

## Article Information

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# Blockchain Bites: Singapore driving digital documents forward, Central Bank of Nigeria: banks should not engage with digital currencies, Coinbase to trigger windfall gains for Westpac, Where is the dark side of digital currencies?

**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.**

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## Singapore driving digital documents forward

Singapore has recently refreshed their [Electronic Transactions Act \(Chapter 88\) \(ETA\)](#) to enhance business' and citizens' certainty, use of, and reliance on electronic transactions. This is the second comprehensive review of the ETA since it was first enacted 1998 and seeks to position Singapore competitively in the digital economy.

The Electronic Transactions Amendment Bill implements the [UNCITRAL Model Law on Electronic Transferable Records \(2017\)](#) which seeks to facilitate the legally recognised use of electronic transferable documents domestically and internationally. 'Transferable documents' are paper-based documents which give rights, to the person who has the document in their possession, to claim the performance of certain obligations. Typically, this includes bills of lading, bills of exchange and promissory notes. Previously, these documents have been excluded documents under the ETA but the ETA's expansion now allows these to be transacted digitally and potentially under smart contracts in the future.

Singapore has been involved in digital trade for some time and in 2019 conducted a [successful pilot trade](#) of US\$20 million worth of iron ore shipped from South Africa to China. This was conducted on IMDA's TradeTrust utility which is a blockchain platform where parties can communicate their trade instructions in real time. This pilot reduced the end-to-end trade document transit time from 45 days to 20 days.

In Australia electronic transactions have been governed by our own [Electronic Transactions Act 1999 \(Cth\)](#). This has allowed for electronic transmission largely for individuals but has previously presented barriers around documents such as Deeds and documents executed by companies.

COVID -19 presented some welcome temporary measures easing the paper-based compliance for these kinds of documents, however in order to align with the UNCITRAL's Model Law it is fitting that these not only be made permanent measures but continue to be expanded to give business the ability to transact as electronically as possible.

## Central Bank of Nigeria: banks should not engage with digital currencies

The [Central Bank of Nigeria \(CBN\)](#) has issued a notice to local banking institutions that it does not permit "dealing in cryptocurrencies or facilitating payments for cryptocurrency exchanges" in one of the strongest anti-digital currency positions of a Central Bank.

The CBN has again directed attention to it's [2017 circular](#) and that it still holds the same position it did four years ago: it will not recognise digital currencies as legal tender and will not approve any bank being involved due to "inherent risks". The 2017 paper repeats the same misguided and incorrect myths around the "opportunities" that digital currencies is said

to create for illegal activities, such as money laundering and terrorism, when all evidence is that there is no greater illegal activity in digital currencies, and likely less, than in the use of physical cash or in banks at present.

The CBN has taken the liberty of ordering all banks to close any accounts transacting with digital currencies. [It said:](#)

all banks should identify persons and/or entities transacting with cryptocurrency or operating crypto exchanges on their platforms and ensure that such accounts are closed immediately.

As [the use of digital currencies is only accelerating](#), the more suitable, long term solution would be for sensible regulation and education to address the perceived concerns. Countries like [Australia, Canada, and the Isle of Man](#) for example, have already enacted laws to cover digital assets transactions and the institutions that facilitate within existing anti-money laundering and counter-terrorist financing laws.

### **Coinbase to trigger windfall gains for Westpac**

Westpac's [Reinventure](#) fund is rumoured to be imminently yielding significant dividends for the bank, from an early investment the venture capital fund made into Coinbase.

Reinventure invested in [Coinbase](#), which is [courting a direct listing](#) (i.e. no initial public offering) on the NASDAQ exchange. Coinbase has a rumoured valuation of USD\$65 billion which would deliver a paper profit of around USD\$300 million to Reinventure.

Westpac's commitments of AUD\$150 million to Reinventure is split across three funds, the first being seeded by Westpac with AUD\$50 million in 2014. The Coinbase investment was part of this first fund. The return from the Coinbase investment alone will make Reinventure:

one of the best performing funds in the history of Australian venture capital.

Reinventure and Westpac have now decoupled and Reinventure is looking more broadly for funding for its fourth fund. This decoupling should allow Reinventure to invest more flexibly and potentially enter the decentralised finance space more heavily given the known [reluctance of Westpac](#) to pursue investments in technology which could challenge the existing monetary system.

Several banks have followed in Westpac's footsteps including [Nab Ventures](#), [ANZi](#) and [X15 Ventures](#) (Commonwealth Bank). It will be interesting to see whether these venture arms are also restricted by their owners hesitation to get involved in decentralised finance.

### **Where is the dark side of digital currencies?**

The link between digital currencies and criminal activity are the most well reported aspect of Bitcoin as the price rises and more people enter the marketplace. While Bitcoin was heavily used in connection with the online "ebay for drugs", the Silk Road, the immutable nature of transactions and the constant uncovering of wallet addresses has been nothing but a source of pain for criminals.

Just as law enforcement seizes cash during raids, digital assets are also being seized. The US Internal Revenue Service (**IRS**) recently recovered US\$1 billion in stolen bitcoin which were thought to be proceeds from the early days of the dark web drug marketplace Silk Road and connected to [the ongoing Mt Gox saga](#), where a hack led to [the collapse of the Mt Gox exchange](#).

Additionally, the Ontario Securities Commission has recently [released a review](#) of the failure of QuadrigaCX, a trading platform which collapsed following the death of its founder. Initially reported as a case of lost passwords causing the loss of digital currency, investigators used the immutable trail of blockchain transactions to discover that the platform met its downfall due to "*old fashioned fraud wrapped in modern technology*" with the founder funding his lavish lifestyle using CAD\$169M of other peoples' money while his own health failed and he ultimately died.

The simple truth is that a blockchain system is just a super secure ledger, and like any tool which can transfer measures of value, like cash, it can be used for good or for crime. What is being seen however, is a greater ability for third parties to monitor what is going on, without being shut out of the trails of payments which are usually hidden behind bank secrecy

and privacy laws.

Individual company misconduct or nefarious darknet actors are not reflective of the broader digital asset industry, however, it is a reminder of the risks. When engaging with new platforms it is important that customers understand what the platforms risk management procedures are and their operations. Separately, [and as previously mentioned](#), triangulation of law enforcement agencies cannot be understated in its importance to combat international crime.