

## Article Information

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## Blockchain Bites: US reintroduce new crypto tax bill, Australia misses out on global CBDC working group, RBA experiments on private ethereum network, online decentralised court ready for launch

US Congress have reintroduced the “Virtual Currency Tax Fairness Act of 2020”, the Bank for International Settlements has announced that a working group of central banks has been formed to assess use cases for central bank digital currency without the Reserve Bank of Australia, Aragon has begun onboarding jurors for its decentralized Aragon Court. Michael Bacina, Tom Skevington and Petros Xenos of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and crypto.

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### Bill exempting low-value crypto transactions from capital gains returns to Congress

A [draft bill](#) called the “The Virtual Currency Tax Fairness Act of 2020” has been reintroduced to the US Congress by Representatives Suzan DelBene (D-WA) and David Schweikert (R-AZ). The draft bill, which was [first introduced in 2017](#), seeks to amend the Internal Revenue Code of 1986 to carve out a capital gains tax exemption for virtual currency expenditure under a personal transaction value threshold. The intent of the draft bill is to lower the reporting burden for taxpayers who may have unknowingly realised a capital gain.

Currently, any capital gain or loss from a cryptoasset transaction in the US is a taxable event, which must be reported to the IRS at tax time. The draft bill proposes to exempt reporting of any capital gain less than \$200, down from the threshold of \$600 proposed by the 2017 draft bill. Unfortunately, it is unclear whether the updated draft bill will gain any traction. The 2017 draft, after being [referred to the House Committee on Ways and Means](#), appears to have simply stalled and never progressed any further. The draft bill follows the [IRS's October 2019](#) guidance on applying tax laws to hard forks and airdrops, which expanded on previous guidance issued in Notice 2014-21.

### Indian Reserve Bank: We didn't ban cryptocurrencies, just banking them

Reports that the Indian Reserve Bank had banned cryptocurrency in the country were widespread throughout 2018. This position, communicated via a circular issued by the Bank, was queried in Court by the Internet and Mobile Association of India. A bill proposing a formal ban on cryptocurrencies followed and there was industry resistance [at the time](#). That bill never became law.

Recently, in an affidavit filed with the Supreme Court, the Reserve Bank of India has [clarified the situation \(according to the Economic Times\)](#) in saying, “the RBI has not prohibited VCs (virtual currencies) in the country. The RBI has directed the entities regulated by it to not provide services to those persons or entities dealing in or settling VCs. The RBI has been able to ringfence the entities regulated by it from being involved in activities that pose reputational and financial risks along with other legal and operational risks.”

This means that there is no ban on crypto-currency in India, but no digital currency business is able to open a bank account with any RBI regulated bank (i.e. all the banks in India). Although an immutable record of transactions is in fact something which can be used to act swiftly and stringently to police unlawful behaviour (such as in the [Welcome to Video takedown](#)), it

appears to have been overlooked by the RBI at this time.

They are not alone with [others](#) continuing to state the obvious, that payments technologies can be used for both good and evil. Our view remains: the technology is neutral and should not be regulated, the activities that are engaged in are those things which should be properly the subject of regulation.

### **Hold the Vegemite! Central banks collaborating to consider digital currency use cases without AUS**

The Bank for International Settlements (**BIS**) has [announced](#) that a working group of central banks has been formed to assess use cases for central bank digital currency (**CBDC**), sadly without the Reserve Bank of Australia being a part of the working group.

The BIS group will be considering the economic, functional and technical design choices, including cross-border interoperability of CBDC, sharing knowledge on emerging technologies generally, and working closely with the [Financial Stability Board](#) and the [Committee on Payments and Market Infrastructures](#).

The starting members of the group are the [Bank of Canada](#), the [Bank of England](#), the [Bank of Japan](#), the [European Central Bank](#) (ECB), the [Sveriges Riksbank](#) (Sweden), the [Swiss National Bank](#), as well as the BIS. Unfortunately, the Reserve Bank of Australia have yet to indicate any interest in participating, despite their recent [announcement](#) that they had developed a proof-of-concept of a wholesale settlement system running on a private, permissioned Ethereum network. Also notably absent from the working group however, are the [People's Bank of China](#), which is well known as being in the process of preparing a retail CBDC, and the Bank of Thailand for its [Project Inthanon](#).

### **Oman's largest port boasts blockchain shipping platform**

The largest port in the Middle Eastern nation of Oman has [signed up with TradeLens](#), a blockchain supply chain platform founded by [IBM](#) and [Maersk](#), to become a member of the shipping data project as part of its digital transformation efforts.

The platform enables companies along the shipping supply chain to share data on cargoes in real time over its permissioned blockchain, ultimately aiming to bring improved transparency and efficiency to international trade. The port is working with other entities in the supply chain to digitize its operations and [TradeLens](#) provides the vessel to bring a global transparency standard to shipping operations.

The project has [received](#) an antitrust exemption from the [U.S. Federal Maritime Commission](#), which arose to clear the project from legal restrictions in cooperation between shipping companies mandated by the [U.S. Shipping Act of 1984](#).

Blockchain within the shipping and maritime industry seems to be one of the most effective and fastest growing use cases, as five of the six largest container shipping firms in the world are now being processed on a block-chain powered platform. It is only a matter of time before this supply chain technology reaches the shores of Australia.

### **Blockchain tops LinkedIn list of in-demand hard skills for 2020**

In [LinkedIn's annual survey](#) of the most in-demand hard and soft skills, Blockchain has emerged as the top priority hard-skill for employers hiring in the US, UK, France, Germany and Australia.

After Blockchain was entirely absent from LinkedIn's 2019 survey, LinkedIn explains Blockchain's surge to the top of the list by noting that, "Blockchain has become a line of business for a who's who of the corporate world — IBM, Oracle, JPMorgan Chase, Microsoft (LinkedIn's parent company), Amazon, and American Express, to name just a few."

The companies identified by LinkedIn barely scratch the surface, with mainstream companies such as Visa, EY, Deloitte, KPMG and PWC, Facebook, Accenture, the [ASX](#) and many others all seeking candidates with experience in blockchain. At the same time, companies like Binance, Coinbase and Chainalysis continue to go from strength to strength, growing their teams significantly over the past 2 years.

LinkedIn determines the most in-demand skills by looking at skills that are in high demand with limited supply. Demand is measured through LinkedIn by identifying the skills listed on LinkedIn profiles of people who are getting hired at the highest rates. Only cities with 100,000 LinkedIn members are included in the analysis.

### **Thai bank tests the waters of Ripple App for cross-border payments**

Thailand's [Siam Commercial Bank](#) (SCB) has leveraged [RippleNet](#) to upgrade the mobile app [SCB Easy](#) for an instant, low-cost [cross-border payment solution](#).

The app was presented by SCB's Senior Vice-President of Commercial Banking, at Ripple's annual Swell conference, where

money was successfully sent to the recipient's bank account within 40 seconds. The 112-year-old SCB is Thailand's biggest bank, and had assets of 3,187 billion baht (\$105 billion) and an operating income of 138.2 billion baht (\$4.6 billion) in 2018. In terms of assets, it is Thailand's biggest bank.

In 2020, the SCB have announced plans to expand their operations into countries such as Cambodia, Laos, Myanmar and Vietnam, where [less than 35%](#) of the population have bank accounts. SCB Easy is an extremely effective use case in this regard, as it allows customers to open new accounts online, without actually visiting a physical location.

This is a fantastic use case for blockchain, and perfectly encapsulated in the comments by Sriumporn, "imagine you are a tourist coming to Thailand, and you can use your home country mobile application to scan for payment and eliminate the need to exchange for local currency. You can use your mobile app, scan the QR payment and receive goods right away."

### **Decentralized Aragon Court onboarding jurors to settle disputes**

Decentralized management platform Aragon has begun onboarding jurors for its [decentralized Aragon Court](#). The Court is set to be launched in mid-February of this year. The Aragon Court was [developed](#) as a community governed decentralized organization, with the objective of operating as a digital jurisdiction and an online decentralized court.

Aragon is seeking to eliminate "traditional artificial barriers such as national jurisdictions or the borders of a single country," operating as a sort of code-binding arbitration system. Once a dispute is raised, the system singles out jurors to adjudicate it, with the chance of being called to jury duty proportional to the number of ANJ tokens a community member has activated. The jury decision is reached under a majority rules Schelling Game in which those voting with the majority are rewarded, where the minority jurors are penalised.

This is part of a series of rules baked into the Court designed to prevent a Sybill attack (where someone buys up enough ANJ tokens to get a majority on a jury and vote their way all the time). Jurors can earn fees from subscription fees charged by people who may use the court, and Jurors who are drafted into a case will receive 10 DAI (currently ~USD\$10). Anyone will be able to stake ANJ on the outcome of the case (and any appeals within the Aragon Court) to "bet" on the outcome of the decision.

Luis Cuende, executive director at Aragon Association [says that](#) the Aragon Court is not required to come into agreement with local authorities as project is "entirely decentralized and border less." This effectively means that while Aragon Court decisions won't have any legal standing, if they are directing payments out of smart contracts, then the winning party will have the (digital) money immediately and for practical purposes it will likely be uncommercial or difficult for a disgruntled party to turn to their local courts for redress.

The Aragon Court is a fascinating experiment in decentralised dispute resolution, and given its focus on low fees and high automation, it will be interesting to see if there is a take up in the Aragon Court to resolve matters which may have been uncommercial to take to traditional Law Courts.

### **China launches first facial recognition car rental service using blockchain**

China, through Alibaba's financial affiliate [Alipay](#), a mobile and online payment platform, is in the process of [wide-releasing](#) a new blockchain-based initiative that allows drivers to complete the entire car rental process in two minutes by "swiping your face."

The country's first unmanned kiosk was rolled out in Kunming, China on Monday and allows consumers to drive off in their rental car after interacting with the machine. The new model, coupled with Alipay's facial recognition payment system, reportedly completes the entire process without an attendant or manual car inspection. The consumer does not need to carry any ID cards or credit cards. Instead, a face swipe triggers the transaction.

The kiosk, available at Kunming Changshui International Airport, allows consumers to use their mobile phones by first launching the Alipay app to place an order. Users are then prompted to "swipe their face" at the kiosk. After confirming the order, a driver can select certain features for the car and unlock the car doors by using their smartphone.

The system then integrates blockchain capabilities to track the rental car process with a goal of preventing potential transaction disputes.

### **The RBA's central bank digital currency experiment**

While the Reserve Bank of Australia ([RBA](#)) has indicated its general scepticism toward the merits of a retail-focused central bank digital currency (CBDC), or e-AUD, the RBA's recent submissions to the [Senate Select Committee on Fintech and Regtech](#) have confirmed that the RBA is actively experimenting with wholesale alternatives on a private Ethereum

network. The Australian Financial Review (**AFR**) recently praised these experiments and endorsed the ongoing journey towards an Australian digital dollar.

The RBA's [Australian Senate FinTech & RegTech Inquiry submission](#) confirmed that the RBA's internal Innovation Lab, established in late 2018, has been considering the merits of CBDC's in the context of the RBA's responsibilities for issuing Australian dollars and overseeing the payments system. While the RBA noted that the case for the use of a CBDC in these types of systems has yet to be determined, it identified the key potential benefits of a centrally issues digital currency as:

1. Speed, cost and robustness of payments.
2. Atomic (all or nothing) transactions.
3. Programmable money, which refers to the ability to attach conditions to how money can be sent or transferred.

Despite this, the RBA is unlikely to go all-in on development of a retail CBDC, with RBA payments policy department head Tony Richards commenting to the AFR that there are still too many unresolved issues in CBDC's which could have a destabilising effect on the financial system.