption in government institutions, including the People’s Bank of China (PBC). Policymakers and research staff involved in the Digital Currency Electronic Payment (DCEP) project are no exception, which weighs on the development process.”*

Since the outbreak in Wuhan, the Chinese government has been forced to quarantine large sections of the country, resulting in over 780 million people placed under travel restrictions and thousands of small businesses to shut down.

However, despite the delays caused by the virus, sources close to the development of the CBDC affirm that authorities are intent on moving forward with their plans for the project. Although, it can be rightfully argued that moving forward with its development may be beneficial in containing the spread of the virus, as digital currencies would reduce the need for hand-to-hand exchange of fiat currency notes.

CryptoKitties sharpen their claws for the UFC Octagon...

[Dapper Labs](#), the company behind CryptoKitties, has [announced](#) a partnership with leading mixed martial arts promotion, the [Ultimate Fighting Championship \(UFC\)](#). The partnership will allow UFC fans to own, maintain, and trade UFC-branded collectibles on Dapper Labs’ Flow platform.

[Flow](#) is Dapper Labs’ upcoming blockchain project, claiming to be a developer-friendly platform for building blockchain apps, games and digital assets to allow fans to own tokenised representations of collectibles including a number of fighters within the UFC, basically resembling Tamagotchis (remember those?). Fans will be able to train, level up, and even manage diets to qualify for different weight classes.

In game collectibles are a significant and growing area of gaming, and crypto-graphically secured non-fungible tokens represent a new kind of collectible object which can live on digitally for extended periods of time while permitting the owner to prove their ownership and the provenance of the collectible. It may seem like a frivolous use of blockchain but enables testing which is relevant to many other blockchain deployments.

Australian Stock Exchange details billions of efficiency in distributed ledger deployment

Following the closure of written submissions to the [Senate Select Committee on Fintech and Regtech](#), the Australian Stock Exchange ([ASX](#)) was invited to expand on its written submissions before the Committee in person with the Senators on the committee showing particular interest in the ASX’s distributed ledger (don’t say Blockchain) based [CHESS Replacement](#) project.

The ASX was represented by Peter Hiom, Deputy Chief Executive Officer, Cliff Richards, Executive General manager, Equity Post-Trade Services and Dan Chesterman, Chief information Officer. The ASX CHESS replacement has long been seen as a piece of leading innovation in the Australian financial and blockchain world.

The committee is expected to present its final report on or before the first parliamentary sitting day in October 2020.