

Article Information

Authors: Michael Bacina, Petros Xenos, Tom Skevington

Service: Blockchain

Sector: Financial Services, FinTech

Blockchain Bites: Bank of England publishes CBDC discussion paper, Blockchain Professionals meetup goes virtual, China receives further funding for CBDC project, ATO targets crypto trading taxpayers, EY, Microsoft and Consensys collaborate on Baseline Protocol, Figure securitises \$150m of home loans, US Congress consider Crypto Currency Act of 2020, French Court finds Bitcoin is equivalent to fiat, Brazil fights fraud with blockchain

The Bank of England releases a CBDC Discussion Paper, Blockchain Professionals Sydney goes virtual, the ATO sends reminders to taxpayers regarding crypto trading, EY, Microsoft and Consensys collaborate on Baseline protocol for Ethereum, Figure completes a \$150 million home loan securitisation project, United States congressman, Representative Paul Gosar (R-AZ), introduces the US Congress the 'Crypto-Currency Act of 2020', the Commercial Court of Nanterre in France finds Bitcoin to be an intangible asset with an exchange value equivalent to that of a fiat currency, and Brazilian Ministry of Education proposes a blockchain-based platform for the digital issuance of diplomas, to fight the falsification of university qualifications. 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.

Bank of England releases a Central Bank Digital Currency discussion paper

The [Bank of England](#) has published a [discussion paper considering a central bank digital currency \(CBDC\)](#) for the UK, intended to be part of the Bank's engagement on the benefits, risks and practicalities of introducing a CBDC.

The Discussion Paper is riddled with disclaimers, and the Bank is at pains to emphasise that it *"has not yet made a decision on whether to introduce CBDC"*.

The body of the Discussion Paper is taken up by an exploration of the opportunities for the Bank to achieve its existing monetary policy and market integrity objectives, and consideration of the objectives, design principles, policy challenges and risks that would need to be considered and managed to support the introduction of a CBDC.

Blockchain Professionals meetup on CBDCs goes virtual

The next [Blockchain Professionals](#) meetup on 25 March 2020 covering CBDC's with Michael Bacina will be hosted on Youtube Live, as part of the Sydney blockchain community doing its part to help contain the COVID-19 pandemic.

At the live broadcast, Michael Bacina will be speaking about Central Bank Digital Currencies, including how they work, what they can do and which banks are deploying them. Michael will also discuss whether we are likely to see an Australian

Digital Dollar soon, as well as what is the likely impact for Blockchain and DeFi.

China champions central bank blockchain trade finance platform

The People's Bank of China (PBoC) is reportedly set to receive 32.35 million yuan (around AUD\$7.2 million) in "special funding" from the government over a three-year period for the purposes of research and development into the trade initiative.

Known officially as the Bay Area Trade Finance Blockchain Platform, banks and businesses store order, logistics and transaction data onto the system, with the intended purpose of creating new transaction efficiencies. It also provides regulators with greater oversight and grants access for smaller and medium-sized enterprises (SMEs) to more sophisticated financing tools.

This platform is led by the PBoC's Digital Currency Research Lab, and is available to businesses based in Shenzhen, a mainland city neighboring Hong Kong. Major commercial banks, including [Bank of China](#), [Ping An](#) and [Standard Chartered](#), were invited to trial the platform when it [entered](#) the public testing phase in September 2018.

ATO targets crypto trading taxpayers with "friendly" reminders

The [Australian Tax Office](#) (ATO) has begun sending "friendly" reminders to taxpayers who transacted in digital currencies in the 2018 financial year. In the coming two months, the ATO expects to contact "*as many as 350,000 individuals who have traded in cryptocurrency in the last few years.*"

The ATO will reportedly be writing to taxpayers that it suspects of holding or transacting cryptocurrency asking them to confirm whether they have reported any digital currency transaction activity. This is expected regardless of whether or not the taxpayer has sold or traded over the past financial year. The purpose of these communications is to "remind them of their tax obligations and the records they should be keeping."

These reminders follow from the ATO's April 2019 [announcement](#) that they had been using data matching techniques against data obtained from digital currency exchanges. While the ATO haven't explicitly confirmed it, there's no doubt that data will be used to compare against tax returns lodged with the ATO.

EY, Microsoft and Consensys collaborate on creation of Baseline protocol for Ethereum

[EY](#) recently announced the launch of the open-source Baseline Protocol, a smart contract and tokenization platform purpose-built for enterprises on top of the public Ethereum blockchain in collaboration with [Microsoft](#) and [Consensys](#). The announcement claims that the Baseline Protocol will integrate all the latest innovations in blockchain technology, including "*zero knowledge proofs, off-chain storage and distributed identity*", all while maintaining full privacy so that no sensitive business information is stored on the publicly accessible Ethereum blockchain.

The protocol appears to be a step towards growing confidence in the accessibility of public blockchain technology to larger enterprises, who traditionally rely on closed proprietary systems to run their ERP, CRM and other internal systems of record. Indeed, the Baseline Protocol claims that it intended to overcome the difficulties businesses have had integrating blockchain with the high standards of privacy, security and performance required by corporate IT departments. This latest development joins an increasingly long list of EY's blockchain achievements, including the recently released [Smart Contract Analyser](#), its first generation of [EY Ops Chain Public Edition](#) being released into the public domain, as well as the second generation of EY Ops Chain and [EY Blockchain Analyzer](#).

Figure securitises \$150M of home equity loans on Provenance Blockchain

[Figure Technologies](#) has announced the completion of the first securitisation of a bundle of home equity lines of credit, worth over \$150 million, on a blockchain. Figure is touting the achievement as the first time such a transaction has taken place entirely on a blockchain, from origination of the loans to the issuance of the bonds to the collection of borrowers' monthly payments.

The parties to the transaction included Figure as the originator, Jefferies Group (structuring agent, lead underwriter, and warehouse provider), Nomura Securities International, Inc. (lead underwriter), Tilden Park Capital (loan contributor and subordinate note buyer) and an unnamed large asset manager (senior note buyer).

Figure says it can approve a securitised home equity line of credit in five minutes and fund the loan in five days instead of the typical 30 to 60 days, and claims its technology could save \$30 billion in costs for the \$3 trillion annual securitisation market if applied widely.

French Court finds Bitcoin is equivalent to fiat

In an [unpublished](#) decision arising out of a dispute between a digital currency exchange and lender, the Commercial Court of Nanterre in France found that Bitcoin is an intangible asset with an exchange value, equivalent to fiat money at law. While this decision is subject to review, it is important in that it allows facilitates Bitcoin (and potentially other digital currencies in future) being treated like money or other regulated financial instruments.

The decision arose from a dispute between French digital currency exchange [Paymium](#) and the UK-based alternative investments firm [BitSpread](#) as to ownership of assets following a hard fork. The decision is viewed as positive for the digital currency space in France. For instance, lawyer [Hubert de Vauplane](#) believes that this decision now permits Bitcoin to be legally used as currency in France and will lead to an increase in the number of Bitcoin transactions in France.

He also stated, “[the decision] will, therefore, facilitate Bitcoin transactions, such as lending or repo transactions, which are growing, and thus favor the liquidity of the cryptocurrency market.” This decision represents another step towards legal clarity on the nature of Bitcoin, and follows legal recognition of digital currencies by the [UK](#) and in Australia in a [recent case](#).

US Congressman canvasses Crypto Currency Act of 2020

A United States congressman, Representative Paul Gosar (R-AZ), has introduced to US Congress the “[Crypto-Currency Act of 2020](#).” This Bill is intended to clarify and determine which U.S. regulator is responsible for different digital assets.

The Bill is intended to solidify the status of digital assets as crypto-commodities rather than crypto-currencies, as the classification of “crypto-currency” reads in the Bill as, “representations of United States currency or synthetic derivatives.”

The bill is an updated version of the version first [leaked](#) in December, and expands on definitions for terms such as “decentralized cryptographic ledger” and “smart contract.” The updated bill is also more explicit in determining the “primary” rather than “sole” regulatory responsibility, which could weaken the legal standing of crypto businesses arguing that the SEC does not have a right to regulate them.

Brazil Ministry of Education fights fake diplomas with blockchain

The Brazilian Ministry of Education (**MEC**) has proposed a blockchain-based platform for the digital issuance of diplomas, in a bid to combat the falsification of university qualifications. Reports suggest that Abraham Weintraub, Brazil’s [Minister of Education](#) is championing the proposal. Brazilian media reports that the proposed blockchain platform will be funded by the private universities who are expected to use the platform. At the time of writing, at least 14 private universities have expressed interest in the MEC’s proposal to implement such technology.

While the proposal only covers Brazil’s non-state universities, the MEC has also recently implemented requirements for all tertiary institutions to issue diplomas in digital form, so there is clear scope for the proposal to cover public universities in future. The MEC’s proposal follows the example set by the [National University of Colombia](#), which has been offering digital diplomas through a blockchain platform [since 2019](#).