

Article Information

Authors: Louisa Xu, Michael Bacina, Tom Skevington

Service: Blockchain

Sector: Financial Services, FinTech

Blockchain Bites: US Congress considers virtual voting, class action launched against Block.one, VISA patents digital fiat currency and Australian arrest for exchange operator

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.

Blockchain remote voting tools considered by US Congress

A [US Senate Staff Memo](#) has revealed that the US Congress is considering the adoption of a remote participation and voting system.

The Memo prepared by the Subcommittee Staff members stated that:

In 1918, Congress did not have technology available that would allow it to consider remote participation and voting. In 2020, that technology exists and should be considered as a means to protect members while allowing them to fulfill their constitutional duties to represent their constituents and legislate.

The Memo contained recommendations that, if remote voting was adopted, it should consider blockchain remote voting tools, end-to-end encrypted application remove voting tools and joint worldwide intelligence communication system voting tools.

Class action litigation launched against Block.one and EOS

Litigants are stepping up a block (sorry!) in the US, with a class action [complaint](#) being filed against [Block.one](#), CEO Brendan Blumer, CTO Dan Larimer, former Chief Strategy Officer Brock Pierce and former partner Ian Grigg. The complaint is made by the Crypto Assets Opportunity Fund (CAOF), along with individual investor Johnny Hong, on behalf of investors in EOS generally.

The [complaint](#) was filed in District Court in the Southern District of New York, a popular jurisdiction for securities litigation and turns on the allegation that EOS purposefully misled investors and artificially inflated the EOS token price during its initial coin offering (ICO), which ultimately raised over USD\$4.1 billion between June 2017 and June 2018.

Another (alleged) criminal caught courtesy of cryptocurrency

Another reminder of the power of public blockchains has seen a Russian national named Maksim Boiko arrested in Florida.

Boiko is a flamboyant rapper with a penchant for posting [instagram pictures](#) of his money, champagne and fancy holidays, is alleged to have been working with an international money laundering organisation known as QQAAZZ.

The FBI's affidavit in the case demonstrates that while most of the alleged money laundering occurred through, "vanilla" bank account opening and international wire transfers, the involvement of Bitcoin and the immutable record of transactions on that blockchain enabled the FBI to refer to what they call "open source information" for transfers in evidence in the action against Mr Boiko. This is yet another example of the immutable nature of Blockchain records being

part of court proceedings to help catch (alleged) criminals.

VISA determined to patent digital fiat currency

A patent application filed by [Visa](#) to create a digital currency on a blockchain [has been published](#) by the [United States Patent and Trademark Office \(USPTO\)](#). The patent was filed on 8 November 2019 in the name of the “Visa International Service Association” based out of San Francisco, with engineers Simon J. Hurry and Alexander Pierre credited as the inventors.

The patent is for a “digital fiat currency”, and describes the use of a central computer that receives unique serial numbers and denominations of a particular currency. Following verification, a “digital currency” is issued and the “removal of the underlying fiat” is recorded on a private or public blockchain.

The patent specifically considers Ethereum as a possible network at paragraphs [0135] to [0138], but this appears to be primarily intended as an example of how the proposed digital fiat currency could be run in practice. The patent also proposed a “private permissioned distributed ledger platform for managing the digital currency” at various other points.

EU bank customers can earn interest on Bitcoin deposits

[Bitwala](#) has [announced](#) that an interest-bearing Bitcoin account is now being offered to its European customers to provide passive income on Bitcoin deposits.

The neobank based in Germany, in partnership with [Celsius Network](#), is now allowing its customers to buy and deposit Bitcoin with the bank and earn interest, paid weekly, of up to **4.3% per annum**. The Bitcoin deposited in the bank accounts are loaned out by Celsius Network to the credit market. This is an interesting offering given the rise in decentralised finance (DeFi) networks offering interest on fully blockchain enabled loans – by permitting those holding Bitcoin to earn passive returns the bank may well be able to lend out the Bitcoin into DeFi systems at a rate greater than that they are offering customers and turn a tidy profit, while depositors don’t have to worry about custody of their Bitcoin and can have confidence of a bank holding their Bitcoin (or at least having the reserves to give an equivalent amount of Bitcoin back when requested).

Arrest for unauthorised Australian digital currency exchange operator

In what police have described as an Australian first, an individual in New South Wales has been charged with operating a digital currency exchange in Australia without being registered with AUSTRAC.

The arrest arose out of a police investigation that began in November 2018, when detectives from the New South Wales Crime Command’s Cybercrime Squad established Strike Force Kerriwah to investigate an online money laundering syndicate operating across NSW, unlawfully exchanging cash for cryptocurrency.

Under section 76A of the AML/CTF Act, the penalty for providing a digital currency exchange service without being registered with AUSTRAC is imprisonment for 2 years, 500 penalty units (\$105,000), or a combination of the two.

Digital Currency Custody creeps onward with Indian exchange signing BitGo

India has historically been hostile towards digital currencies, with a central bank circular [all but outlawing digital currency exchanges](#) until the [Supreme Court of India reversed that circular](#) in 2019.

Since then volumes of digital currency traded in India have soared and the digital currency exchanges, which previously fled the country, have returned and have had been bolstering their capabilities.

One such exchange is CoinDCX, which has seen trading volumes jump 47% in Q1 2020. As a result of this CoinDCX has signed up BitGo to provide custody for their bitcoin. BitGo has a [USD\\$100M Lloyds of London insurance policy](#) for their combined hot/cold wallet approach to custody and serves customers including The Royal Mint, Bitstamp and Nexo.