

Article Information

Authors: Louisa Xu, Michael Bacina, Tom Skevington

Service: Blockchain

Sector: Financial Services, FinTech, IT & Telecommunications

Blockchain Bites: NZ High Court finds that digital assets are property, The Bitcoin Fund's 3 year journey to list on the TSX, 1st cross border islamic finance blockchain transaction, and Telegram litigation continues

Michael Bacina, Tom Skevington, Louisa Xu and Petros Xenos of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and Digital Law.

New Zealand High Court finds that digital assets are property

The New Zealand High Court has handed down its [judgment](#) in relation to the assets of the digital asset exchange Cryptopia.

Justice Gendall found that users of the exchange are entitled to the digital currency held in Cryptopia accounts, and that those cryptocurrencies should be classed as "property" on the basis they were held in separate trust accounts.

While NZ precedents are not often cited overseas, this is yet another Court led recognition of digital assets as a form of recognizable property, and with digital currency exchanges continuing to grow, applying a consistent treatment and framework for digital assets will only grow in importance.

Read our full update [here](#).

The Bitcoin Fund's 3 year journey to list on the Toronto Stock Exchange

Last week a closed-end Bitcoin fund operated by Canadian firm [3iQ](#) listed almost 1.5 million Class A Units known as "[The Bitcoin Fund](#)" on the Toronto Stock Exchange (TSX) under the code [TSE: QBTC.U](#).

The fund's initial value is US\$14M and their journey is an instructive example of how a regulator responds to a request to list a fund involving illiquid assets such as digital assets, and grappling with issues such as custody and security of digital assets reliant on public private key technology.

3iQ has been reportedly in discussions with the powerful Ontario Securities Commission (the Canadian equivalent to the Securities and Exchanges Commission (SEC) in the USA and ASIC in Australia) for the past 3 years, including having a prospectus [rejected in February 2019 as "not in the public interest of Canadians"](#).

Read our full update [here](#).

Netherlands considers heavy handed 5AMLD implementation

Despite coming into effect in January, Europe's 5th Anti-Money Laundering Directive (5AMLD), each EU member state has to introduce domestic legislation to implement the 5AMLD regime in their own country.

To that effect, the Netherlands Ministry of Finance is considering a series of additional requirements which would impose a significantly higher financial burden on digital currency companies than conventional financial services businesses.

Foremost among the concerns of Dutch business is the suggestion that digital currency companies will be required to pay a structural levy to support industry supervision. Patrick van der Meijde, a founder of [Bitkassa](#), which helps users move between Bitcoin and fiat, told [Crypto Briefing](#) that 50 of the largest Dutch crypto companies would be required to pay approximately €1.7 million supervisory and compliance fees.

While industry funding is not a novel concept, Van der Meijde suggests that the proposed fees are significantly higher than the costs that traditional trust and credit card companies are required to pay.

Abu Dhabi Islamic Bank executes first cross border blockchain transaction

The [Abu Dhabi Islamic Bank](#) (ADIB) has become the first Islamic bank, also known as “non-interest banking based on the principles of Sharia law”, to have successfully [executed a cross-border trade finance distribution transaction](#) using blockchain technology in collaboration with [TradeAssets](#).

As early as 2016, Middle Eastern banks such as [Emirates NBD](#) (in partnership with [ICICI Bank](#) in India) have undertaken [pilot international trade finance transactions](#) and remittance on blockchain. In 2017 [Emirates Islamic](#) became the first Islamic bank in the UAE to [integrate blockchain technology into its cheques](#).

Decentralised exchange Bisq gets hacked

A hacker has exploited a security vulnerability in the trading protocol of decentralised Bitcoin exchange [Bisq](#), stealing around 3 BTC and 4000 XMR (~AUD\$350,000 at time of writing).

In a [statement](#) explaining how the hack took place, Bisq confirmed that a proposal will soon be created in the Bisq DAO, Bisq’s funding mechanism, that will aim to repay the 7 victims of the hack from future trading revenues. This is an interesting example of community response to a software failure involving no lawyers, police or judicial action.

While decentralised exchanges are sometimes considered to be safer, or less of a target to hackers due to the lack of a centralised “honeypot” exchange wallet containing significant funds, this hack still serves as a timely reminder that minor lapses in security are all it takes for funds to be lost, even in a decentralised scenario.

CFTC demands default after failing to find \$147 million bitcoin ponzi scheme founder

[The United States Commodity Futures Trading Commission](#) (CFTC) has [requested](#) that it be granted a default judgment against Benjamin Reynolds, the alleged founder of ponzi scheme Control-Finance.

The filing requesting a default judgment comes after Control-Finance’s alleged founder and director, Benjamin Reynolds, failed to respond to the regulator’s initial complaint lodged in June 2019.

Japan digital currency regulations to commence in May

From 1 May 2020, Japan will [start enforcing](#) the amended legislation passed in 2019 to regulate digital assets.

Passed in June 2019, the Payment Services Act and Financial Instruments and Exchange Act were meant to come into effect from April 2020, but were been delayed.

The overall market consensus seems to be that the changes are broadly positive, and are a step in the right direction to encourage more digital asset and blockchain activity in Japan. This is in keeping with Japan’s long history of embracing blockchain, with Bitcoin recognised as legal tender and being home to the infamous Mt Gox at one point handling more bitcoin transactions than any other exchange.

Binance acquires Coinmarketcap

Global exchange giant Binance has [announced](#) that it recently completed the acquisition of CoinMarketCap, the world’s largest cryptocurrency data tracking site for an undisclosed sum.

Commenting on the acquisition, [Changpeng Zhao](#) (CZ), founder and CEO of Binance, said that the acquisition has been in the works for some time, and was driven by the shared vision of making crypto assets more accessible and useful for people around the world. CZ said “*The acquisition will enable us to build on each other’s strengths, and further grow and instill transparency in the industry.*”

The announcement emphasises that Coinmarketcap “*will continue to be run as an independent business entity*”, and that:

“*While the Binance cryptocurrency exchange and its native token BNB are listed on CoinMarketCap, CoinMarketCap and*

Binance are separate entities that maintain a strict policy of independence from one another: Binance has no bearing on CoinMarketCap rankings, while CoinMarketCap has no influence over Binance's operations."

Telegram's request for clarification rejected by New York District Court

Following the New York District Court's grant of a preliminary injunction preventing Telegram from issuing its GRAM tokens on 24 March 2020, [Telegram's request for clarification has been soundly rejected](#).

Telegram was seeking confirmation that the court's judgment ought not to apply to non-US participants of the ICO, on the basis that those GRAM purchasers "*are not U.S. persons and that the Gram Purchase Agreements with these non-U.S. parties were entered into outside the United States through contracts containing foreign choice-of law provisions*".

District Judge P. Kevin Castel rejected Telegram's assertions, saying that that Telegram made no argument against the application of the preliminary injunction and that the wording of the injunction, which prohibits Telegram from "delivering GRAMS to any person or entity" has been clear to Telegram since October 2019, and part of the SEC's motion "since its inception".