

Article Information

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Service: Blockchain, FinTech

Sector: Financial Services

Blockchain Bites: Zuckerberg grilled, Australian Senate Committee Issues Paper, ASX CHESS Replacement

Mark Zuckerberg grilled in six hour Senate hearing, the Australian Senate Inquiry into Fintech and Regtech Issues paper, and ASX CHESS Replacement draws closer to completion. Michael Bacina, Tom Skevington, Louisa Xu and Petros Xenos bring you a round-up of the latest legal, regulatory and project updates in Blockchain.

Bittrex cites regulatory uncertainty blocking - 31 countries

[Bittrex International](#), a U.S.-based cryptocurrency exchange platform has announced that it is restricting access to its platform in 31 countries across Africa, South America, Europe and Asia due to regulatory uncertainty. Given that a lack of systematic process for making token-listing decisions was a key factor of the NYDFS decision to refuse Bittrex's BitLicence application, Bittrex is likely to be facing significant scrutiny from international regulators as to the regulatory treatment of the tokens listed on its platform.

Michael Lecturing at Monash University

Thanks to Jason Lee and Karen Cohen of NEM and Monash University for having Michael Bacina of the Piper Alderman Blockchain team in to present a guest lecture on digital assets and money. Attending to give a lecture in another state is a great use of technology. The masters students in the class had insightful questions.

Zuckerberg grilled in 6 hour testimony before US Congress

Mark Zuckerberg has defended the Libra Association and Facebook's involvement in it in a hearing before the US House Financial Services Committee which lasted for more than 6 hours. Mr Zuckerberg agreed in principle to a requirement for Libra to be majority backed by the US Dollar if this would assuage regulator concerns, and acknowledged that the recent departures of [Visa](#), [Mastercard](#), [Paypal](#), [Ebay](#), [Stripe](#), [Booking](#) and [Mercado Pago](#) are because Libra is plainly a "risky project and there's been a lot of scrutiny."

Australian Senate Fintech Inquiry Issues Paper is here

The Australian Senate's Committee into Fintech and Regtech has released an issues paper calling for responses to 32 questions facing the Australian industry. Senator Andrew Bragg is chairing the inquiry, with the committee to report on:

1. the scope of opportunity in Fintech / Regtech;
2. barriers to the uptake of these new technologies;
3. how FinTech reform and benchmarking is taking place;
4. current RegTech practices and opportunities; and
5. the effectiveness of current government initiatives in promoting a positive Fintech environment.

2019: the year of a crypto crackdown?

Former Commodity Futures Trading Commission (CFTC) chairman Christopher Giancarlo, has recently said that he expects 2019 to be the year when regulators begin to clampdown on cryptocurrencies. Giancarlo made his opinion known [during an interview](#) with industry news outlet, The Block. Giancarlo also believes that "a combination of Libra and the prospects for central bank digital currencies" will spur regulators to increase their involvement in the crypto space this year, suggesting

that “the time has come for thoughtful consideration of a digital dollar.” Recent enforcement actions this year include Kin and Telegram.

More countries create welcoming regulator environments for blockchain adoption

A recently published [survey](#), conducted by venture capital firm Digital Currency Group, surveyed executives within the company’s portfolio, seeking to understand regulatory drivers for blockchain businesses around the world. On 3 October 2019, it was unanimously voted by Liechtenstein’s legislature to approve the “[Token and Trustworthy Technology Service Providers Act \(Blockchain Act\)](#)”. The new administration in Kiev, Ukraine, headed by the young president Volodymyr Zelensky, has revitalized interest in cryptocurrencies and blockchain, and a breath of fresh air is now being injected into efforts to legalize decentralized digital money.

ASX CHESS replacement may face a rocky road

As the ASX draws closer to replacing Australia’s equity clearing and settlement system, it has left a number of market participants [fearing disruption](#) to their entire business models. Equity issuers, company secretaries, stockbrokers and providers of share registry services have all express concerns, specifically that the ASX CHESS Replacement will allow the ASX to extend its clearing and settlement monopoly into other areas.

It is likely that ASX will retain the trusted position as the source of truth for share ownership and be given the responsibility to drive these greater cost savings for investors, to the potential detriment of its current stakeholder partners. Over time it seems likely that the system will increasingly come under pressure to be more open to innovators and disruptors as middlemen like traditional share registries, and even brokers themselves, are increasingly required to earn their fees from adding value rather than only processing transactions.

Telegram’s Response to SEC litigation filed

On 11 October, the SEC [obtained](#) an emergency restraining order to halt the launch of the Telegram token Grams. This token was sold in one of the largest Initial Coin Offerings of 2017/2018 [raising a total of USD\\$1.7 billion](#). The hearing at the Southern District Court of New York was then scheduled for 24 October and has since been moved to April next year.

So far, the judge hearing the case, P. Kevin Castel, has ruled that Telegram should not distribute its token until the court makes its decision on the case. As it postponed the launch, Telegram further offered token purchasers the chance to approve the date change, adding that if the majority of gram holders disagree with the delay, they will receive 77 percent of their token purchase payment back.

AT&T sued over SIM-swapping crypto scandal

California resident Mr Seth Shapiro [filed a lawsuit](#) against wireless service giant AT&T. Shapiro alleges that AT&T employees helped to perpetrate a SIM-swap which resulted in the theft of over \$1.8 million in total, including cryptocurrencies. SIM swapping is a serious problem in the US, and historically has been tied more closely to identity theft. However the rise of mobile phones being used as a 2 factor authentication device (via SMS) has driven a corresponding rise in SIM swapping so that hackers can then move to seize control (and empty) bank accounts, run up massive phone bills to paid services, and steal cryptocurrencies.

China Strengthens Grasp on Personal and Corporate Data

China have [strengthened their grip on personal and corporate data](#), as the government have set their sights on extending its control over foreign entities. For several years, the Chinese government have been working on a comprehensive internet security and surveillance program, which began with the adoption of the Cybersecurity Law in 2016. This form of regulation creates challenges for Australian, U.S. and European companies operating in China, as all information (even VPNs) on any server located within China will be available to the Chinese government. It will be interesting to see how the Chinese government handles the challenge of monitoring or controlling decentralised systems, where no single actor controls the data (and hence can comply with any government request).

Blockchain helps bust bad guys in darkweb shutdown

The US Department of Justice has [revealed a massive international operation](#) which has led to the shutdown of a child exploitation website hosting more than 8 terabytes of child pornography, making it one of the largest illegal website shutdowns ever. The past focus of the “dark side” of cryptocurrency completely misses that cryptocurrency with immutable public ledgers is the worst system for illegal value transfer and this takedown is a perfect example of why.

Had the users of this website pay in cash or another means, the analysis which was available in this case would never have

been possible. Financing criminal activity with a system which leaves an immutable, irreversible and publicly accessible record is a terrible way to commit crime, and provides an accessible and low-cost resource for regulators to investigate illegal activities.