

Article Information

Author: Michael Bacina

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Blockchain Bites: AU issues \$3M grants to prove blockchain potential, Brazilian BTC ETF brings bourse benefits, US CBDC coming soon?, Alleged Insta-scammer jailed in NYC, IMF Mission doubts Marshall Island's CBDC

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.

Australian government announces \$3M grants to demonstrate blockchain potential

[The Australian government has released two grants](#) of up to three million dollars to “develop measures that demonstrate the potential for blockchain to reduce regulatory compliance burden for business.” These grants will be used to fund two pilot projects that will take a particular focus on the Critical Minerals sector and the Food and Beverage sector.

[According to the government’s announcement](#), the overall objectives of the Blockchain Pilot grants are to:

- Reduce compliance costs for businesses
- Ensure buy-in from regulators
- Bolster blockchain literacy and contribute to the overarching objectives of the [national roadmap](#)
- Develop blockchain solutions for government and showcase to industry the viability of the regulatory efficiencies of blockchain
- Support the inclusion of blockchain in broader policy work to increase management capability around digital technologies.

The first Pilot 1 will be conducted in the Critical Minerals sector, and aims to:

build supply chain integrity and contribute to the Critical Minerals National Ethical Certification Scheme and help “critical” minerals businesses get more of their products to international markets. Given Australia’s exports to find cost savings for miners.

The second Pilot 2 will focus on the Food and Beverage sector and has a specific goal of addressing “the challenges faced by businesses complying with excise tax regulations throughout spirit production and supply”.

The Australian government’s initiative demonstrates their growing support for the use of blockchain technology in the Australian economy, and its recognition of the promising role the technology can play to reduce compliance burdens.

Applications can be made [here](#) and close 29 April 2021.

Brazilian Bitcoin ETF brings benefits to bourse

Following the three trailblazing Bitcoin Exchange Traded Funds (**ETFs**) being [listed in Canada](#) on the Toronto Stock Exchange, Brazil is now the [second country in the Americas](#) to approve a Bitcoin ETF.

Brazilian based [QR capital](#) received approval from the Brazilian Securities and Exchange Commission for listing on the [B3 Stock Exchange](#). The ETF is due to begin trading in June of this year and will be available to any Brazilian citizen and investors with a broker affiliated with B3. Sao Paulo based regulatory attorney, Rosine Kadamani, [said](#):

The approval of the ETF in Brazil is significant....because now there will be another option for investing in bitcoin in a regulated environment.

CEO of QR Capital, Fernando Carvalho, expressed that he saw the Bitcoin ETF as a “[game changer](#)” because it provides access to legacy markets, regulated investments and the ability to invest in these new assets without needing the technical knowledge to secure the assets using digital keys. Carvalho expects the adoption of Bitcoin ETFs to readily spread to other jurisdictions. These benefits may be why investors so quickly piled into Canada’s first Bitcoin ETF which saw “[inflows of \\$564 million in its first two days](#)”.

Custody providers for digital keys are becoming increasingly relevant and QR Capital will [reportedly](#) rely on international partners such as BitGo and Coinbase Custody based in the US. Interestingly, the [Canadian ETFs](#) also leveraged custodian providers based in the US such as [Gemini](#). The US appears to be a key supplier of custody solutions recognised as regulated in other jurisdictions without a Bitcoin ETF launching on any markets.

It will be interesting to see the US Securities and Exchange Commission’s approach to the proposed [VanEck’s Bitcoin ETF](#) or [Wise Origin Bitcoin ETF](#) and whether these further efforts to list will finally lead to a US Bitcoin ETF being approved.

Greenback Goes Digital: US CBDC coming soon?

[Mixed messages](#) in the US concerning Central Bank Digital Currencies (**CBDC**) have made it difficult to predict whether the US Federal Reserve would be seriously considering a move to make the US dollar digital. However, Federal Reserve

Chair Jerome Powell recently called a digital dollar a “[high priority project](#).” Some reports state that prototypes could be unveiled as early as the [Q3 of this year](#).

Powell emphasises that the Federal Reserve is not in a rush and [said](#):

We have an obligation to be on the cutting edge of understanding the technological challenges as well as the potential costs and benefits of a digital dollar. We don't need to rush this project.

The Federal Reserve's approach is not revolutionary but is important in building institutional knowledge and testing the waters for regulators. Since 2014, JP Koning has been advocating for a [peer-to-peer Fedcoin](#), but it is unclear whether the CBDC would be supported by distributed blockchain technology. Powell's intention for a CBDC to be launched in the existing monetary system is apparent. With reference to the [Bank for International Settlements report](#), which the Federal Reserve contributed to, [Powell said](#):

One of the three key principles highlighted in the [BIS] report is that a CBDC needs to coexist with cash and other types of money in a flexible and innovative payment system.

The Federal Reserve Bank is [collaborating with the Massachusetts Institute of Technology \(MIT\)](#) for the project. MIT aims to unveil two prototypes in July for the colloquially named ‘[Fedcoin](#).’

As is often the case, the US's change of tune regarding a CBDC may be influenced by key players such as [Mastercard and Visa](#) actively moving into and exploring digital currencies. It will be interesting to see whether MIT ultimately unveils a similar, integrative, approach to Mastercard and Visa have adopted or whether they seek to pioneer a digital currency to co-exist with existing systems to put incumbents at ease. Similarly the degree to which Koning's ideas are embraced or developed by the US Fed will be instructive for other countries which might not be moving as quickly towards a retail CBDC.

Alleged Instagram scammer Jay Mazini arrested in New York

Jay Mazini (real name Jegara Igbara), an Instagram “influencer” with almost 1,000,000 followers who posted viral videos of giveaways of cash, cars and electronics, including one video where he and rapper 50 Cent gave bundles of cash to drive thru customers and Burger King workers, has been [arrested in New York](#). He is accused of running a scam where he offered to buy Bitcoin at above market prices from his followers, but failed to pay for any of the Bitcoin delivered, committing wire fraud in the process.

FBI Assistant Director-in-Charge Sweeney [said](#) (and well done for a straight faced use of ‘Interwebs’):

Igbara's social media persona served as a backdrop for enticing victims to sell him their Bitcoin at attractive, but inflated, values. A behind-the-scenes look, however, revealed things aren't always as they seem. There was nothing philanthropic about the Bitcoin transactions Igbara engaged in with his victims. A quick search of the Interwebs today will reveal an entirely different image of this multimillion-dollar scammer

Those searches show others [claim](#) to have invested money in businesses started by Mr Mazini, with a civil claim being filed against Mr Mazini [at the start of March](#), claiming that the giveaways Mr Mazini conducted were really investor's money being given away.

Mr Mazini is also [accused of running illegal giveaways asserting](#) he would be inserting thousands of dollars in cash orders for clothes placed with his fashion company.

Whether there will be a defence, or what it will be, in either case, remains to be seen, but the evidence of Bitcoin transfers to Mr Mazini on a public blockchain, matching the wallet addresses he provided to victims, will be difficult pieces of evidence for Mr Mazini to challenge in the criminal case. It won't be surprising if further charges and claims are brought against Mr Mazini.

IMF Mission apprehensive of Marshall Island's CBDC

The hesitation from regulated bodies about CBDCs is well documented. Recently, Ms. Yong Sarah Zhou from the [IMF](#) reported that issuing the long planned digital currency for the Marshall Islands could “[raise risks to macroeconomic and financial stability as well as financial integrity](#)”.

The Marshall Islands was experiencing strong economic growth prior to the pandemic and despite effective containment

measures the Islands have had severe economic impacts from COVID-19. The Islands had plans to issue the sovereign currency (**SOV**) as a second legal tender (alongside the USD) [as early as 2018](#). However, Zhou highlighted that launching a SOV *could* exacerbate an uncertain economic outlook.

A main concern in the [report](#) was the hesitation of international partners. Specifically, Zhou mentioned that issuing the SOV “[could jeopardize the \[Marshall Islands\] last standing USD banking relationship](#)” and that the AML/CTF risks could “[disrupt external aid and other important financial flows](#).” The report echoed that as a result

The [Marshall Island’s] legal, regulatory, and institutional framework is not yet ready to accommodate the SOV issuance and manage associated risks. The team’s assessment, therefore, remains that the potential cost of the SOV issuance will likely outweigh the expected benefits.

The Marshall Islands now seems hesitant on issuing the SOV; a position likely to be revisited when the economic impacts of COVID-19 become more clear. However, it is interesting that a main concern of launching the SVO was the international, and specifically, US response when that country have recently announced its own intentions to explore a CBDC. Additionally, Mastercard, Visa and the Bahamian Sand Dollar have shown that these unparticularised risks are not stifling other island nations from adopting and expanding their own CBDCs.