

## Article Information

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# Blockchain Bites: US Treasury trial blockchain, AMLD5 comes into effect in EU, NBA Star takes second shot at tokenizing his contract, Bitcoin institutional demand skyrockets

**The US Treasury Department is concluding a series of tests of a blockchain-based platform, the 5th Anti-Money Laundering Directive (AMLD5) is now in effect, the Reserve Bank of Australia weighs in on Blockchain and the activity of the CME bitcoin futures contract has increased significantly throughout 2019. Michael Bacina, Tom Skevington and Petros Xenos of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain.**

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## EU Countries commence crypto regulations as new AML Directive arrives

The [5th Anti-Money Laundering Directive \(AMLD5\)](#) is now in effect, and extends the EU's anti-money laundering and counter-terrorism financial rules to include virtual currencies. The amendment was published in the Official Journal of the European Union on 19 June 2018, and mandates member states to transpose this directive by 10 January 2020.

The approach of the Directive is to regulate the use of virtual currencies, including virtual currency exchange platforms (**VCEPs**) and custodian wallet providers (**CWPs**), in the list of obliged entities regulated by AML rules. These entities will become subject to regulatory requirements similar to those for banks, payment institutions and other financial institutions.

The amendment also proposes that member states create central databases comprised of crypto users' identities and wallet addresses and authorize national Financial Intelligence Units (**FIUs**) to access the information stored in them. This is to combat the risks related to the anonymity, as the Directive reinforces that "national [FIUs] should be able to obtain information allowing them to associate virtual currency addresses to the identity of the owner of virtual currency."

However, the EU legislative framework is set to extent even further, from early January 2020 under Article 45 of the Directive the EU Commission will examine and likely draft legislative proposals regarding self-declaration by virtual currency owners and how Member States may maintain central databases registering users' identities and wallet addresses.

## Bitcoin institutional demand is skyrocketing, why it's a very good thing

According to [JPMorgan](#) managing director Nikolaos Panigirtzoglou, the [activity of the CME bitcoin futures contract has increased significantly throughout 2019](#) indicating that the demand for bitcoin and new options contracts for bitcoin is high. The cryptocurrency market has expanded over the past eleven years with the absence of significant institutional involvement.

It was not until 2019, following the emergence of regulated custodial services and futures products, that institutions began to invest in bitcoin in serious amounts. Institutional demand is seen as critical for the long-term growth and price trend of bitcoin because it diverts the asset's dependence away from retail investors. Bitcoin is now being introduced to a broader investor base that hold more wealth than individual/retail investors. Coinbase CEO [Brian Armstrong said](#), "something like 90% of the money in the world is locked up in institutions, so this will likely drive a lot of demand for crypto assets."

An increase in demand for bitcoin by institutions could also further cement the image of bitcoin as a major store of value

alongside traditional assets such as gold. A growing demand for bitcoin from accredited and institutional investors will better position bitcoin to potentially evolve into a safe haven asset in the long-term.

### **Chambers & Partners Fintech 2020 Rankings Released**

The prestigious Chambers & Partners Fintech 2020 rankings have been released and we are pleased to announce that [Piper Alderman's FinTech Group](#) has been [ranked Band 3](#) (a strong first appearance on the rankings) and Michael Bacina has been [ranked](#) a Band 1 FinTech Lawyer.

This means that chambers carefully assesses firm's and lawyers on the [following areas](#):

- Technical legal ability
- Professional conduct
- Client service
- Commercial astuteness
- Diligence
- Commitment
- Other qualities most valued by the client

Any band ranking is a great achievement, with 6 bands increasing in awesomeness from Band 6 up to Band 1.

Chambers describes Piper Alderman's FinTech Team as: "Highly regarded for expertise in blockchain and cryptocurrency and noted for accepting Bitcoin as payment for services. Handles a wide range of matters for FinTech startups, such as cryptocurrency tax and employment matters, security token issuances, risk analysis and company set-up. Also advises multinational payment platforms and exchanges on entering the Australian market including compliance with privacy, anti-money laundering and counter-terrorism legislation as well as licensing requirements."

Chambers describes Michael Bacina as: "one of the thought leaders in the FinTech space..[and]... renowned for his expertise in blockchain and cryptocurrency and often advises on issues around tokenisation."

### **Piper Alderman contributes to Lexology Getting the Deal Through - Cryptoassets and Blockchain 2019**

[Piper Alderman](#) has authored the Australian chapter of Getting the Deal Through - Cryptoassets and Blockchain 2019, published by [Lexology](#) and released this week. The guide provides a timely and comprehensive overview of the latest legislative and regulatory developments affecting the cryptoasset and blockchain ecosystem.

Written by Michael Bacina and [Tom Skevington](#), the Australian chapter of the 2019 guide covers a range of topics including cryptoasset regulation, central bank digital currencies, sales and marketing, ICOs, STOs, financial crime, mining, privacy, data protection and cybersecurity, intellectual property rights, tax and latest trends in the industry.

The Australian chapter can be viewed [here](#) (subscription required) or [contact Piper Alderman](#) for a PDF version of the chapter. The [2019 guide](#) also includes chapters for Austria, India, Japan, Singapore, Switzerland, Taiwan and Turkey.

Piper Alderman is also the author of the Australian chapter of [Getting the Deal Through - Litigation Funding](#), and [Getting the Deal Through - Fintech](#).

### **Spencer Dinwiddie triumphs with contract tokenization**

Spencer Dinwiddie, NBA star for the Brooklyn Nets, will [begin issuing tokens](#) tied to his contract this month. The launch comes months after the NBA [pushed back on his original plan](#) to create a tokenization platform for entertainers to issue instruments to fans based on future earnings.

[We reported last September Dinwiddie's plan to tokenize his three-year, \\$34.5 million contract on the ethereum blockchain](#), intending to raise \$13.5 million for the first year. The bond will now be issued through security token platform [Securitize](#), and their partnership was officially [announced](#) by CEO Carlos Domingo on Twitter.

The NBA's past objection was based on the NBA collective bargaining agreement under which NBA players operate and appeared to be (according to the [New York Times](#)) the clause in that agreement reading, "no player shall assign or

otherwise transfer to any third party his right to receive compensation from the team under his uniform player contract.”

Mr Dinwiddie has since removed a clause promising “significant dividends for investors” and is now offering a flat bond instead which appears to have satisfied the NBA. Accredited investors (broadly analogous to sophisticated investors in Australia) will be able to purchase tokens for a minimum \$150,000 purchase.

### **Blockchain continues to grow in gaming**

The integration of blockchain within the gaming industry is an experiment that has been ongoing, and continues to pick up some steam. It has been consistently [reported](#) that the biggest problem facing blockchain gaming is the speed of token exchange.

The Ethereum blockchain is fast, but with a block time of 17 seconds, games built on the blockchain have restrictions on token movement which can cause lags and require very careful design to prevent user experience suffering. Constant interaction between players with attendant movement of tokens is challenging under the Ethereum blockchain’s current speed limited.

However, while blockchain games today are usually restricted to activities such as trading and creating assets, what has not received as much press is the potential back-end savings in bandwidth or server maintenance for decentralised games. US-based chipmaker AMD recently announced that it has [joined](#) the Blockchain Game Alliance (**BGA**) to develop new gaming platforms based on blockchain. Additionally, AMD also partnered with blockchain firms Robot Cache and Ultra.

Commenting on the move, Joerg Roskowetz, Head of Blockchain Technology at AMD, [said](#), “blockchain technology brings broader choice, security, and flexibility to both gamers and publishers. Next-generation blockchain game platforms will give gamers access to exclusive online content, and provide new ways for them to truly own it. They will also provide game publishers with new channels to distribute digital game content.”

As more game developers increasingly explore the capabilities of blockchain within their gaming systems to uncover ways in which cryptographic assets can be incorporated into the way technological resources and gameplay are provided, the future of blockchain gaming will only grow.

### **US Treasury Department trials blockchain-based platform**

The US Treasury Department is concluding a series of tests of a blockchain-based platform which monitors and tracks grant payouts. The agency has almost completed a proof of concept program which is planned to track letters of credit issued to recipients of financial grants.

Electronic federal letters of credit are sent out to grant recipients to help track the grant payments made to grant recipients, which will be tokenized in the hopes that this strengthens the security of the transaction and provides better monitoring.

The tokenization should allow the agency to track the flow of grant money from federal coffers to the grantees. Instead of an actual cash exchange, the token is a representation of the payment that can be tracked more efficiently, with associated data including recipient identification, grant amount and date the grant was awarded.

The US Treasury Department has been investigating ways to leverage blockchain for a couple of years. In 2018, it worked on a [pilot project](#) to develop a prototype blockchain to manage physical assets (such as computers and cell phones). This use case, however, uncovers the benefits Blockchain brings “for streamlining burdensome reconciliation operations that are involved in many financial transactions.”

While speaking at a House Financial Services Committee hearing last month, Mnuchin also dismissed the idea of creating a central bank digital currency (a CBDC), saying that in the next five years, he saw no need for the Federal Reserve to issue a digital currency.

This echoes similar sentiments by the Reserve Bank of Australia, as the bank openly stated in its submission to the [Senate Select Committee on Fintech and Regtech](#) that it is currently not considering central bank digital currency for retail use, but will continue investigating a wholesale use CBDC.

### **Telefonica trail blaze blockchain across 8,000 spanish firms**

Telefonica, a Spanish telecommunications juggernaut, is set to team up with Spain’s Association of Science and Technology Parks (APTE) in order to provide access to its blockchain-based platform to around 8,000 local companies. Telefonica will [reportedly](#) be deploying nodes of its Hyperledger-enabled blockchain at APTE’s 52 locations.

The participating firms will be involved in a three-month-long pilot program, during which they will build applications on the DLT network. The firms will also be encouraged to experiment with their own crypto tokens. Telefonica previously trialed blockchain tech in handling overseas mobile phone call traffic.

Only time will tell whether Australian telecom providers such as Telstra, Optus or Vodafone decide to sink their teeth into this technology as the communications sector should be no stranger to the forefront of innovation as there are several ways blockchain systems of operation can assist the telecommunications industries including IoT security, payments and a more effective management of its immense user base.

### **Bricklet - a PropTech company to watch this year**

Since launching in December 2019, [Bricklet](#) has been identified by leading newspaper the [Australian Financial Review](#) as one of the PropTech startups to watch in 2020.

Founded by the high-powered Lakeba Group, which has been recognised as one of Australia's most innovative companies, Bricklet uses IBM blockchain technology to fragment property ownership, allowing individuals to purchase affordable bricklets representing a portion of an entire property.

Properties in NSW are the first to list on the Bricklet platform. CEO of Bricklet, [Darren Younger](#), confirmed that, "the plan is to launch into the other states very quickly. We should be in at least four more states within the end of this year, with a national rollout by June or July of next year."

Piper Alderman are pleased to have been a part of Bricklet's journey from idea to commercialisation, and look forward to their continued success in 2020.