

Article Information

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Blockchain Bites: Mastercard expands digital asset partnerships, UK Treasury consults on crypto promotion, and US Comptroller finds banks can custody crypto

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.

Mastercard embraces digital currency integration with Accelerate program and Wirex partnership

Mastercard recently [announced](#) the expansion of its cryptocurrency program ‘[Accelerate](#)’, which gives digital payment providers a path to a Mastercard partnership. In addition to the expansion of the Accelerate program, Mastercard announced that London-based crypto payment processor [Wirex](#) is the first native cryptocurrency platform to be granted principal membership, enabling it to directly issue digital and crypto payment cards.

Principal membership with Mastercard enables an entity to issue Mastercard payment cards directly to consumers. With their card, consumers can instantly convert their digital currencies into traditional fiat currency, which can be spent everywhere Mastercard is accepted around the world. Of course, the cryptocurrency aspect is ring-fenced to the digital currency partner, and Mastercard confirms that currency will always enter Mastercard’s network as traditional fiat currency only.

Bank of England expands Digital Currency experiments for the extended future

The Governor of the [Bank of England](#), Andrew Bailey, has said that central bank digital currencies (CBDC) has been on the agenda for the Bank of England for some time and highlighted that it, if a CBDC is issued, it will have huge implications to the nature of payments in society.

Speaking at the Speakers for Schools [virtual talk](#), Mr Bailey said at [23.45] when responding to the question of whether he thinks digital currencies will replace money as we know it in the future he said:

That is a very big Bank of England question at the moment... We are looking at the question of, should we create a Bank of England digital currency

The Governor also said though they are not ruling out issuing digital currencies, the question

... will occupy us a lot in the years to come... My best guess though is that I think in a few years we will be heading towards some sort of digital currency.

Celebrities sue Youtube over clickbait giveaway scams - what happens next will SHOCK you

“[Random celebrity]’s investment secret has Big Banks terrified” – words that anyone who has googled “Bitcoin” more than once and spends a few hours a day on the internet will be intimately familiar with.

Recently, this kind of scam has been proliferating wildly on Youtube, with a reasonably sophisticated trap using familiar local celebrities. Members of our team (including the writers) have been inundated with Youtube advertisements claiming that tech entrepreneur Dick Smith is offering to double my Bitcoin, or that Andrew “Twiggy” Forest is dying to tell me the secret to making millions with Bitcoin, in a similar format to the thumbnail image.

The scam appears to be replicating faster than Youtube can wield their ban-hammer, which has led to Apple co-founder Steve Wozniak and 17 other individuals who are featured in the scam to file a [complaint](#) in the California Superior Court in the County of San Mateo.

Wozniak and his co-plaintiffs are accusing YouTube and Google of violating their rights of publicity, misappropriating their names and likenesses, as well as aiding and abetting fraud and a negligent failure to warn users of the scam by not taking enough steps to remove the scam.

UK Treasury proposes plan to protect retail investors from digital asset promotions

The UK government is [consulting on proposals to significantly expand the perimeter of its financial promotions regulations](#) to explicitly include digital asset promotion.

The [Financial Conduct Authority](#)’s (FCA) and broader UK Cryptoasset Taskforce has expressed a view that cryptoasset promotions should be held to the same high standards for that apply to the traditional financial services industry. This is a significant propose shift in approach for the UK, and one that will be watched closely.

The rationale for the proposal originally comes from the [UK Cryptoassets Taskforce final report](#), published in October 2018. The report included a finding that digital asset advertising is often targeted at retail investors, but is typically unclear and can be misleading.

Submissions remain open for the consultation until **25 October 2020** and may be emailed to crypto.finproms@hmtreasury.gov.uk.

US Currency Comptroller clarifies banks can provide digital currency custody to customers

The United States Office of the Comptroller of the Currency (OCC) has [published](#) an [interpretive letter](#) explicitly confirming that national banks’ and federal savings associations’ authority to provide cryptocurrency custody services for customers.

The clarification comes in the form of an interpretive letter, issued in response to an anonymous request “regarding the authority of a national bank to provide cryptocurrency custody services for customers.”

The letter goes to significant detail in considering the risks of banks providing digital asset custody services, including suggestions that:

Different cryptocurrencies may also be subject to different OCC regulations and guidance outside of the custody context, as well as non-OCC regulations. A national bank should consult with OCC supervisors as appropriate prior to engaging in cryptocurrency custody activities.

Brooks only recently joined the OCC as Acting Comptroller, [after leaving his previous position as Chief Legal Officer at global digital asset exchange Coinbase](#).

Alexander Vinnik, alleged money launderer, charged in France following Greek extradition

Alleged operator of notorious digital asset exchange BTC-e, Alexander Vinnik, has been extradited from Greece by French authorities seeking a criminal trial on counts of extortion, aggravated money laundering, conspiracy and harming automatic data-processing systems arising out of his alleged operation of BTC-e.

While the French investigation is ongoing, Vinnik’s French lawyers are arguing that:

There is no causal link between what Alexander Vinnik is being accused of and Alexander Vinnik...

Vinnik was arrested in Greece in 2017 and had been held by authorities in Greece since as France, Russia and the United States have argued over who would get to extradite him to face charges first. France has come out number one.

Kin case to continue as court finds Telegram precedent not binding for Kik

Kik enjoyed a (minor) victory recently, when United States District Court Judge Alvin K. Hellerstein rejected the SEC's argument that the details of the Kik case are substantially the same as the recent Telegram [settlement](#). The comment came during [submissions](#) on why each party's application for summary judgment should be granted, with both parties hoping to end the lawsuit before it really starts.

Emboldened by the SEC's [recent settlement with Telegram](#), SEC counsel Stephan Schlegelmilch argued during submissions that:

...the economic reality is that Kik engaged in an old-fashioned capital raise using a new-fangled device, the blockchain...

Kik supporters should hold off on celebrating just yet though, as Judge Hellerstein expressed scepticism that the Kin token is akin (sorry) to a currency, rather than a security.

Project Participate; the secret indicators of suspicion

Project Participate is a collaboration of the world's leading digital asset companies to discuss, on a strictly confidential basis, indicators of suspicious transactions. Companies involved include [Scotiabank](#), [Binance](#), [Bitfinex](#), [Tether](#) and [Chainalysis](#).

The confidential document titled "Indicators of Suspicion for Virtual Asset Service Providers" has been described by [Forbes](#) as the digital assets industry's very own Valachi papers. The document was formed in March 2019 and formally announced in June of the same year at [Europol's 6th Cryptocurrency Conference](#). The document goes to how the Virtual Asset Service Providers (VASP's) can better detect and deter the potential criminal use of their platforms.

DeFi decentralisation boom sees renewed VC interest

Former Andreessen Horowitz (**a16z**) investor Jesse Walden has [announced](#) the launch of a new venture capital firm called 'Variant Fund', focusing on blockchain platforms which decentralise ownership among users.

Renewed venture capital interest in the space is hardly surprising, with decentralised platforms going through something of a renaissance at the moment. With platforms like Compound, Uniswap, Synthetix and the like currently going from strength to strength, Walden argues that:

As user participation becomes evermore mainstream and complex, the next step is platforms that are not only built, operated, and funded by users, but **owned** by users too

Although Variant Fund has reportedly already made a number of early investments, they have yet to be announced. It remains unclear how much Variant Fund has or intends to raise for its first fund, and what its ideal investment stake will be. What is clear is that the movement towards commonly owned platforms relying on interlocking incentives and decentralised infrastructure will continue to grow.