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> “You have to evaluate compliance not as an expense, but as a money saver. Sure, managing compliance takes resources, but it’s nowhere near as expensive as the costs associated with a breach.
>
> — Paul Koziarz

A Word from the Partners

Dear Readers,

We are pleased to present you the 10th issue of our Blockchain Compliance Bulletin.

As usual, we have updated our Blockchain Compliance Rank.
While we were about to close this edition, the Liechtensteiner Parliament passed the new Blockchain Act of the Principality. The law, after the first reading passed the parliamentary vote last June, will enter into force after the final approval by the Prince of Liechtenstein. We are sure that the "Token and VT (trusted technology transaction) Service Provider Act" will allow the Blockchain and FinTech industry to continue growing in the small country.
Further, Russia is trying to break the deadlock in its attempt to discipline Blockchain-related businesses in the federation. Although it should be welcomed the country's efforts, we must note that Russia is still far away from making up for the lost time. To regain competitive advantage, a great deal of progress is yet required.

In this issue, we also tackle the topic of AML-related risks which cryptos present to Swiss banks. The piece can be of help for those who are involved in the cryptocurrency industry and have relationships with Swiss banks. To understand how the financial market monitors their activities from a compliance viewpoint might offer food for thought.

In his article, Mattias Cerini focuses on Bakkt. Through this infrastructure comprising of clearinghouse, custody and top-notch security measures, all in one place, institutional investors will gain access to the exact same trading environment they are accustomed to transacting on, giving them the same confidence as in a "traditional" financial ecosystem. Or at least that is the plan and hopes on which the Bakkt project has been constructed upon.

How can your firm use the Blockchain and be compliant with GDPR? With the immutable nature of Blockchain directly conflicting GDPR's requirement to delete personal data, is there a way to reconcile the inconsistencies between the two? These are some of the questions we address in the piece "Can Blockchain Prosper Under GDPR Stipulations?".

Finally, our last article this month describes 10 Blockchain applications that will have a significant impact on our world. We will never tire of repeating it: the Blockchain isn't just cryptocurrencies.

We would like to take the occasion of this issue to inform you that we have launched our new website (blockchainconsultus.io): your comments about it, and the contents of this issue are much appreciated.

Best Regards,

Simone D. Casadei Bernardi
Franco Nicosia
Manuel Olivi

Partners, Blockchain ConsultUs Ltd.

Blockchain Compliance Rank

October 2019

As Blockchain enthiusasts, we continuously study the status of Blockchain-related regulations globally, and have developed our **Blockchain Compliance Rank** ***(BCR): an overall indicator (from 0 to 10) that synthesises the current national regulations applicable to ICOs and crypto-projects, the ease of doing business, and the overall country risk.***

Blockchain ConsultUs Ltd has created a "**Blockchain Compliance Rank**" (BCR) to provide the Blockchain-world stakeholders with a synthetic overview of the countries where a crypto-project should be launched from.

The BCR is an aggregate score on a scale of 0 to 10 and is attributed to 178 countries worldwide.

Many offshore jurisdictions have been excluded from the analysis, on the basis of a principled ethical choice.

The BCR covers three topics:
1. the current status of the national regulations applicable to Blockchain projects;
2. the ease of doing business in each analysed country;
3. the assessment of the country risk of each nation.

The BCR is a weighted average of those ratings.

In assessing the **current status of the national regulations applicable to Blockchain projects**, Blockchain ConsultUs Ltd attributes an increasing score from 0 to 10.
The rating takes into consideration:
- the laws and regulations applicable to ICOs;
- any reliable information acquired from the crypto-regulatory environment;
- the number and nature of investigations and sanctions issued by the national Regulator against Blockchain projects;
- the number of relevant Blockchain projects located in each country.

This information is updated on a monthly basis.

The **ease of doing business** in each state is expressed through the World Bank "Ease of Doing Business" index. The ranking ranges from 1 to 190 and is updated yearly. The research is unanimously considered a benchmark study of regulation.
The "Ease of Doing Business" index measures regulations directly affecting businesses. Nevertheless, it does not measure other general conditions, such as a nation's proximity to large markets, quality of infrastructure, inflation, etc.

Finally, the BCR takes into account the **country-risk of each jurisdiction**. "Country-risk" means the risk that a government will default on its bonds (or other financial commitments), and also refers to the degree to which political and economic unrests affect the business operators doing activities in a particular country.
This risk is assessed through a reference to the latest Euler Hermes' country and sector risk ratings. These ratings are on a six-level scale, running from AA to DD, in which AA is the highest level of country grade (meaning the lower level of risk) and D is the lowest (higher risk.)
The rating is a combination of three scores:
1. the macroeconomic rating;
2. the structural business environment rating;
3. the political risk rating.

This information is updated on a quarterly basis.

Rank	Country	BCR (October 2019)		Crypto-Regulatory Rank	Doing Business Rank	Country Risk Rank	Previous Rank & Variation			Notes
1	United States	●	8,29	7,65	6	AA	8,29			[US]
2	France	●	8,22	7,93	31	AA	8,22			[FR]
3	Switzerland	●	8,05	7,71	33	AA	8,05			[CH]
4	Australia	●	8,05	7,42	14	AA	8,05			
5	Austria	●	7,97	7,43	22	AA	7,97			
6	Estonia	●	7,95	7,25	12	AA	7,95			
7	Netherlands	●	7,79	7,32	32	AA	7,75	↑	0,04	[NL]
8	United Arab Emirates	●	7,75	7,68	21	BB	7,75			
9	Denmark	●	7,73	6,80	3	AA	7,73			
10	Czech Republic	●	7,61	7,32	30	A	7,61			
11	Finland	●	7,57	6,72	13	AA	7,57			
12	Liechtenstein	●	7,55	7,93	---	AA	7,04	↑	0,51	[LI]
13	Luxembourg	●	7,43	7,28	63	AA	7,43			
14	United Kingdom	●	7,43	6,43	7	AA	7,43			[UK]
15	Singapore	●	7,42	6,35	2	AA	7,42			
16	Belgium	●	7,42	7,10	52	AA	7,42			
17	Hong Kong	●	7,42	6,67	5	A	7,42			
18	Ireland	●	7,38	6,80	17	A	7,38			
19	Canada	●	7,37	6,51	18	AA	7,37			
20	Germany	●	7,34	6,50	20	AA	7,34			[DE]
21	Lithuania	●	7,33	7,00	16	BB	7,33			
22	Japan	●	7,24	6,85	34	A	7,24			
22	Chile	●	7,23	7,16	55	A	7,23			
24	Sweden	●	7,09	6,00	10	AA	7,09			
25	Israel	●	7,07	7,20	54	BB	7,07			
26	Slovenia	●	7,04	6,90	37	BB	7,04			
27	Bulgaria	●	7,02	7,35	50	B	7,02			
28	Spain	●	6,92	6,31	28	A	6,92			
29	Cyprus	●	6,87	7,18	53	B	6,87			
30	Taiwan	●	6,84	6,00	15	A	6,84			
31	Costa Rica	●	6,79	6,90	61	BB	6,79			
32	New Zealand	●	6,77	5,40	1	AA	6,77			
33	South Korea	●	6,76	6,00	4	BB	6,76			[KR]
34	Mexico	●	6,73	6,63	49	BB	6,73			
35	Croatia	●	6,62	6,80	51	B	6,62			
36	Romania	●	6,62	6,70	45	B	6,62			
37	Iceland	●	6,58	7,40	23	B	6,58			[IS]
38	Malta	●	6,57	6,65	84	A	6,57			[MT]
39	Portugal	●	6,56	6,10	29	BB	6,56			
40	Norway	●	6,42	5,00	8	AA	6,42			
41	Slovakia	●	6,38	5,70	39	A	6,38			
42	Thailand	●	6,26	5,90	26	B	6,26			
43	Malaysia	●	6,23	5,55	24	BB	6,23			

Notes from page 11. List of the jurisdictions in alphabetical order on page 16.

Rank	Country	BCR (October 2019)		Crypto-Regulatory Rank	Doing Business Rank	Country Risk Rank	Previous Rank & Variation			Notes
44	Greece	🟠	6,17	6,40	67	B	6,17			
45	Colombia	🟠	6,14	5,95	59	BB	6,14			
46	Poland	🟠	6,10	5,40	27	BB	6,10			
47	Hungary	🟠	6,09	6,00	48	B	6,09			
48	San Marino	🟠	6,02	6,00	93	A	6,02			
49	Russia	🟠	6,01	5,97	35	C	5,84	↑	0,18	[RU]
50	Philippines	🔴	5,87	6,66	113	B	5,87			[PH]
51	Argentina	🔴	5,87	7,00	117	C	5,87			[AR]
52	Brazil	🔴	5,82	6,76	125	B	5,82			[BR]
53	Indonesia	🔴	5,67	5,75	72	B	5,67			
54	Italy	🔴	5,63	4,73	46	A	5,63			[IT]
55	Saudi Arabia	🔴	5,48	5,50	92	BB	5,48			
56	Turkey	🔴	5,45	5,55	60	C	5,42	↑	0,04	[TR]
57	Vietnam	🔴	5,41	5,61	68	C	5,41			
58	South Africa	🔴	5,39	5,50	82	B	5,39			
59	Bahrain	🔴	5,36	5,50	66	C	5,36			
60	Jamaica	🔴	5,32	5,80	70	D	5,32			
61	Macedonia	🔴	5,17	4,70	11	D	5,17			
62	Jordan	🔴	5,17	5,50	103	B	5,17			
63	Belarus	🔴	5,10	5,00	38	D	5,10			
64	Ukraine	🔴	5,05	5,50	76	D	5,05			
65	Kyrgyzstan	🔴	4,83	5,20	77	D	4,83			
66	Georgia	🔴	4,71	4,00	9	D	4,71			
67	Latvia	🔴	4,64	3,20	19	BB	4,64			
68	Lebanon	🔴	4,52	5,60	133	D	4,52			
69	India	🔴	4,50	4,50	100	B	4,50			
70	Nigeria	🔴	4,46	5,70	145	D	4,46			
71	Mauritius	🔴	4,44	3,00	25	BB	4,44			
72	Namibia	🔴	4,43	4,50	106	B	4,43			
73	Bosnia and Herzegovina	🔴	4,38	4,70	86	D	4,38			
74	Cambodia	🔴	4,22	5,20	135	D	4,22			
75	Egypt	🔴	4,14	4,70	128	C	4,14			
76	Uzbekistan	🔴	4,02	4,00	74	D	4,02			
77	Kazakhstan	🔴	4,00	3,40	36	D	4,00			
78	Peru	🔴	3,88	2,70	58	BB	3,88			
79	Nicaragua	🔴	3,84	4,60	131	D	3,84			
80	Trinidad and Tobago	🔴	3,64	3,30	102	B	3,64			
81	Panama	🔴	3,59	2,60	79	BB	3,59			
82	Bahamas	🔴	3,59	3,20	119	BB	3,59			
83	Kuwait	🔴	3,55	2,80	96	BB	3,55			
84	Venezuela	🔴	3,52	5,00	188	D	3,52			[VE]
85	Azerbaijan	🔴	3,50	3,00	57	D	3,50			
86	Albania	🔴	3,49	3,10	65	D	3,49			
87	Dominican Republic	🔴	3,32	2,80	99	B	3,32			
88	Botswana	🔴	3,30	2,50	81	B	3,30			

Rank	Country	BCR (October 2019)	Crypto-Regulatory Rank	Doing Business Rank	Country Risk Rank	Previous Rank & Variation			Notes
89	Zimbabwe	● 3,27	4,21	159	D	3,27			
90	Armenia	● 3,26	2,50	47	D	3,26			
91	Ghana	● 3,24	3,00	120	B	3,24			
92	Barbados	● 3,19	3,40	132	C	3,19			
93	Bhutan	● 3,16	2,50	75	C	3,16			
94	Uruguay	● 3,15	2,20	94	BB	3,15			
95	China	● 3,13	2,22	78	B	3,13			
96	Oman	● 3,11	1,80	71	BB	3,11			
97	Antigua and Barbuda	● 3,10	2,90	107	C	3,10			
98	Montenegro	● 3,03	2,10	42	D	3,03			
99	Belize	● 2,97	3,20	121	D	2,97			
100	Qatar	● 2,93	2,00	83	B	2,93			
101	Mongolia	● 2,89	2,20	62	D	2,89			
102	Dominica	● 2,85	2,40	98	C	2,85			
103	Kenya	● 2,83	2,10	80	C	2,83			
104	Guatemala	● 2,78	2,00	97	B	2,78			
105	Fiji	● 2,76	2,60	101	D	2,76			
106	El Salvador	● 2,75	1,60	73	B	2,75			
107	Paraguay	● 2,74	2,40	108	C	2,74			
108	Serbia	● 2,66	1,30	43	C	2,66			
109	Puerto Rico	● 2,63	1,00	64	BB	2,63			
110	Samoa	● 2,47	1,70	87	C	2,47			
111	Rwanda	● 2,47	1,00	41	C	2,47			
112	Benin	● 2,43	2,60	151	C	2,43			
113	Moldova	● 2,38	1,20	44	D	2,38			
114	Lesotho	● 2,37	1,80	104	C	2,37			
115	Morocco	● 2,30	0,90	69	B	2,30			
116	Palau	● 2,30	2,10	130	C	2,30			
117	Kiribati	● 2,30	2,50	157	C	2,30			
118	Honduras	● 2,25	1,80	115	C	2,25			
119	Maldives	● 2,25	2,40	136	D	2,25			
120	Swaziland	● 2,21	1,70	112	C	2,21			
121	Burkina Faso	● 2,11	2,10	148	C	2,11			
122	Gambia	● 2,07	2,30	146	D	2,07			
123	Congo (Democr. Rep Of)	● 2,04	2,80	182	D	2,04			
124	Tonga	● 2,04	1,40	89	D	2,04			
125	Zambia	● 2,01	1,00	85	C	2,01			
126	Gabon	● 1,98	2,20	167	C	1,98			
127	Micronesia	● 1,97	2,00	155	C	1,97			
128	Djibouti	● 1,92	2,20	154	D	1,92			
129	Senegal	● 1,92	1,70	140	C	1,92			
130	Cameroon	● 1,88	2,00	163	C	1,88			
131	Ecuador	● 1,87	1,30	118	C	1,87			
132	Mauritania	● 1,82	2,00	150	D	1,82			
133	Papua New Guinea	● 1,76	1,30	109	D	1,76			

Rank	Country	BCR (October 2019)		Crypto-Regulatory Rank	Doing Business Rank	Country Risk Rank	Previous Rank & Variation			Notes
134	Malawi	●	1,76	1,31	110	D	1,76			
135	Niger	●	1,74	1,80	144	D	1,74			
136	Guyana	●	1,71	1,20	126	C	1,71			
137	Tunisia	●	1,70	0,61	88	C	1,70			
138	Vanuatu	●	1,67	0,60	90	C	1,67			
139	Afghanistan	●	1,66	2,26	183	D	1,66			
140	Côte d'Ivoire	●	1,65	1,30	139	C	1,65			
141	Madagascar	●	1,62	1,90	162	D	1,62			
142	Chad	●	1,58	2,10	180	D	1,58			
143	Angola	●	1,56	2,00	175	D	1,56			
144	Mozambique	●	1,53	1,40	138	D	1,53			
145	Equatorial Guinea	●	1,51	1,90	173	D	1,51			
146	Tajikistan	●	1,48	1,10	123	D	1,48			
147	Nepal	●	1,45	0,80	105	D	1,45			
148	Togo	●	1,41	1,50	156	D	1,41			
149	Pakistan	●	1,40	1,36	147	D	1,40			
150	Iran	●	1,39	1,00	124	D	1,16	↑	0,23	[IR]
151	Sri Lanka	●	1,39	0,80	111	D	1,39			
152	Tanzania	●	1,39	0,90	137	C	1,39			
153	Guinea	●	1,37	1,40	153	D	1,37			
154	Algeria	●	1,36	1,30	166	C	1,36			
155	Laos	●	1,22	1,00	141	D	1,22			
156	Guinea Bissau	●	1,20	1,50	176	D	1,20			
157	Uganda	●	1,20	0,40	122	C	1,20			[UG]
158	Mali	●	1,19	1,00	143	D	1,19			
159	Burundi	●	1,18	1,30	164	D	1,18			
160	Bolivia	●	1,17	1,10	152	D	1,17			
161	Haiti	●	1,14	1,50	181	D	1,14			
162	North Korea	●	1,12	1,60	---	D	1,12			
163	Suriname	●	1,10	1,20	165	D	1,10			
164	Sierra Leone	●	1,02	1,00	160	D	1,02			
165	Bangladesh	●	0,98	1,20	177	D	0,98			
166	Liberia	●	0,96	1,10	172	D	0,96			
167	Central African Republic	●	0,90	1,20	184	D	0,90			
168	Syria	●	0,87	1,00	174	D	0,87			
169	Ethiopia	●	0,87	0,80	161	D	0,87			
170	Eritrea	●	0,78	1,10	189	D	0,78			
171	Iraq	●	0,65	0,60	168	D	0,65			
172	Cuba	●	0,56	0,80	---	D	0,56			
173	Myanmar	●	0,55	0,50	171	D	0,55			
174	Libya	●	0,54	0,70	185	D	0,54			
175	South Sudan	●	0,38	0,50	187	D	0,38			
176	Sudan	●	0,35	0,20	170	D	0,35			
177	Somalia	●	0,21	0,30	190	D	0,21			
178	Yemen	●	0,11	0,10	186	D	0,11			

> AR

On 17th September, Reuters reported that Huobi Argentina would hire a local team and establish a fiat gateway to trade or convert the Argentine peso to cryptocurrency. The gateway is expected to launch around mid-October, but in the meantime, users can buy cryptos with the Argentine peso through Huobi's over-the-counter service.
The gateway will allow users to buy cryptos via credit card, wire transfer and more.

> BR

Late in September 2019, the Brazilian Department of Federal Revenue (RFB) declared new rules for the crypto transactions: users have to report the details of their buying and selling, donations, barters, deposits, and withdrawals to the RFB. This rule applies when an individual transacts with more than R$30,000 ($7,000 circa.)
Businesses still have to send a monthly report of their crypto transactions to the RFB.
The new rule demonstrates the intention of the Brazilian government of targeting cryptocurrency to make them taxable.
According to local news channels, the government is adding taxes to fiat-to-crypto transactions so that it can help the cryptocurrency market to grow.

> CH

Sygnum is one of two crypto-asset banks to be granted an operational license by the Swiss financial regulator FINMA. "Since the licence was awarded, we have been experiencing an overwhelming number of preboarding submissions," said the co-founder Mr Mathias Imbach.
As reported in the previous issue of the Blockchain Compliance Bulletin, Zurich-based Sygnum became a fully regulated digital-asset bank at the end of August.

> DE

Late in September 2019, Boerse Stuttgart Group, which operates Germany's second-largest stock exchange, has launched a regulated crypto trading platform, in partnership with Solarisbank. Customers can connect directly to the new exchange and trade bitcoin against the euro without a broker.

In the second edition of its 'Regulation driving banking transformation' whitepaper, released in September 2019, Deutch Bank addresses the need for proper regulation in the rapidly evolving financial technology landscape.
About crypto-assets, DB states: "The long-term benefits of crypto-assets remain compelling. Yet, though some jurisdictions are moving in the right direction, the regulatory certainty enjoyed by traditional assets is still not a reality for all types of crypto-assets. This makes dealing in them subject to uncertain risks. Additional steps need to be taken not only by the regulators but by the industry itself. We are, therefore, only at the beginning of the journey."

> FR

Late in September 2019, French economy minister, Mr Bruno Le Maire, revealed several tax amendments, cryptocurrency traders could benefit from.
Mr Le Maire clarified that crypto-to-crypto transactions would remain tax-exempt. Further, crypto-related capital gains will be taxed only at the moment digital assets are exchanged against FIAT or used to buy something else: "We believe that the moment the gains are converted into traditional money is the right time to assess tax. By the same logic, value-added tax will only be assessed when a cryptocurrency asset is used to acquire an asset or a service," Le Maire said.

The minister also claimed that France would halt the development of Facebook's planned Libra stablecoin in Europe because it threatens the "monetary sovereignty" of governments.

> IR

Iran's National Tax Administration (INTA) ruled that local crypto-miners will enjoy a tax exemption if they repatriate their overseas earnings. The tax-exemption scheme seems to mirror the benefit offered to oil companies that do not export crude oil.

Late in September 2019, CoinDesk has acquired documents detailing a draft proposal for new cryptocurrency mining regulations in Iran, which sources in Tehran say is well on its way toward official approval.
Based on the translated proposal from the Cabinet of Iran, licensed and registered cryptocurrency miners will be required to submit information such as their list of business activities, the predicted amount of their investments, current employment status, rental agreements for the space itself, the value of their mining equipment and the duration of the mining project.
The license will need to be renewed every year.

> IS

At the beginning of October 2019, Ripple has acquired Iceland-based cryptocurrency trading firm Algrim to expand operations in Europe.
Announcing the news, Ripple said Algrim would play an integral role in the ongoing development of its On-Demand Liquidity (ODL) product which utilises XRP cryptocurrency for cross-border payments.
Ripple said that Iceland will

now serve as one of its engineering hubs, with plans to hire more people from a technical background in the region with a new office.

> IT

By recently publishing a discussion paper on the topic, the Italian regulator Consob has opened the Italian debate on how it is possible to regulate initial crypto-asset offerings. Consob describes “crypto-assets” as “digital recordings representing rights linked to investments in business projects”.
According to the watchdog:
- Crypto-assets have to be characterised by new technologies, such as the blockchain, so that investor’s rights can be incorporated into the tokens;
- Crypto-assets have to be aimed at being negotiable, and their transferability is closely related to the kind of technology they use, that is to its ability to record and give evidence of the crypto-asset holder’s rights.

Based on such notes, it might be stated that Consob aims at regulating only crypto-assets which cannot be considered financial instruments or investment products under the Italian law but can be described as financial products.
Thus, according to Consob’s opinion, only utility token offerings can be regarded as cryptocurrencies.

> KR

As per a notice made public on 20th September, the Korean cryptocurrency exchange Upbit is to stop supporting trade in 6 cryptocurrencies, that include some major privacy coins: Monero (XMR), ZCash (ZEC), DASH, Haven (XHV), PIVX and BitTube (TUBE).
According to Upbit, this decision is a part of a larger plan to eliminate the possibilities of frauds, money laundering, thefts in the markets through external links in the network.
The announcement followed the news of the removal of 5 prominent altcoins due to regulation issues by South Korean cryptocurrency exchange OKEx Korea.

> LI

On 3rd October, the Parliament of Liechtenstein unanimously approved the Blockchain Act, which aims to improve investor protection, combat money laundering and establish clarity. The new law will enter into force on 1st January 2020.
The newly approved law will regulate civil law issues concerning client and asset protection while establishing adequate supervision of the various service providers in the token economy.
The Act “not only creates legal certainty for all market participants but also heralds a new era, the token economy. With its pioneering role, Liechtenstein proves once again that it is the ideal location for FinTech and Blockchain companies and thus for us too, in the heart of Europe”, Mr Mauro Casellino, attorney and CEO of Bitcoin Suisse in Liechtenstein, said.
Liechtenstein’s friendly approach to blockchain has already attracted several blockchain companies. Cryptocurrency trading platform Bittrex recently announced its new trading platform, Bittrex Global, to be headquartered in Liechtenstein. Bittrex chose to establish a trading platform in Liechtenstein because of the small country’s clarity in regulating digital currencies and blockchain technology.

> MT

Mr Andrea Enria, the European Central Bank’s (ECB) chair of the supervisory board, recently asked Maltese authorities to monitor the growth of the local crypto industry.
According to Mr Enria’s recent interview with Reuters (October 2019), there is a real necessity for services such as compliance and IT risks being handled better in the European Union.
He cited Malta as a growing hub for blockchain activity and affirmed that it was especially crucial that Blockchain Island could update its policies to curb any suspicious activities and create a healthy market.
Recently, Malta failed an Anti-Money Laundering (AML) evaluation, which has stained the international image of the country among the non-crypto part of the financial system.
Despite all these issues, Mr Enria finished his interview by affirming that he was confident that Malta would be able to deliver desired results in time. The regulators of the country have recently published a three-year plan on how to improve their monitoring over the local crypto business, so they are making an effort.

> NL

In the second half of September 2019, the Dutch House of Representatives enacted the new financial bill to regulate crypto firms operating in the Netherlands. All local financial companies (including crypto firms) are set to be registered with the Dutch National Bank (DNB) by 10th January 2020.
Board members are required to demonstrate that the business is well-equipped to contrast money laundering and terrorist financing. The new rules in The Netherlands are part of an EU-wide operation.

> PH

In September 2019, Philippino law enforcement defeated a cryptocurrency scam that was targeting investors across China. Local sources followed the activities of the Immigra-

tion Bureau and Anti-Corruption Commission.
The company involved in the police operation is Grapefruit Services Inc.
Most of its employees are citizens of China and had their passports cancelled by the Chinese government. Therefore, they became illegal workers across the Philippines.
Local sources report that 277 employees have been arrested.

> RU

Dukascopy, a bank and forex broker from Switzerland, issued a warning against an FX, a cryptocurrency provider based in Russia. The Russian based entity has been posing as an affiliate of the Swiss bank in its provision of FX. and crypto-related trading options. The clone firm has been using the website dukas-broker.ru.
The website and its implications of association to the Swiss bank have led to the legitimate entity deciding to take action and warn their customers against the illegal broker.
According to the warning from Dukascopy, the bank does not have any links with the website mentioned above, and they advised all their clients to avoid it entirely. The financial firm added that the site is fraudulently using its logo and brand name in a bid to attract customers. Dukascopy clarified that the website is a fraudulent clone and it is in no way controlled by Dukascopy Europe or any of the entities in the Dukascopy group.
The broker is looking to take action against the illegitimate website. The warning went on to say that clients should not trust any of the information that is provided on the site. They added that all of the information on the website is a scam, and users should make sure that they do not offer any of their personal data to the site. Providing any personal data places those who visit the website at risk of having their data stolen and used for illicit activity.

Three bills concerning the future of cryptocurrencies and the regulation of related activities are now at different stages of adoption in the Russian Federation. On 1st October, the law "On Digital Rights" entered into force. It establishes the basic legal definition of rights in the digital realm and determines their status under the country's civil rights law. "Digital right" in this context is a new legal term, the scope of which can be interpreted to include tokens such as those used in the crypto industry.

Other norms in the law regulate the use of smart contracts, incorporating conditions of automated execution of certain agreements. Russian lawmaker Mr Pavel Krasheninnikov, head of the parliamentary Legislation Committee, elaborated that this type of arrangements is already widely used in traditional banking, such as in recurring utility bill payments.
To legalise this type of arrangements in other related spheres including the crypto space, the law "On Digital Rights" amends Russia's Civil Code, which now postulates that a transaction may provide for the fulfilment of obligations by its parties under certain circumstances through the use of information technology. That means an information system can now execute contracts by itself, according to Russian media.

Another bill that deals with issues relating to digital tokens has already passed the lengthy legal process to become part of Russia's current legislation. The law "On Attracting Investments Using Investment Platforms," commonly referred to as the "law on crowdfunding," was signed by President Vladimir Putin in August after the Russian State Duma approved it, and will enter into force on 1st January 2020.
Aiming to protect ordinary people from risky investments, it limits the annual amount "unqualified investors" can spend on such projects to 600,000 rubles (less than EUR 8,500.)
Besides, only entities registered with the Central Bank of Russia (CBR) will be allowed to facilitate crowdfunding initiatives.
Legal experts quoted have determined that the law applies to the crypto industry's widely employed capital raising method of token sales, or initial coin offerings (ICOs), and theoretically legalises it. They believe that in practice the utilitarian digital rights introduced in the new Russian laws correspond to utility tokens providing access to a blockchain platform and the services it may offer to investors.

Critics have pointed out that neither of these pieces of legislation explicitly mentions cryptocurrencies, despite the initial intentions, and noted that the imposed restrictions might push crypto projects and investors to seek friendlier jurisdictions. Some policymakers, however, continue to think it's too early to allow the free circulation of cryptos in Russia.
A reason for their reluctance to do so is the postponed adoption of the main bill in the package, the law "On Digital Financial Rights." In the past year, multiple deadlines had been breached, and Prime Minister Mr Dmitry Medvedev set the last one (1st November 2019) in August.
The text of the bill has been amended more than once since its filing in the Duma last May, with the finance ministry and a leading business organisation pushing for the legalisation of cryptocurrencies. Russia's central bank, however, remains strongly opposed to the phe-

nomenon, which its deputy governor Sergei Shevtsov recently described as a "high-tech financial pyramid." The latest proposal from the pro-crypto camp is to divide digital currencies into three categories — virtual assets (cryptocurrencies), "technical" (utility) tokens, and digital financial assets (security tokens).

> TR

The Turkish government has announced plans to establish a national blockchain infrastructure to utilise distributed ledger technology (DLT) in public administration. The Ministry of Industry and Technology set out its vision during its Strategy 2023 presentation on 18th September in Ankara.
Strategy 2023 emphasises blockchain and DLT as priorities for the coming year. The document refers to a Startup Genome survey that marks blockchain as one of the fastest-growing tech trends, with a 101.5% increase in early-stage startup funding globally.
The document also announces that a new open-source platform for blockchain will be established in Turkey. This initiative will analyse different use cases such as land registration, academic certificates and customs to determine potential public sector applications.
The Ministry of Industry and Technology is also planning to work with Turkish regulators to create a regulatory sandbox for blockchain applications.
Turkish institutions have been embracing blockchain technology in various spheres. In August, the Istanbul Blockchain and Innovation Center (BlockchainIST Center) was inaugurated at Bahçeşehir University. The centre's director, Mr Bora Erdamar, said BlockchainIST would be "the most important centre of research and development and innovation in Turkey in which scientific studies and publications are made in blockchain technologies."

In September 2019, Turkey's Istanbul Clearing, Settlement and Custody Bank (Takasbank) announced a blockchain-based platform for trading physical gold. Takasbank's new project aims to enable users to transfer physical gold.

> UG

Early in October 2019, Ugandan Minister of Finance, Planning and Economic Development, Mr Matia Kasaija, said in a news conference in Kampala that the government has noted the emergence of the practice of using, holding and trading cryptocurrencies in the country.
"This is to inform the general public that the government of Uganda does not recognise any cryptocurrency as legal tender in Uganda. The government of Uganda has not licensed any organisation in Uganda to sell cryptocurrencies or to facilitate the trade in cryptocurrencies, and so these organisations are not regulated by the government or any of its agencies," Mr Kasaija said.

> UK

The Financial Conduct Authority (FCA) has proposed extending anti-money laundering (AML) and counter-terrorist financing (CTF) regulations to entities that deal in digital assets. That would require exchanges and token issuers to collect data on their users and hand it over to the authorities.
The proposal also includes the companies involved in "the publication of open-source software (which includes, but is not limited to, noncustodial wallet software and other types of crypto-asset related software)."
The requirement appears to originate from a decision by HM Treasury to broaden the scope of AML / CTF regulation on cryptocurrency companies. It first appeared in an appendix to the FCA's Guidance on Cryptoassets, published last July. The proposal could be enacted as early as next year, when the FCA transposes the EU's Fifth Money Laundering Directive (5AMLD) into UK law on 10th January 2020.

Late in September 2019, CF Benchmarks, a cryptocurrency index provider, has obtained a licence from FCA to operate as a benchmark administrator under the European Benchmarks Regulation (EU BMR) that is slated to be fully effective from next January.
The FCA consent is said to be a first for cryptocurrency index providers.
Now, asset managers and trading firms will be able to leverage CF Benchmarks' indices to launch cryptocurrency products, such as ETFs, in line with European regulation.

> US

In the second half of September, SEC filed a lawsuit in federal court in the Central District of California today against "ICOBox" and its founder, Mr Nikolay Evdokimov. According to the Complaint, the defendants violated federal securities laws by selling tokens that were unregistered securities and acting as an unregistered broker-dealer.
Since August 2017, "ICOBox and Evdokimov have engaged in both the unregistered offering of securities through a $14.6 million ICOBox token sale, as well as the unregistered broker activities related to securities offered by ICOBox's clients, exposing thousands of investors to risky investments without providing the necessary information and protections required by the federal securities laws," the Complaint alleges.
The idea behind ICOBox was that in exchange for payment

from potential issuers ICOBox would allow holders of its token, maddeningly called ICOS, to swap their tokens for tokens issued by ICOBox's anticipated clients. According to SEC, "ICOBox has facilitated far fewer than 100 clients' token sales total—let alone 100 per month. Besides, the company has discontinued the ability to swap ICOS tokens, rendering them useless. ICOS tokens now trade, if at all, at approximately $2.41, a fraction of the offering purchase price—roughly 1/20th of the average purchase price during the offering."
Nonetheless, since August 2017, the defendants allegedly facilitated tokens sales for over 30 clients, raising more than $650 million, and earning significant fees as a part of that process. At least one of those sales, per the SEC, for Paragon Coin, Inc., was a securities offering under the Howey Test.
The Complaint contains two counts. The first is for the unregistered sale of ICOBox's tokens, which the SEC alleges are securities under the Howey Test. The second count alleges that the defendants violated federal law by failing to register as brokers while "actively solicit[ing] investors for ICOBox's clients, and receiv[ing] transaction-based compensation for their services, in the form of "success" fees based on the amounts raised from investors during ICOBox's clients' ICOs."

Cryptocurrency firm Longfin Corp. has been ordered by a federal court in New York to pay the US Securities and Exchange Commission (SEC) about $6.8 million in penalties and disgorgement for conducting a fraudulent public offering and falsifying revenues.
The SEC announced the news late in September 2019, saying that Longfin and its CEO, Mr Venkata S. Meenavalli, falsely represented in SEC filing that the company was managed and operated in the US when its operations, assets and management remained offshore.
SEC has previously accused Longfin and Mr Meenavalli of illegally distributing and selling over $33 million of Longfin stock in unregistered transactions. Those charges are resolved now, as Longfin and Meenavalli were recently ordered to pay civil penalties of $284,139 and $28,416, respectively.

The Florida Office of Financial Regulation (OFR) is investigating the German company Karatbars International GmbH. Karatbar is the issuer of a token tied to a Miami-based "crypto-bank." The company also issued a cryptocurrency, the KaratGold Coin, allegedly backed by gold. According to OFR, the "crypto-bank" operations have been conducted without a banking license in the state. Further, it is doubtful whether the gold mine exists or not.

> VE

The State Bank of Venezuela has launched the process of registering electronic wallets, which will allow citizens to deposit and spend state-supported cryptocurrency, El Petro. The Bank of Venezuela has not issued any official statement yet. Local sources report that customers have noticed the appearance of a new wallet registration module in the user interface on their online accounts.
The process of launching the Petro-wallet is the result of an order of President Nicolas Maduro in early July.
The registration menu allows customers to "choose the type of crypto" that they would like to register. It is assumed that the bank will also support other crypto assets, such as BTC and ETH. Until the bank finally launches a secure wallet system, the only way to store and trade Petro is through authorised crypto exchanges.

Blockchain Compliance Rank

Afghanistan	1,66
Albania	3,49
Algeria	1,36
Angola	1,56
Antigua and Barbuda	3,10
Argentina	5,87
Armenia	3,26
Australia	8,05
Austria	7,97
Azerbaijan	3,50
Bahamas	3,59
Bahrain	5,36
Bangladesh	0,98
Barbados	3,19
Belarus	5,10
Belgium	7,42
Belize	2,97
Benin	2,43
Bhutan	3,16
Bolivia	1,17
Bosnia and Herzegovina	4,38
Botswana	3,30
Brazil	5,82
Bulgaria	7,02
Burkina Faso	2,11
Burundi	1,18
Cambodia	4,22
Cameroon	1,88
Canada	7,37
Central African Republic	0,90
Chad	1,58
Chile	7,23
China	3,13
Colombia	6,14
Congo (Democr. Rep Of)	2,04
Costa Rica	6,79
Côte d'Ivoire	1,65
Croatia	6,62
Cuba	0,56
Cyprus	6,87
Czech Republic	7,61
Denmark	7,73
Djibouti	1,92
Dominica	2,85
Dominican Republic	3,32
Ecuador	1,87
Egypt	4,14
El Salvador	2,75
Equatorial Guinea	1,51
Eritrea	0,78
Estonia	7,95
Ethiopia	0,87
Fiji	2,76
Finland	7,57
France	8,22
Gabon	1,98
Gambia	2,07
Georgia	4,71
Germany	7,34
Ghana	3,24
Greece	6,17
Guatemala	2,78
Guinea	1,37
Guinea Bissau	1,20
Guyana	1,71
Haiti	1,14
Honduras	2,25
Hong Kong	7,42
Hungary	6,09
Iceland	6,58
India	4,50
Indonesia	5,67
Iran	1,39
Iraq	0,65
Ireland	7,38
Israel	7,07
Italy	5,63
Jamaica	5,32
Japan	7,24
Jordan	5,17
Kazakhstan	4,00
Kenya	2,83
Kiribati	2,30
Kuwait	3,55
Kyrgyzstan	4,83
Laos	1,22
Latvia	4,64
Lebanon	4,52
Lesotho	2,37
Liberia	0,96
Libya	0,54
Liechtenstein	7,55
Lithuania	7,33
Luxembourg	7,43
Macedonia	5,17
Madagascar	1,62
Malawi	1,76
Malaysia	6,23
Maldives	2,25
Mali	1,19
Malta	6,57
Mauritania	1,82
Mauritius	4,44
Mexico	6,73
Micronesia	1,97
Moldova	2,38
Mongolia	2,89
Montenegro	3,03
Morocco	2,30
Mozambique	1,53
Myanmar	0,55
Namibia	4,43
Nepal	1,45
Netherlands	7,79
New Zealand	6,77
Nicaragua	3,84
Niger	1,74
Nigeria	4,46
North Korea	1,12
Norway	6,42
Oman	3,11
Pakistan	1,40
Palau	2,30
Panama	3,59
Papua New Guinea	1,76
Paraguay	2,74
Peru	3,88
Philippines	5,87
Poland	6,10
Portugal	6,56
Puerto Rico	2,63
Qatar	2,93
Romania	6,62
Russia	6,01
Rwanda	2,47
Samoa	2,47
San Marino	6,02
Saudi Arabia	5,48
Senegal	1,92
Serbia	2,66
Sierra Leone	1,02
Singapore	7,42
Slovakia	6,38
Slovenia	7,04
Somalia	0,21
South Africa	5,39
South Korea	6,76
South Sudan	0,38
Spain	6,92
Sri Lanka	1,39
Sudan	0,35
Suriname	1,10
Swaziland	2,21
Sweden	7,09
Switzerland	8,05
Syria	0,87
Taiwan	6,84
Tajikistan	1,48
Tanzania	1,39
Thailand	6,26
Togo	1,41
Tonga	2,04
Trinidad and Tobago	3,64
Tunisia	1,70
Turkey	5,45
Uganda	1,20
Ukraine	5,05
United Arab Emirates	7,75
United Kingdom	7,43
United States	8,29
Uruguay	3,15
Uzbekistan	4,02
Vanuatu	1,67
Venezuela	3,52
Vietnam	5,41
Yemen	0,11
Zambia	2,01
Zimbabwe	3,27

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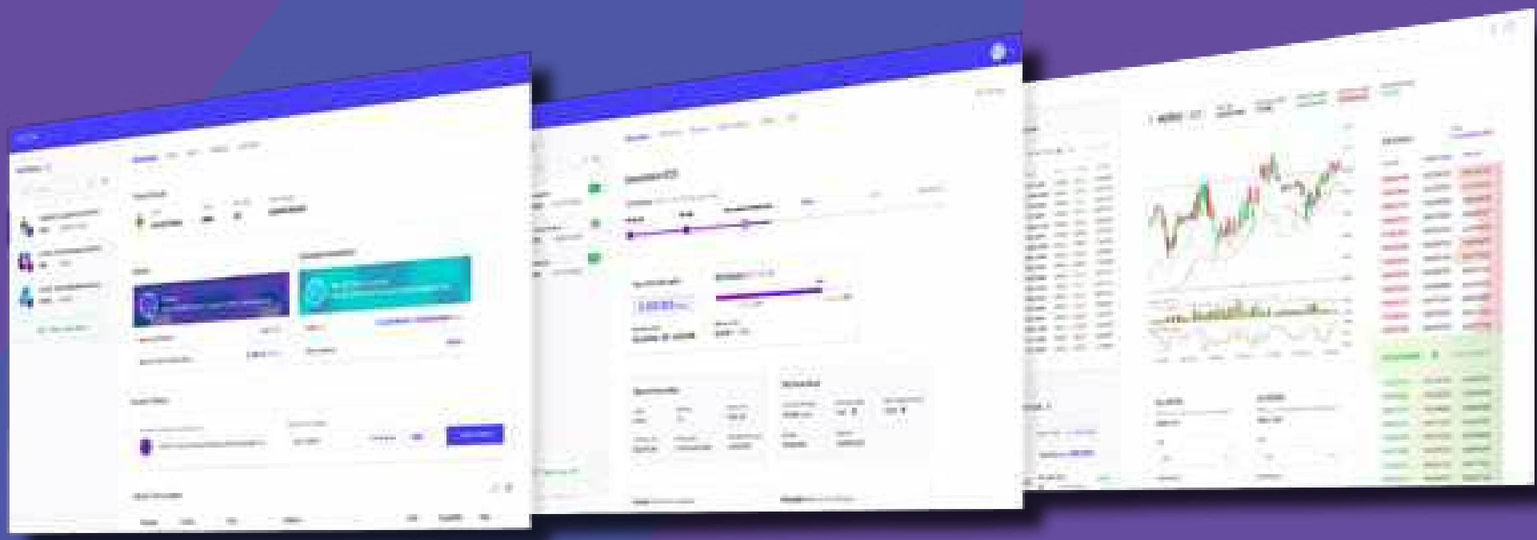

1 | Create
Your token

2 | Launch
Your ICO or STO

3 | List
Your token

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Understanding the AML Risks Cryptocurrency Presents to Swiss Banks

By **Simone D. Casadei Bernardi**

The evolution of cryptocurrency-related business activities increases anti-money laundering (AML) risks to Swiss banks – but to what extent? Learn everything you need to know about identifying the issues and successfully monitoring cryptocurrency activity from a compliance standpoint.

Ever since the first decentralised cryptocurrency, bitcoin, burst onto the scene back in 2009, the financial world has started to move at lightning speed.

The term 'cryptocurrency' is a buzzword that's never been far away from the headlines. Whether it's surrounding Starbucks' decision to accept bitcoin in May 2019 or a $1 million AML scandal in Japan, it's always newsworthy.

More recently, Swiss banks are dragging their heels when it comes to offering bank accounts to businesses dealing with cryptocurrency.

This revelation is quite surprising when Switzerland is widely regarded as a "crypto nation" and an innovator for crypto startups. The Swiss government believe that blockchain and cryptocurrencies can enhance efficiency both in the financial sector and in other sectors in the economy – which lead them to introduce a favourable framework and taxation law.

The problem is, a lot of these startup crypto businesses require a bank account with a Swiss bank to pay bills, salaries and social security fees using FIAT currency.

While some banks are hesitant, others are onboarding cryptocurrency clients. However, the crypto businesses that are fortunate enough to open an account are under strict legal and regulatory requirements.

Here's everything you need to know about the AML risks highlighted by Swiss banks and the type of due diligence both parties are required to consider.

THE AML RISKS RAISED BY CRYPTOCURRENCY

Cryptocurrency might be relatively new, but AML risks in the world of payment aren't. From a regulatory point of view, a lot of Swiss banks believe the risks associated with blockchain and digital currencies are very similar to new financial products and technologies previously introduced to the market.

Their thinking is that these new technologies come with untested business models, are subject to fraudulent activity, fail to clarify how they work and have an element of uncertainty as they rapidly evolve.

To break this down further, here are some examples of the risks inherent in the technology and the types of fraudulent activity that commonly associated with it:

- transaction anonymity and making it hard for people to identify users;
- security vulnerabilities in the model;
- the threats presented as inexperienced users follow the trend and try to use it;
- malware and ransomware issues;
- it can be used to pay for illegal goods and services or terrorist financing.

IS THIS A FAIR ASSESSMENT OF CRYPTOCURRENCY?

To some, the Swiss banks' decision to deem cryptocurrency in the same field as older new financial technology might be unfair.

One major argument is that cryptocurrencies, especially bitcoin, is more pseudonymous than anonymous – meaning every transaction leaves a transparent public record and can be accessed by anyone interested in seeing a full history of a business. So, in theory, why does cryptocurrency pose such a threat to the AML regulation when the information is readily available to all?

Well, that's where privacy coins can play a part. Certain cryptocurrencies are untraceable and categorically obscure the link between a transaction and the public wallet addresses of the parties. Naturally, this makes it a lot easier for criminals to conduct fraudulent activity by exchanging these back to primary cryptocurrencies which can then be exchanged for FIAT currency. Therefore, turning dirty money into clean money.

Mixers are also an issue, as they

provide a mechanism of breaking down cryptocurrencies into several fragments and mixing them up with other fragments of other clients in a bid to confuse the trail back to the tainted source of the crypto.

However, despite the risks associated with cryptocurrencies, there have been very little money-laundering cases linked back to it and zero examples of terrorism financing in Switzerland.

Regardless, Swiss banks are not willing to take risks and have recognised the challenges that cryptocurrency presents. Every acceptance of sale proceeds of cryptocurrencies needs to be determined on a case-by-case basis and consider specific factors.

Risk assessment

The bank has to perform an accurate assessment, including its inherent, the risks associated and any counterparties involved (i.e. crypto exchanges). This can be carried out through rigorous monitoring of transactions.

Risk-based approach

The extent of the due diligence requirements must be assessed on the given situation.

Risk mitigation

A detailed risk assessment must be completed with the definition of risk appetite, plus a consistent framework for outlining the bank's specific risks and management boundaries. This includes documentation of the risk assessment, framework, risk factors-logic and derivation. These reviews need to be carried out periodically and banks should have a comprehensive transaction monitoring system in place which alerts them when a risk occurs.

DUE DILIGENCE FOR BANKS AND INDIVIDUALS

The Swiss Bankers Association (SBA) developed guidelines that assist banks in opening accounts for blockchain/crypto businesses.

The guidelines outline blockchain-specific elements within the standard scope of the KYC (know your customer) process, as well as specifying expectations for the issuer of tokens. As a part of the guidelines, crypto businesses must also demonstrate that they operate in Switzerland too.

Interestingly, the guidelines don't define minimum standards, meaning banking instructions issued by SBA can be prioritised. Therefore, each Swiss bank is responsible for its own business activities, so they can define their own due diligence framework for cryptos.

There's also the matter of defining each business on a one-by-one basis too. For instance, if a business simply offers cryptocurrency payment options (like Starbucks), but doesn't use blockchain technology to raise capital via an initial coin offering (ICO), security token offering (STO) or token generating event (TGE), they should be treated like a normal business trying to open a bank account.

However, those who do have the support of ICO, STO or TGE funding, Swiss banks should introduce additional requirements – including KYC and AML regulations.

As it stands, there is no Swiss AML regulation in place that prohibits the acceptance of sale proceeds of cryptocurrencies in general. Nevertheless, both individuals and banks have a duty under customer due diligence (CDD) to carry out checks on who they're completing a transaction with.

It's then up to them to identify any risks and take action to mitigate them.

Finma Fears Crypto's Dark Corners More Than Libra

On 1st October, Reuters reported that the head of Swiss financial supervisor (Finma), Mark Branson, is wary of crypto projects that develop without official scrutiny: "I am much more nervous about projects which develop in a dark corner in the financial system somewhere, spread themselves out through cyberspace and one day are too big to be stopped."

Talking about Libra, Mr Branson explained that the project will face the same strict rules that apply to banks on top of already stringent anti-money laundering laws, but that Switzerland will not go out of its way to stonewall the project.

"We are not here to make such projects impossible. We will respond to them with an open mind, with an attitude that same risks require same rules. Our rules and standards are non-negotiable," he said.

Bakkt: Bitcoin Goes Mainstream

By **Mattias Cerini**

A new layer of derivatives contracts to bridge the crypto and the institutional world.

On Monday 23rd of September, the "ICE" or Intercontinental Exchange Inc. opened trading of the first, physically settled Bitcoin Futures contract, ever to be exchanged on a fully compliant and regulated exchange. The $52 Million market-cap financial behemoth who's also the owner of the NYSE, has very ambitious goals in mind, striving to make Bitcoin a mainstream asset class by providing the digital currency with a "compliant" wrapper of derivatives contracts.

THE IDEA

The project has been regarded as promising by many financial industry stakeholders, such as pension funds and brokerage firms which will be able to have a secured and guaranteed payment channel to trade Bitcoins.

Through the Bakkt infrastructure comprising of clearinghouse, custody and top-notch security measures, all in one place, institutional investors will gain access to the exact same trading environment they are accustomed to transacting on, giving them the same confidence as in a "traditional" financial ecosystem. Or at least that is the plan and hopes on which the Bakkt project has been constructed upon.

The same concept has been directly expressed through the voice of Bakkt CEO Kelly Loeffler: "The funds that trade on our exchanges expressed to us that they don't want to deal in today's unregulated markets, and want end-to-end federal oversight, on the level of the NYSE, to feel safe trading in Bitcoin".

COO Adam White also clarifies the opportunity that Bitcoin represents for traditional investors: "Pension funds, for example, are diversifying into alternatives. Regulated Bitcoin futures could be part of their investment mandate since they have different correlations with both stocks and bonds, and other alternatives such as gold."

THE APPEAL

The promise of uncorrelated returns and the potential significant upside is very appealing to many market participants given the current negative interest environment as well as the apparent scarcity of alpha-generating assets in the current financial markets. This represents an opportunity, but pension funds and the like are not comfortable with trading in unregulated and sometimes even straight out fraudulent markets.

The ICE is also aiming at generating a mechanism that would allow Bitcoin to have "price discovery", by enabling hedge funds and family offices worldwide to pour their capital into the cryptocurrency, the price of the digital assets should smoothen out the crazy volatility that has spooked investors and stopped them from allocating resources to this nascent alternative investment asset class.

The ICE was not the only player approaching this issue and trying to make Bitcoin more "appealing" to institutional investors. The CME, or Chicago Mercantile Exchange, was the first incumbent financial institution to create Bitcoin futures contracts.

The difference between the contracts lies in the settlement mechanics of the instrument. Bakkt futures will be "physically" settled in Bitcoin, and not in cold hard cash like the CME's futures.

This will make Bakkt's Bitcoin futures much more liquid and closer to the current exchange mechanism typical of commodities, allowing investors not to have to change back and forth from fiat currencies, speeding up the process considerably.

Buyers purchasing Daily futures, will be entitled to receive physical Bitcoin on their accounts on the same day, making the derivative contract very similar to a spot contract.

Moreover, the product issued by the ICE will benefit from the stringent supervision of the CFTC, allowing for the ability to access clearing and leverage, features highly valued by money managers.

Only broker dealers that have an active membership with the exchange, and that have been carefully vetted by the CFTC, have access to the trading floor.

The same companies are also members of the clearing organisations, which are responsible for managing the payments between purchasers and sellers of contracts, ensuring that if one party fails to uphold its obligations, the other party will be fully compensated and reimbursed by the clearing house itself.

Another point very valued by institutional investors is custody. So far, only a few crypto firms have created properly secured venues for storing digital assets, and only some of them have a resemblance of the security to which traditional market participants are accustomed to.

To tackle the issue, Bakkt has obtained a trust bank charter license by the state of New York, which will make it a qualified custodian, meaning that it will have to abide by very stringent capital requirements and KYC and AML regulations.

Furthermore, as far as cybersecurity is concerned, Bakkt will employ the same iron-clad security measures and technology that is utilised by the NYSE, giving an extra layer of protection to the funds deposited on the platform.

The ICE hopes that by reassuring investors of the soundness of the custody measures and by extending its reputation onto its branch company, it will create an ultra-safe environment for the trading of Bitcoin and other digital assets.

WILL BAKKT TRULY BRIDGE THE GAP BETWEEN BITCOIN AND THE FINANCIAL WORLD?

So far investors have been somewhat weary of digital currencies. The unprecedented effort by ICE surely will move Bitcoin closer to the status of "alternative investment" class but from here to fully open the gates to a flood of institutional capital, it is still hard to predict.


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The overall feeling about Bakkt is very positive, especially in the wake of the launch of Libra and the negative responses it is generating at the government and regulators level worldwide.

We are very confident that this is a significant milestone for the crypto world and its strive for legitimacy. We'll keep a close watch on the future development of the platform and the level of adoption of Bitcoin futures.

Can Blockchain Prosper Under GDPR Stipulations?

By **Daryl Charman**

With the immutable nature of blockchain directly conflicting GDPR's requirement to delete personal data, is there a way to reconcile the inconsistencies between the two?

The General Data Protection Regulation (GDPR) was first approved and adopted by the European Union (EU) Parliament on April 2016 and became effective on 25th May 2018.

This comprehensive ruling towards handling data applies to not only EU-based companies, but also global firms who collect and manage data of EU citizens and legal entities.

Before GDPR implementation, the legislation was being developed over the past 25 years to coincide with the expansion of technology.

However, the evolution of technology has happened rapidly, leaving the European Legislators struggling to keep up. Unsurprisingly, blockchain falls under this remit.

The incredible development of blockchain is on the verge of revolutionising the financial industry and the way the market operates. But with its immutable nature clashing with GDPR's push towards data transparency and safeguarding, blockchain technology has left people perplexed on if and how they can work cohesively. Let's explore.

WHY GDPR ISN'T BLACK AND WHITE

Despite many people deeming it impossible to store any kind of personal data on a blockchain while adhering to GDPR stipulations, it ultimately boils down to specific circumstances of your firm.

Interestingly, the 'right to be forgotten' is one of the pillars of GDPR, yet it leaves a loophole in which blockchain technology can exploit.

According to Article 17, the 'right to be forgotten' can be used under the following circumstances:

- If personal data is no longer needed for the purpose.
- If it was processed under consent and the consent has been withdrawn.
- If it was processed under legitimate interest, however, this has been challenged and no overriding interests prevail.
- If the processing of the data was unlawful in the first place.

Although, the 'right to be forgotten' doesn't apply if the processing is still relevant for the performance of a contract, for scientific or historical reasons to support public interest, to comply with a legal obligation or if the legitimate interest continues to overrule the interest of the data subject.

So, if a controller makes personal data public, they must inform others who are processing the data that it needs to be deleted.

It's also worth pointing out that blockchain technology isn't always immutable. In the very first paper on the blockchain, "Bitcoin: A Peer-to-Peer Electronic Cash System", it mentions the idea of pruning: "Once the latest transaction in a coin is buried under enough blocks, the spent transactions before it can be discarded to save disk space."
This means that there's a technical method to delete certain data from the chain without breaking the system – if desired.

Later-generation protocols, such as EOSIO, provides a more advanced solution on the matter.


GDPR

This involves having block producers in place, based on a constitution, to remove data or mutually agree to block access to particular people on the outside.

Granted, this will reduce the blockchain's transparency and partially centralise the system, this is certainly a viable resolution to fulfil GDPR legislation and benefit from blockchain technology.

The final reason why GDPR isn't a foregone conclusion is the casing point that the definition of personal data isn't 100% clear.

Within the blockchain realm, readably personal data shouldn't be used, especially when it comes to public permissionless blockchains, as there's no reason to do so.

You see, a majority of projects store hashes of information or transactions on-chain to prove certain things off-chain. Depending on the situation, some hashes might be regarded as pseudonymous or anonymous.

Pseudonymous data is within the scope of the GDPR and should be followed, while anonymous data is out of scope.

Although distinguishing between the two was previously explained, it hasn't been officially adopted by the EDPB. As a result, this makes it a lot harder to establish if the data should follow GDPR or not.

HOW CAN YOUR FIRM USE BLOCKCHAIN TECHNOLOGY LEGITIMATELY?

The uncertain and absolute solution between GDPR and blockchain can make it challenging for your firm to map out a clear strategy.

However, there are particular ways of working and factors to take under consideration which can help promote blockchain GDPR compliance.

Territorial and material scope

Unless the 'purely personal or household activity' exemption applies, the processing of personal data by blockchains is subject to GDPR.

Principles

Your firm should carefully choose the type of blockchain that matches your design to the data protection processing principles under GDPR and look to minimise the amount of personal data stored in the chain.
It's also worth noting that no existing technical solutions will necessarily be compliant with the principle of storage limitation. Your best move is to store personal data outside of the blockchain if possible.

Laws

Any blockchain participants must identify the lawful basis for processing and adhere to data subject rights.

Roles

Those who can make entries to the blockchain should be deemed as data controllers, miners who validate the transaction act as processors and for those who act as both (if the 'purely personal or household activity' doesn't apply) are the accessors.
Under GDPR, anyone who decides to carry out processing operations on a blockchain will be considered joint controllers. To avoid the complexities, it's recommended that any participants create a legal person to be the data controller or designate a participant to make all of the decisions on behalf of the group.
The person who processes personal data on behalf of the participant is known as the smart contract developer. As the data controller, they can act as a processor.

Data subject rights

The rights of information, accessibility and portability shouldn't cause any obvious issues. Although the blockchain technology implementing the right to erase, object and rectify does come with its own set of challenges. Luckily, there are technical solutions for the exercise of those rights that can move closer towards compliance with the GDPR.

Cross-border transfer

Keeping GDPR in mind, your firm should favour permissioned blockchains as they give you better control over personal data governance – especially with transfers outside of the EU.

Security

To ensure your blockchain technology solution is robust and secure, you need to design it to minimise any potential security issues.

CONCLUSION

The fact that GDPR and blockchain share a similar goal to provide a transparent service means that the relationship between the two can work.

It's a case of how your firm goes about complying and how the GDPR is interpreted. Following the guidelines above is certainly a start. However, don't be surprised if the European Parliament ends up introducing a more conclusive ruling on the handling of GDPR and blockchain in the next couple of years.

10 Blockchain applications that will change our world

By **Mario Palmieri**

The fuss about cryptocurrencies is still on the rise, and while governments are putting regulatory boundaries to them, some with an market-minded approach, others with a more restrictive intent, the technology which is the basis of cryptocurrency is finding more and more applications, and catching the attention of investors, institutions, and big companies. Such interest led to an attractive perspective on Blockchain applications.

As Blockchain consultants, we often speak about the advantages of this technology from a legal and compliance perspective. While many of the projects we are involved in are related to cryptocurrencies, the truth is there are a lot more fields that could benefit from Blockchain.

LOYALTY REWARDS PROGRAMS

Loyal customers are one of the most valuable assets a company can have, that's why so many businesses build loyalty programs with rewards that can enhance the customer experience. Such programs, however, require management, contracts, onboarding processes, and last but not least, security. And let's not forget that it is subject to errors and frauds. A Blockchain-based system can cut the costs of management, reduce mistakes and fraudes, and can verify customers with an automated onboarding process linked to a smart contract. Transactions can be recorded and accessed by customers in almost real time.

SUPPLY CHAIN MONITORING

Are you buying a physical item? Blockchain can still be useful thanks to a tokenisation system: if we associate each item with a digital token, we can track its origin and the steps that brought that item in particular into your hands. This is a great way to spot counterfeit products and offer extra guarantees when reselling them on the second-hand market.

This is not something that could eventually happen: it is already happening in the fashion industry, and in our opinion, it won't take long for all companies to adopt such measures to protect their trademarks.

DIGITAL IDS

In many countries, people still have to carry a physical ID document which can be easily forged by anyone with bad intentions. A shared database of IDs could be the ultimate solution to forgery and could make ID checks faster and more efficient than ever. IDs could be tokenised just like any other kind of goods, and all our personal history would be available for any identification purpose, from crossing a border to applying for a mortgage.

Microsoft has a project underway, but it is still in its early stages.

FOOD SAFETY

Where does the food in your plate come from? Blockchain can answer this question with its immutable record that tracks its provenance, the factory that processed it, the origin of the packaging material, and the supplier who brought it to your local supermarket. This would make your food safer: imagine there is a contaminated batch, you could immediately detect if the product on your table is part of it or if it is safe for consumption.

MEDICAL RECORDS

While many countries digitalised patient recordkeeping, a lot of them are still relying on paper re-


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cords. Blockchain, however, could be helpful in both situations, as they would be able to switch to a distributed database on which all information can be stored and the patient could control who can access those data and who can't.

Insurance companies could also benefit from these sets of reliable data: the so-called InsurTech market is working hard to find applications based on policyholders' tokenised clinical information.

DRUG PRESCRIPTIONS TRACKING

As a consequence of shared medical records, each medication can be tracked from producer to patient. Drugs smuggling and their availability on the black market is a dangerous issue that cause several deaths or serious illnesses. Counterfeit medications are also a threat.

Blockchain can put an end to this thanks to its characteristics. This is actually one of the most interesting Blockchain applications.

WILLS

Blockchain can be of help when it comes to the execution of someone's last will: a paper can be manipulated, but a digital one, stored on the Blockchain, can never be changed or deleted.

A will could also be combined with a smart contract with automated processes in place, e.g.: unlocking funds after kids become of age, or give a property to its designated owner when certain conditions are met, and so on.

VOTING

Every single vote can be recorded on a distributed ledger and validated from the nodes of the network. It could still be secret, thanks to the sophisticated encryption system of the distributed ledger. Also, we could all have immediately available final results, with vote counting no longer needed and a considerable amount of taxpayers' money saved.

FAIR WORK CONDITIONS GUARD

About 25 million people all over the world work in unfair conditions. Some companies are working on a Blockchain-based workers register, with smart contracts ready to be enforced, verified policies, and any information safely stored, and books impossible to cook.

Should this innovation become real and adopted by companies worldwide (perhaps in order to comply with law requirements), it could potentially mean the end of modern slavery and child labour.

DIGITAL HOUSE KEYS

Digital locks are not an eleventh-hour innovation, and some companies like Amazon are already experimenting domestic solutions.

Imagine you have to leave your house at 8:00 on Monday to go to work, but the TV technician is only available to come at 10:00 and do the work within an hour. Your Blockchain digital key is linked to an app on which you input the code of the technician and authorise them to have access between 10:00 and 11:00 on Monday. All done. They will open your home door with their own key thanks to your authorisation, but only in that timeframe. The TV technician, on the other hand, will feel more comfortable entering, because your authorisation is recorded on an immutable distributed ledger.

Can we offer you a free 30-minute legal and compliance consultation?

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- Selection of the jurisdiction of the company
- Company formation
- Preparation of compliance measures
- Drafting of documents for the AML/KYC procedures
- Elaboration of the optimal legal concept of tokens
- Privacy and GDPR
- Preparation of agreements with investors and user agreements
- Dealing with competent regulatory authority and self-regulatory organisations
- Opening of accounts with banks and payment institutions
- Escrow services

Strategy

- Investor relations
- Business planning
- Road mapping to find the right go-to-market partnerships
- Marketing and PR in the crypto industry
- Risk assessment and sustainability analysis
- Brand creation

Technology

- ICO/STO/crowdsale ready-made platforms
- Recruiting of technical specialists
- Drafting of technical tasks

October 2019

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We are a boutique consulting firm who specialises in helping blockchain and decentralised ledger technology projects/organisations keep compliant and reach their goals in an ever-changing digital landscape.

We assist companies across the European continent, so if you run or have in mind a Blockchain-related project, we can help you. Wherever you are based.

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