

Article Information

Authors: Michael Bacina, Louisa Xu, Petros Xenos, Tom Skevington

Service: Blockchain, FinTech

Sector: Financial Services

Blockchain Bites: IRS: “dozens” of crypto tax evaders identified, Coca-Cola Blockchain and the Royal Bank of Canada explores Cryptocurrencies

Coca-Cola is set to pilot a blockchain project, the IRS has identified “dozens” of crypto cyber criminals, and the Royal Bank of Canada is rumored to be preparing to run a cryptoasset exchange. Michael Bacina, Louisa Xu, Tom Skevington and Petros Xenos of the Piper Alderman Blockchain group bring you the latest legal, regulatory and project updates in Blockchain.

Royal Bank of Canada reportedly ruminating on running cryptoasset exchange

Following a report in the [Canadian Financial Post](#), various media outlets are reporting that the Royal Bank of Canada (RBC) will become the first Canadian Bank to build and launch a cryptocurrency exchange to facilitate the trading of cryptoassets, including Bitcoin and Ether, as well as the transfer of funds combining different types of cryptoassets.

These reports follow RBC’s recent applications for four patents between the United States and Canada that detail how RBC might integrate cryptocurrencies into its operations. While the patents do not relate specifically to cryptocurrency exchange technology, they do provide some insight into how the RBC might intend to leverage its experience in custody. RBC has yet to officially confirm or deny the reports.

IRS identifies dozens of crypto cyber criminals

The criminal division of the Internal Revenue Service have [identified “dozens” of potential tax evaders](#) and cyber criminals within the crypto space after a meeting took place this week with tax authorities from five countries (including the US and Australia). Officials from the U.S., U.K., Australia, Canada and the Netherlands make up the [Joint Chiefs of Global Tax Enforcement](#) (the J5), a task force with the objective of cross-sharing information as to potential tax evaders from each country, particularly those evading the payment of tax on profits from cryptocurrency trades.

This comes after the IRS [released guidance](#) last month informing virtual currency investors and their tax advisers how the agency expects them to report income from their holdings. Without budget numbers it’s unclear what the “cost to catch” each offender is to date, but if only “dozens” of offenders have been identified questions may well be asked about to what extent unlawful tax behaviour is even present in cryptocurrency transactions.

Australian Payments Networks 10 December 2019

On 10 December 2019, the Australian Payments Network Summit is on with a great debate panel on “**Australia is ready for digital currency innovation such as Libra**”. Moderated by chief economist [Warren Hogan](#), the panel features: [Michael Bacina](#) from [Piper Alderman](#), [Heath Behncke](#) from [Holon Global Investments](#), [Michele Bullock](#) from the [Reserve Bank of Australia](#), [Luke Deer](#) from [University of Sydney](#), [Tim de Sousa](#) & [Toby Walsh](#).

The summit also has a keynote from Phillip Lowe, Governor of the [Reserve Bank of Australia](#) and a range of other great speakers.

Blockchain in Oil & Gas - 5th December 2019

On 5 December 2019, Michael will be appearing on panel at the [Blockchain in Oil & Gas Conference in Perth Australia](#). The panel will be facilitated by Nicholas Giurietto of Blockchain Australia and will feature the talented Dr Jemma Green of Powerledger, John Phillips of 460Degrees and Graham Oakford of Energy Australia.

The conference also has a great [agenda](#) and a raft of brilliant other speakers including Satyam Priyadarshy of Haliburton, PK Rasam of LINCD, Vidy Potyar of Curtin University, Gary Pogson of Lloyds Register, David Beros of DigitalX, Captain Walter Purio and Rowan Fenn both of QuayChain, Steve Asher of Mineral Blue, Jesse McMeikan of Deakin University, Heather Delfs of Kingsland University and Shyam Mamidi of Natsoft Corporation.

IBM and OMFIF release research into Retail Central Bank Digital Currencies

Due to the prominent and increased interest across the globe with respect to Blockchain-based Central Bank Digital Currencies (CBDC), [IBM Blockchain](#) and [OMFIF](#) have [released a report](#) which provides an overview of the opportunities these currencies present, the development of its core technology, and use cases to-date. The first OMFIF-IBM report on CBDCs was published in October 2018 and focused on wholesale applications, outlining how a permissioned blockchain-based token could offer distinct benefits to backend infrastructure which underpin current modern payment systems, this new report focuses on the prospect of a retail CBDC, which have been spurred on by the Libra Association's plans to issue a cryptocurrency.

The report concludes that within the next five years, there will be an introduction of at least one central bank issued retail-focused digital currency, likely to come from a smaller nation rather than a member of the G20. Although the development would most likely be nationally driven, the increasing cooperation and collaboration between monetary authorities are likely to become the norm, and represent exciting opportunities for decades to come. Whether this new CBDC is in reality a centralised monitoring system or the alternative path to a peer-to-peer electronic cash (as Bitcoin tries to be) remains to be seen. One thing is for sure, the image of a central banker as a bit of a dull and reliable economist type is sure to be shaken up and replaced with technologists

Coca-Cola cracks open the blockchain bottle

[Coke One North America](#), the IT firm behind Coca-Cola's bottle manufacturing supply chain processes, is [set to pilot](#) a blockchain project with software provider SAP across 70 of its manufacturers that deliver the 160,000 bottles Coca-Cola shops daily. This blockchain project promises to streamline distribution for all participants, as manufacturers are able to access a permissioned blockchain containing every order, and each participant's capabilities and requirements. For example, if a bottle maker is short of stock for a looming order, the network quickly provides options for filling the shortfall. [CONA expressed](#) that it hopes to reduce order reconciliation days from weeks to just days.

Tracking orders and filing throughout the supply chain solution can be onerous, and Coca-Cola is to be commended for its commitment to publishing and broadcasting all supply data information onto blockchain, ensuring that processes are more dynamic and efficient. At this stage, the partnership between Coca-Cola's global bottlers and SAP is only at the take-off level, with all entities charged and on board to log records of supply as transactions on the permissioned blockchain.

IOSCO publishes statement on study of emerging global stablecoin proposals

The [International Organization of Securities Commissions](#) (IOSCO) recently released a [short public statement](#) on IOSCO's study of emerging global stablecoin proposals. This statement has been released following a meeting of the IOSCO Board on 30 October 2019 in Madrid.

While the IOSCO's statement is naturally broad, being informed by and light on detail, it reaffirms statements by most prominent global regulators, including [ASIC](#), that while global stablecoins offer many promising benefits, regulators are conscious of various risk areas including consumer protection, market integrity, transparency, conflicts of interest and financial crime, as well as potential systemic risks.

FBI and Australian Home Affairs concerned (or confused?) about crypto crime

In the last fortnight we have seen both the FBI Director Wray and Australian Minister for Home Affairs raise concerns about the use of cryptocurrency in crime and to finance terrorism. Permissionless blockchain based cryptocurrencies are of course a terrible way to launder money or finance crime, and these comments reveal more about the education needed at government level than identifying any actual criminal uses of cryptocurrency for which governments should be immediately concerned.

As data security and privacy become of greater concern to citizens (both in the US and Australia) the inevitable tension between open systems permitting government and regulatory surveillance and closed systems providing privacy and security will continue to grow. [As has been seen in the "Welcome to Video" takedown](#), the use of the cryptocurrency

transaction record analysis alone (instead of active hacking, surveillance etc) makes possible identifying and tracking criminals in ways which were previously impossible.