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Blockchain Bites: French Central Bank completes CBDC pilot using digital euro, Creditors offered 90% of BTC tied up in Mt.Gox, Real estate group uses blockchain to issue $24M bond

Michael Bacina, Barbara Vrettos, and Jade McGlynn of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and Digital Law.

French Central Bank hails first funds transaction using digital euro
News has it that the Banque de France has successfully completed a pilot transaction with a central bank digital currency (**CBDC**). In its official announcement last Tuesday, the French Central Bank announced the results of its experiment which, completed last month, simulated cash transactions worth over €2 million ($2.4 million) using their digital alternative of fiat.

The French Central Bank joined forces with London-based SETL, a settlement and payments infrastructure provider, to gain access to the kind of blockchain technology and infrastructure necessary for the issuance and control of the digital currency. It was SETL's IZNES team, those responsible for SETL's French fund administration platform and private blockchain, that was responsible for facilitating the transaction.
This pilot is the first of eight wholesale CBDC trials the French Central Bank plans to conduct. In fact, the French Central Bank expects to make an overall report on those eight companies' trials as early as roughly the middle of 2021. What does this mean? This trial marks the beginning of France's meaningful steps forward in the CBDC space.

Restless creditors offered 90% of remaining Bitcoin tied up in Mt. Gox bankruptcy
Last week there was another step forward in the longstanding Mt Gox Saga when creditors of the bankrupt cryptocurrency exchange, have finally been given the chance to reclaim their digital assets before legal claims are settled.

As we have written about before, Mt. Gox was once the world's biggest Bitcoin exchange, until it was forced to close in 2014 after a mystery hack caused BTC850,000 belonging to thousands of customers to vanish from the exchange. Overtime, most of the missing bitcoins have been found and Alexander Vinnik, a Russian bitcoin exchange operator, has been charged in connection to the hack. But, as Mt Gox continues to be the subject of multiple lawsuits, the process of reimbursing the creditors has progressed at a snail's pace.

This golden opportunity for creditors has arisen out of an agreement between Nobuaki Kobayashi, the trustee to the Mt. Gox bankruptcy, and MGIFLP, a unit of Fortress Investment Group LLC, which subject to creditor acceptance, will allow creditors to claim up to 90% of the remaining Bitcoin tied up in the 2014 bankruptcy.

This development is rather significant if one considers what would happen if a significant portion of those lost bitcoin come on the market. Not only could this influx of digital assets have a significant effect on the supply of the leading cryptocurrency, but also its price. If the deal is accepted, once the distribution date for the bitcoin is decided, this could easily create strong selling pressure in the market.

German real estate group uses Stellar blockchain to issue $24M bond
Last week Vonovia, a major European real estate group, issued a EUR20 million (AUD 24 million) bond using the Stellar blockchain. According to the official announcement on 13 January, the blockchain-powered bond has a three-year term and uses security tokens for the transfer of real estate rights. The announcement also outlines that Vonovia collaborated with a Germany-based online marketplace, Firstwise, to issue the tokens.

In a nutshell, by using the blockchain technology for the transfer of real estate rights, the housing company plans to make the entire process of issuance more convenient and efficient. Commenting on the issuance, Chief Financial Officer at Vonovia, Helene von Roeder, summarised that blockchain-powered bond digitization has enabled the company to finance themselves "*faster, easier and cheaper*."

How? Blockchain bonds (or digital bonds) are like regular bonds, but faster and easier. Instead of buying and selling pieces of paper, they're issued and traded on the blockchain, which means they allow for instant settlement and remove the delays normally seen with traditional bond settlements.

When it comes to issuing bonds on blockchain, Vonovia is not the first to seize the opportunity. In August 2018, the World Bank and CommBank successfully launched project bond-i (blockchain operated new debt instrument) which Commbank claimed was:

> the world's first bond to be created, allocated, transferred and managed through its life cycle using blockchain technology.

Commbank similarly cited automation, efficiency, transparency, security, risk mitigation and productivity as key benefits of using a blockchain bond.

Both Australia and Germany are countries that continue to push for digital transformation. Who, we wonder, will be the next to follow suit?