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Partnering with Regulators and Government to Drive Blockchain Adoption

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Asian Development Bank

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PROMOTING BLOCKCHAIN
INNOVATION IN AUSTRALIA



About ADCA

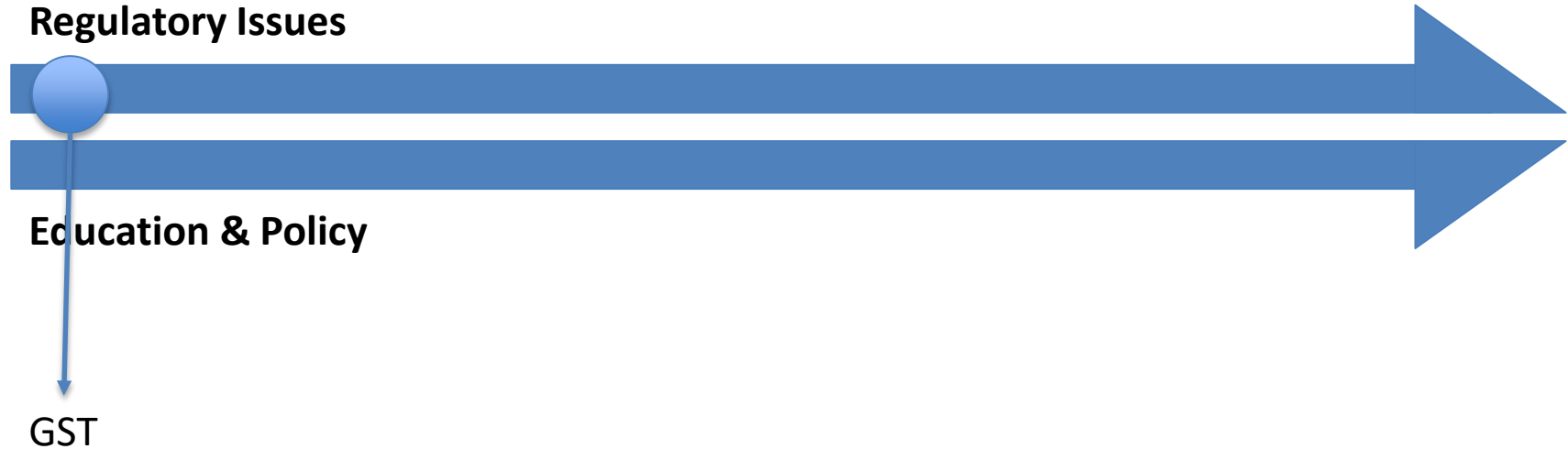


ADCA is the industry body that represents Australian businesses participating in the digital economy through blockchain technology.

ADCA aims to encourage the responsible adoption of blockchain technology by industry and governments across Australia as a means to drive innovation in service delivery across all sectors of the economy.



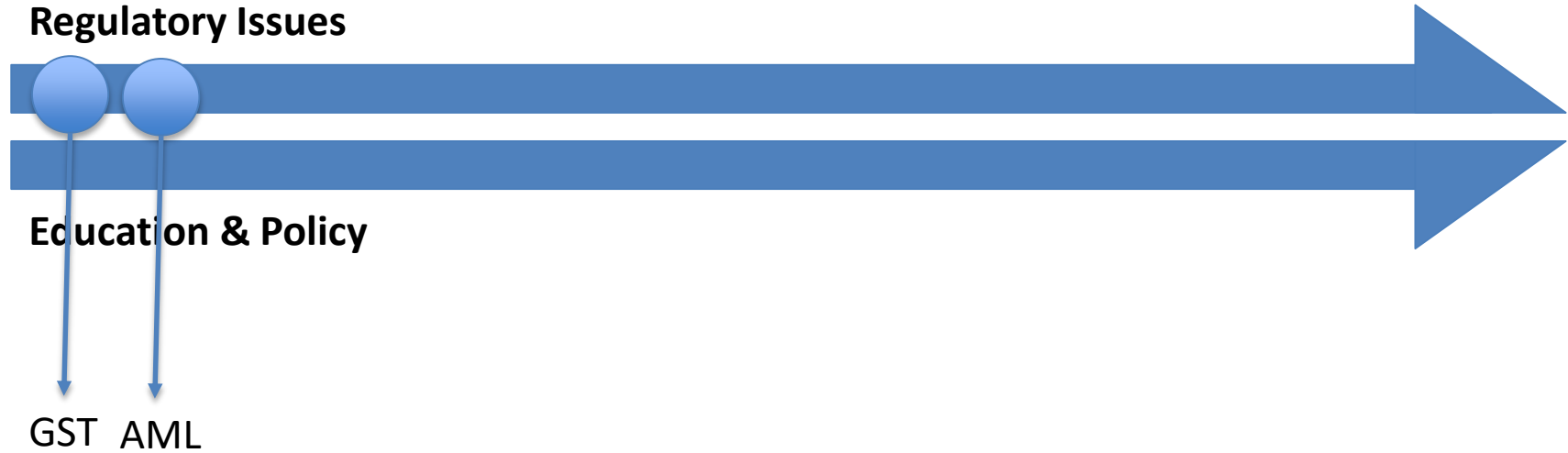
ADCA's Journey



It all started with GST

- ATO Ruling: Double application of GST on digital currency payments.
 - supply of money is not a supply attracting GST
 - but digital currencies not 'money'
- GST legislation changed with retrospective effect to 1 July 2017
 - still not 'money'
 - money **or** digital currency

ADCA's Journey



Anti-Money Laundering & Counter-Terrorist Financing

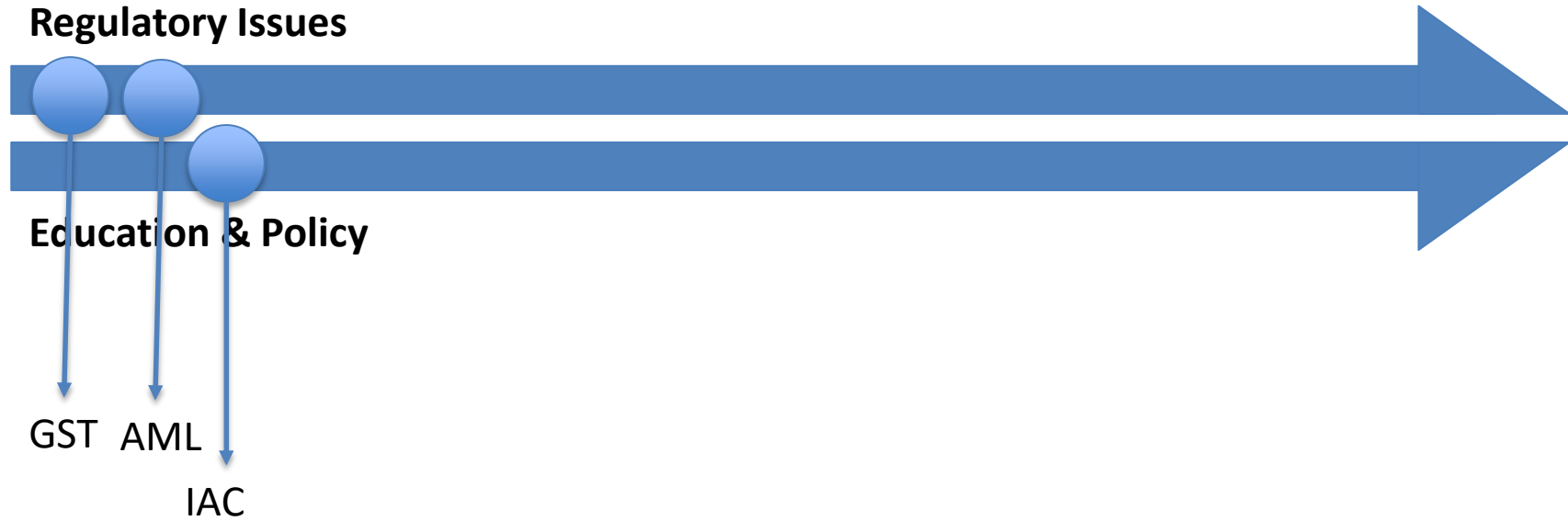
- Major concern of governments in 2016
- Needed to address this issue
 - Don't want to be associated with these problems
 - Barrier to open thinking about blockchain
- **Australian Digital Currency Industry Code of Conduct**
 - Self-regulatory scheme
 - Audit
 - Voluntarily applying strong AML/CTF safeguards



Anti-Money Laundering & Counter-Terrorist Financing

- Process was important
- Consulted with all key regulators
 - Feedback
 - Opportunity for education
 - Opportunity to change perception
- **Australia's AML/CTF laws have now changed**
 - ADCA had earned the right to be involved

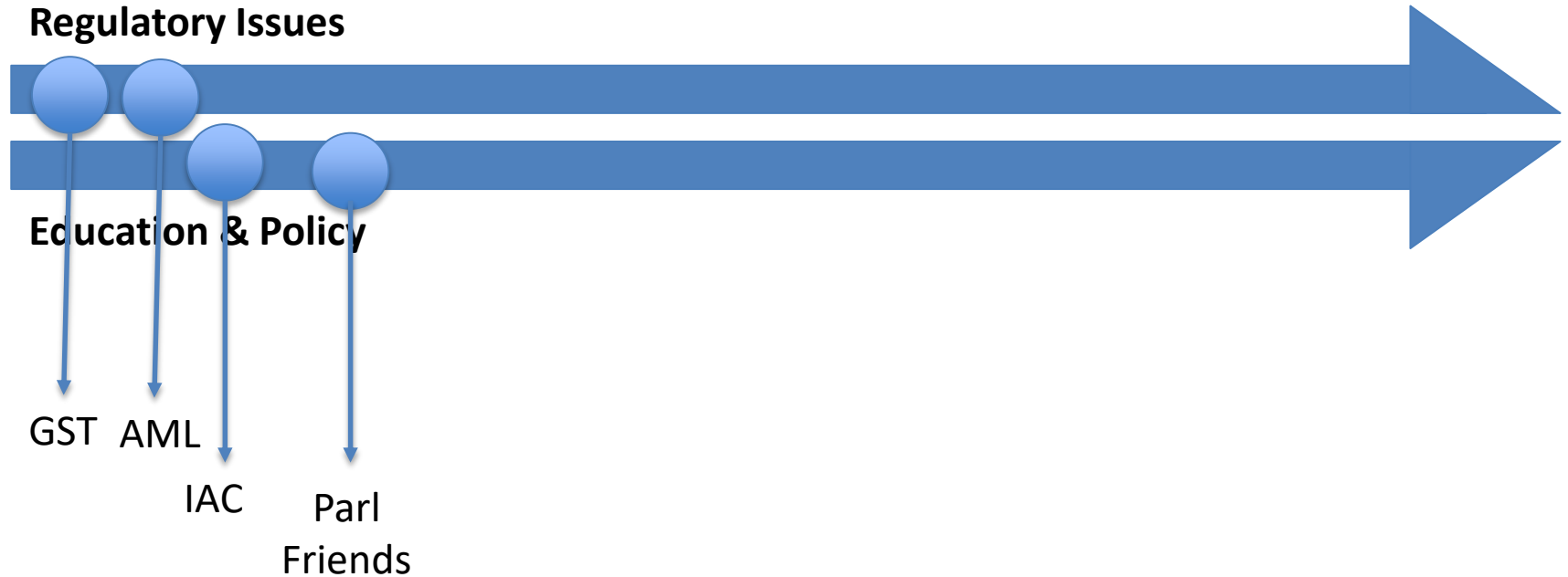
ADCA's Journey



Industry Advisory Council

- Established an Industry Advisory Council
- Members
 - Respected business people interested in blockchain
 - Blockchain entrepreneurs
- Meetings with key government Ministers
 - Explaining opportunity of blockchain

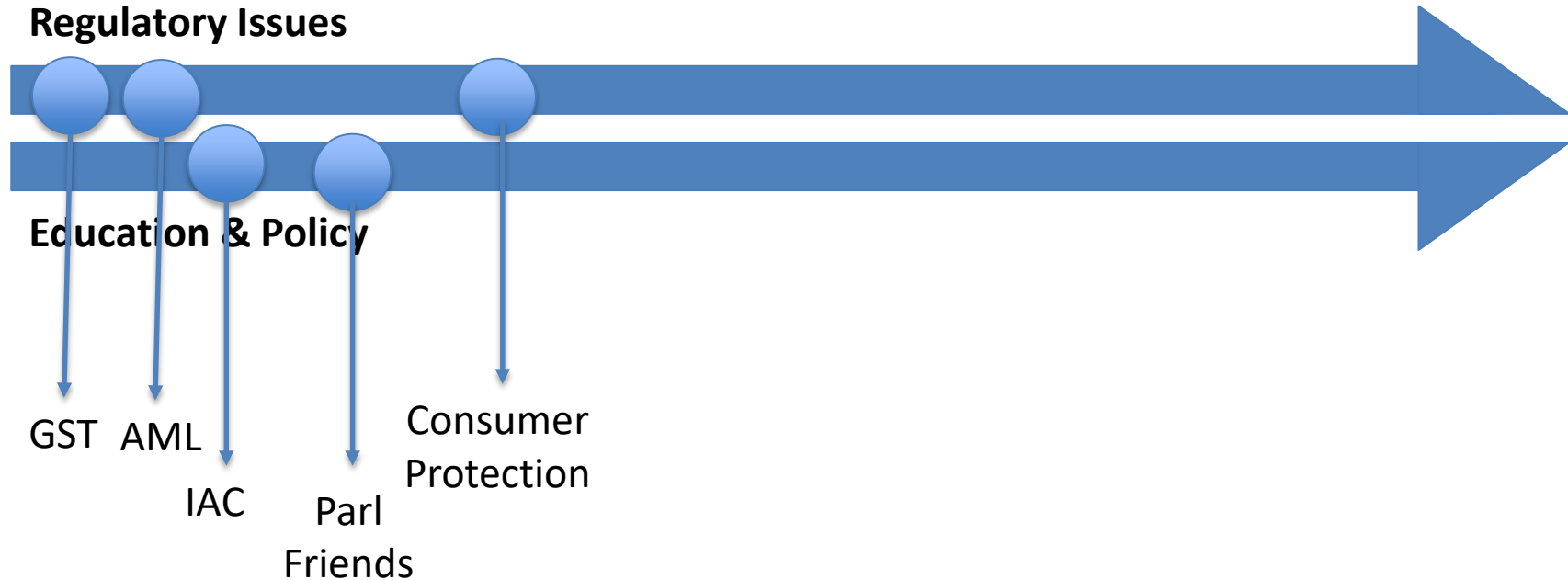
ADCA's Journey



Parliamentary Friends of Blockchain

- Inspired by US Congressional Blockchain Caucus
- Group of members of parliament interested in blockchain
 - Bipartisan
 - Led by rising politicians
- Launch event created profile
- Follow up briefings and events

ADCA's Journey



Consumer Protection

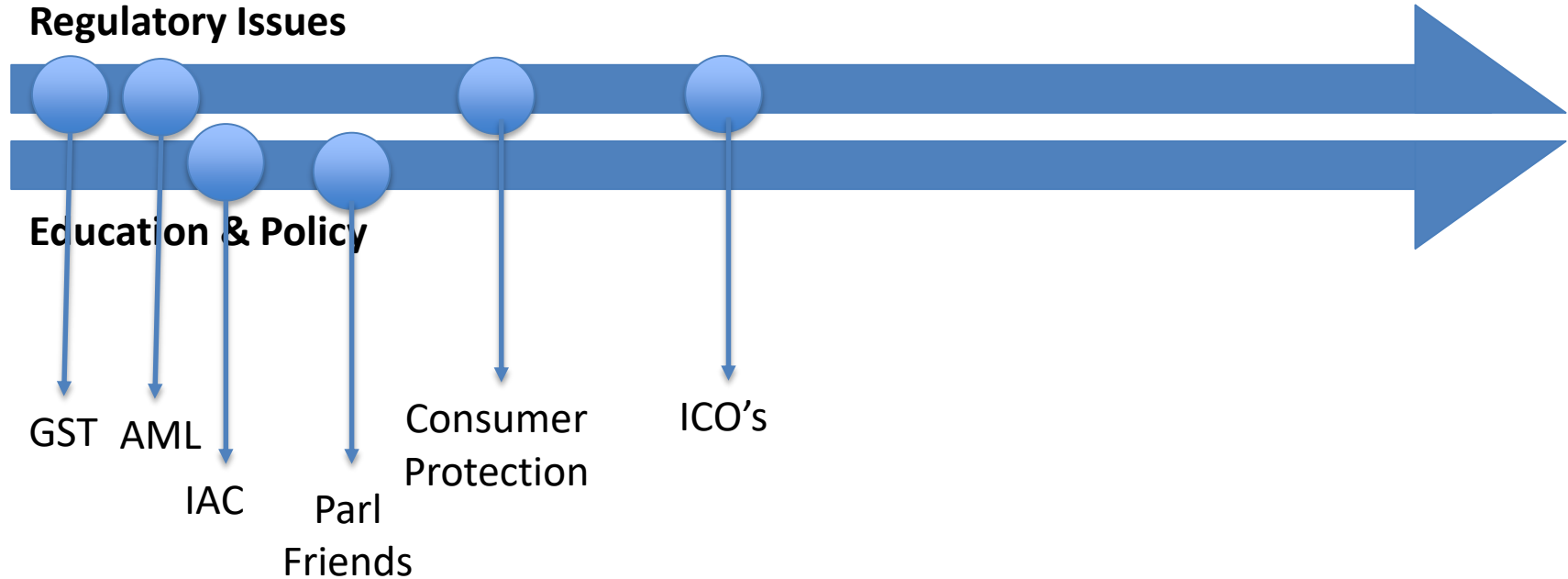
- Gap in Consumer Protection
 - ASIC does not consider digital currencies to be a financial product so does not (cannot?) regulate
 - ACCC applies only general laws on deceptive and misleading conduct
 - ACCC has now referred powers to ASIC – needs clarification
- Australian Digital Currency Industry Code of Conduct
 - trust accounts; no trading with customer funds
 - Solvency test
 - data security
 - transparent pricing
 - dispute resolution scheme



Consumer Protection

- Initiated consumer protection training
- Approached the ACCC to work on consumer education together

ADCA's Journey



ICO's

- Australian regulators are suspicious of ICO's
 - will apply existing securities law when applicable
 - concerned to protect consumers from fraud
- ASIC Information Sheet 225. An ICO that is structured like an existing financial product will be regulated as such.
 - Managed Investment Scheme
 - Offer of Shares
 - Derivative

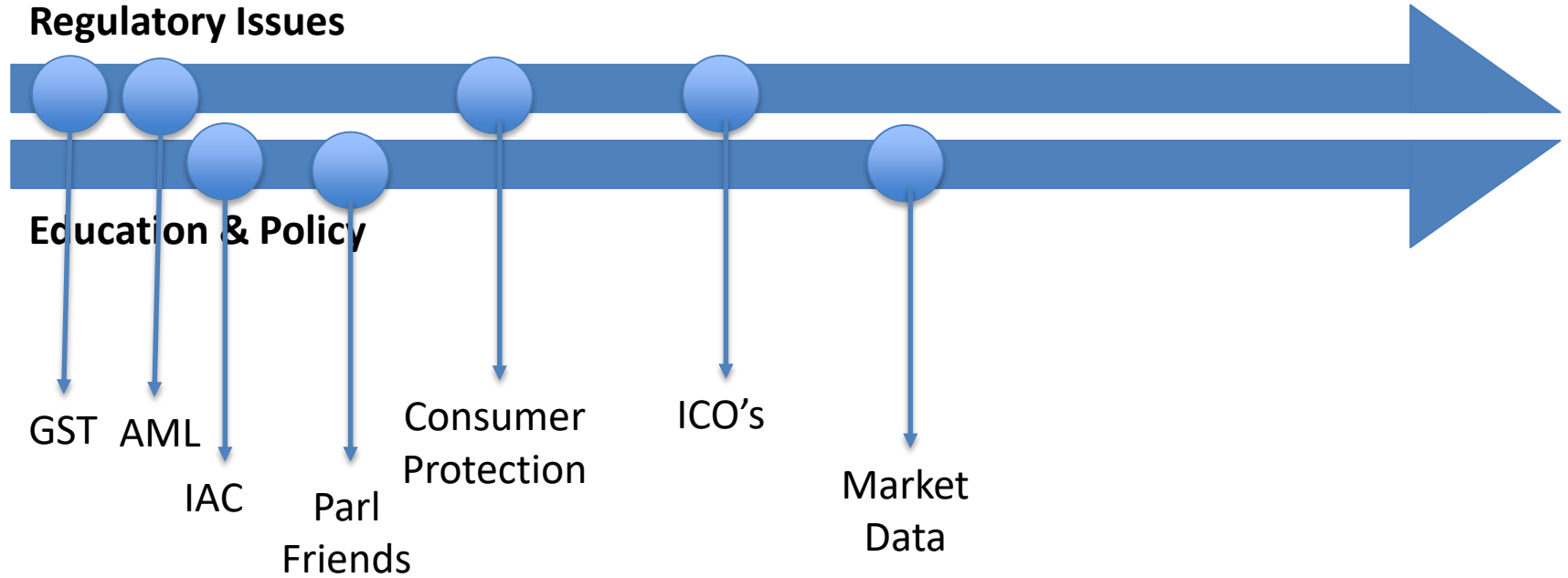
ICO's

- Good. But
 - still uncertain
 - leaves other (most?) forms of ICO subject only to general consumer law
 - misses opportunity to evolve new 'fused' financial products
- Next Steps
 - Definition of ICO types – payment, utility and security tokens
 - Consider regulating as a new asset class

ICO's

- ADCA is now working on a new self-regulatory code of conduct to set best-practice standards for ICO's
- Consultation model with the regulator to build understanding and trust

ADCA's Journey

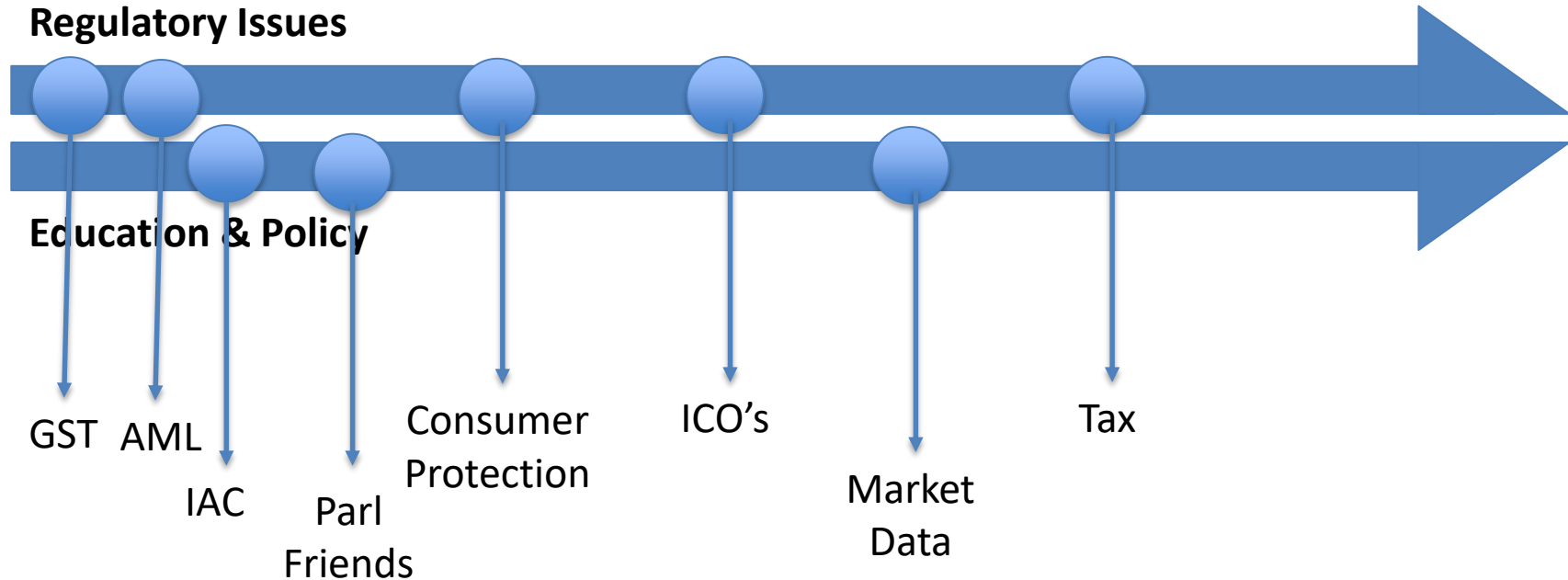


Market Data

- New industry - doesn't always have good data
- Regulators and policy-makers need data
- ADCA has partnered with Accenture to conduct a survey of the size of the digital currency sector in Australia
- Results showed size of market in Australia - >\$6B
- Demonstrates need for appropriate regulation and positions ADCA as key partner



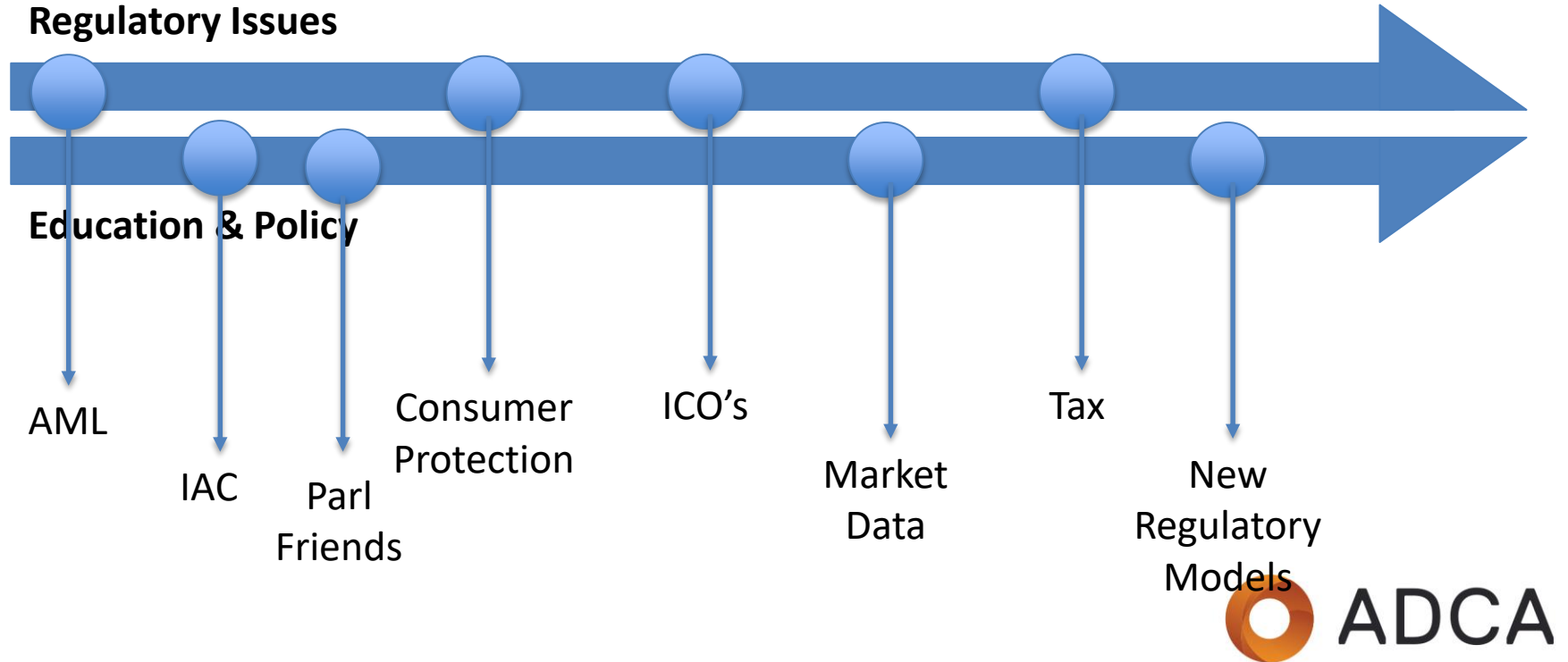
ADCA's Journey



Tax

- Tax authorities have realised that size of the sector means that they need tax visibility
- Current law means tax obligations arise – Income Tax or Capital Gains Tax
- Working with ATO to help understand issues
 - what tax should apply?
 - how can it be reported?
 - in return, treat digital assets in a similar way to other assets

ADCA's Journey



New Regulatory Models

- Blockchain technology has the potential to change the regulatory model
 - less reporting and more automation through smart contracts
 - efficiency, accuracy and fairness dividend
- AML Reporting
 - using blockchain to record KYC checks
- Tax
 - regulator view of digital assets

The Big Picture

- Australia is a leading (but not the leading) jurisdiction for both digital currencies and ICOs
- Different regulators moving at different pace
 - mostly getting it right
 - gap on consumer protection
- Joined up regulatory effort needed
 - create a **system**
 - promote innovation and protect consumers
 - collaboration between industry and government



Our Lessons

- Understand and support the regulators' policy goals
- Educate, educate, educate
- Self-regulate to earn trust
- Demonstrate how blockchain can make it easier for regulators to achieve their goals



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