

Article Information

Authors: Louisa Xu, Michael Bacina, Tom Skevington

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Blockchain Bites: Telegram blockchain discontinued, Personal Token Sales on a Roll, NZ High Court finds digital assets are property and more

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

Telegram calls time on TON blockchain project

Telegram CEO and founder Pavel Durov has announced that the Telegram Open Network (TON) project is being discontinued, following Telegram's defeat in the New York District Court over the grant of a preliminary injunction preventing Telegram from issuing its GRAM tokens. Fittingly, the announcement was made on Durov's public Telegram channel, with further details provided in a [blog post](#).

In the blog post, Durov explains that the decision is primarily due to the US Securities Exchange Commission successfully obtaining the grant of a preliminary injunction preventing Telegram from issuing its GRAM tokens. The announcement does not refer to Telegram's offer of refunds to its ICO investors, [discussed in detail here](#).

Personal Token Sales on a Roll

Another week, and another personal token sale is underway. In what is fast becoming a growing trend, well-known DeFi community member [Kerman Kohli](#) recently announced his [Initial \\$KERMAN Offering](#) - raising USD\$30k by issuing tokens on issuance platform [Roll](#).

The \$KERMAN Offering has followed the recent [NFT-backed \\$WHALE](#) offering, which itself followed the [Initial \\$ALEX Offering](#) a few weeks prior.

In short, these Personal Token Sales are being used as a way to leverage the reputation of prominent individuals to raise money, in response for a niche value proposition. More than fairly, there is ongoing debate within the broader digital currency ecosystem as to the legal status of these offerings.

Buterin confirms ETH 2.0 on track for July 2020 launch

Ethereum co-founder Vitalik Buterin, speaking at the 2020 Consensus: Distributed conference, has [confirmed](#) that Ethereum 2.0 (or ETH 2.0) is on schedule to meet its "Phase 0" pre-launch requirement in July 2020.

This latest deadline for the launch of ETH 2.0 was initially flagged in a reddit comment by Ethereum Foundation researcher Justin Drake, who [said](#) that the Ethereum's team of developers was looking forward to releasing ETH 2.0 phase 0 mainnet before 30th July 2020, to coincide with the fifth anniversary of the launch of ETH 1.0.

Blockchain brings trust to commercial drones says US Department of Transportation

The [US Department of Transportation](#) has issued a [report](#) on the benefits of blockchain in addressing the challenges of tracking, enforcement of flight violations and managing interference vulnerabilities of drones, also known as unmanned aircraft systems (**UAS**).

The report highlights the growth of recreational and commercial drones by federal agencies, local governments and research agencies where the number of UAS is 4 times greater than manned aircrafts. However, issues with managing safety, traffic operations and data management are proving problematic for aviation authorities. The US Department of Transportation states that blockchain could be part of the solution combined with machine learning to provide UAS registration, accountability and tracking.

Libra Association amends whitepaper: controversial changes or sensible simplification?

Since its [initial announcement](#) in June 2019, the Libra Association has been hammered by international [governments](#) and [regulators](#) about concerns over the initial proposal and [seen partners threatened if they did not leave the association](#). In a bid to address some of those concerns, the Libra Association has today published an amended white paper, detailing fundamental changes to the structure of the Libra project.

While some of these changes have been expected, Libra may well find itself jumping out of the frying pan and into the fire. Many of the changes are likely to only further enrage both privacy advocates and libertarian minded decentralisation advocates alike. It also remains to be seen whether the changes will enable a smoother path to international regulatory approval, which process has commenced with a licence application to the SWISS regulator FINMA, discussed further [here](#).

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 Marshall Island’s Central Bank Digital Currency, powered by Algorand

Forkless blockchain protocol Algorand has been in [negotiations](#) with the Republic of the Marshall Islands for some time for the island’s planned Central Bank Digital Currency (**CBDC**).

The SOV is described by the [SOV Foundation](#) and recognised under Marshall Island law (the [Declaration and Issuance of the Sovereign Currency Act 2018](#)) as “the new legal tender of the Marshall Islands”. The law establishing the SOV is 8 pages long, the same length as the original Bitcoin whitepaper.

Are two Blockchains better than one? Binance’s smart contract blockchain

[Binance recently published a whitepaper](#) announcing a new smart contract blockchain, Binance Smart Chain. Rather than adding smart contract functionality to the existing Binance Chain, which runs the Binance Decentralised Exchange (**Binance DEX**), the new Binance Smart Chain (**BSC**) will run parallel to the existing Binance Chain.

Version 0.1 of the white paper, published on 17 April 2020, states the decision to introduce smart contract functionality was a difficult one. The primary concern was that additional functionality could “slow down the exchange function and add non-deterministic factors to trading”. It appears that this was the key motivating factor for introducing a parallel blockchain.

NASDAQ partners with blockchain consortium R3 to deliver institutional digital asset services

Nasdaq, the world's second-largest stock exchange and capital markets technology company, has entered a partnership with R3, the enterprise blockchain solutions firm.

The partnership was [announced by R3](#) on 29 April 2020. The announcement also confirms that Nasdaq's Market Technology business will leverage R3's enterprise blockchain software Corda, along with professional services and support in building full lifecycle solutions for digital assets marketplaces.

The partnership purports to be long-term, but non-exclusive, meaning that Nasdaq can still explore and develop other digital asset or blockchain opportunities without R3's involvement.

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

Recently, 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](#).

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.

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.”