



CRYPTO ASSET REGULATION – AN INTERNATIONAL SURVEY AND KEY DEVELOPMENTS

Usman Sheikh, Partner, Gowling WLG

Webinar

Thursday, 03 June 2021, 16:00 BST

A Word From Today's Chairman



Hugh Morris

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Today's Agenda



- 16:00 – 16:05 Chairman's Introduction
- 16:05 – 16:25 Keynote Presentation – Usman Sheikh
- 16:25 – 16:45 Question & Answer

Today's Speaker



Usman Sheikh

Partner

Gowling WLG

CRYPTO ASSET REGULATION – KEY DEVELOPMENTS

Usman M. Sheikh (National Head, Blockchain & Smart Contracts)

FS Club – June 3, 2021



BLOCKCHAIN TECHNOLOGY

SIGNIFICANT IMPACT

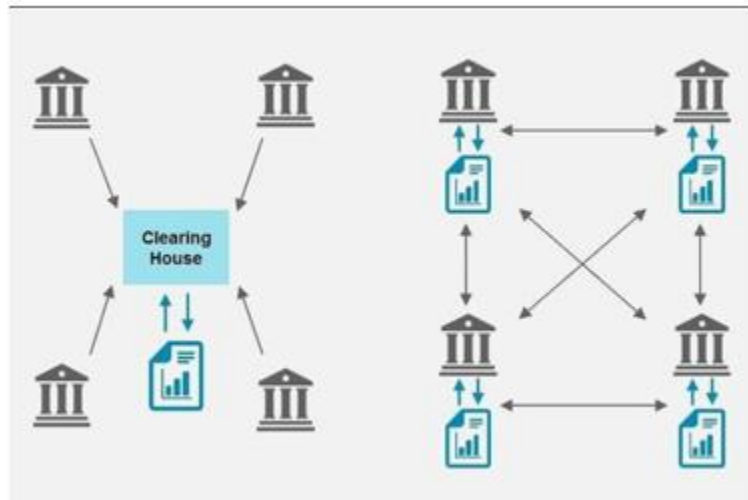
- “You should be taking this technology as seriously as you should have been taking the development of the Internet in the early 1990’s.” – ***Blythe Masters***
- “The technology likely to have the greatest impact on the financial services industry and the world of business has arrived.” – ***Blockchain Revolution***
- “Financial Institutions are early adopters. It is estimated that 80% of banks are working on blockchain projects. ... [B]lockchain will transform the world.” – ***Ginni Rommetty, IBM***

WHAT IS BLOCKCHAIN TECHNOLOGY

- **LEDGER** – At its core, a blockchain is just a digital ledger or database of transactions (“distributed ledger technology” or “DLT”)
- **CONSIDER THE IMPORTANCE OF LEDGERS IN YOUR LIFE –**
 1. Bank Transactions
 2. Stock Transactions
 3. Real Estate Transactions
 4. Etc.
- **CRITICAL ELEMENT TO EACH OF THESE LEDGERS –** A trusted third party intermediary (users do not maintain the ledgers; third parties securely update the ledgers; single source of truth). Especially required for digital transactions: problem of double spend.

HOW IS THIS LEDGER UNIQUE?

- **NO NEED FOR A TRUSTED THIRD PARTY** – A ledger that allows transactions directly from one party to another without going through a trusted third party (e.g., a financial institution). Trust via cryptographic proof (not via third party).



Bitcoin: A Peer-to-Peer Electronic Cash System

Satoshi Nakamoto
satoshin@gmx.com
www.bitcoin.org

Abstract. A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution. Digital signatures provide part of the solution, but the main benefits are lost if a trusted third party is still required to prevent double-spending. We propose a solution to the double-spending problem using a peer-to-peer network. The network timestamps transactions by hashing them into an ongoing chain of hash-based proof of work, forming a record that cannot be changed without redoing

DISINTERMEDIATION

- “The blockchain protocol threatens to disintermediate almost every process in financial services.” – ***World Economic Forum***
- “If the banks don’t change, we will change the banks.” – ***Jack Ma / Alibaba Group***
- “Banks may face a ‘Kodak moment’” – ***former CEO / Barclays***

CRYPTO INDUSTRY



ACCEPTING CRYPTO ASSETS



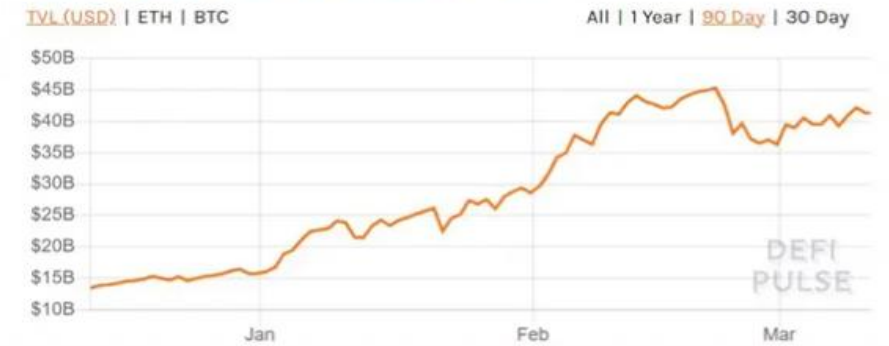
BLOCKCHAIN'S RISE IN POPULARITY

Recent rise in popularity



WORLD
China Creates Its Own Digital Currency, a First for Major Economy
 A cyber yuan stands to give Beijing power to track spending in real time, plus money that isn't linked to the dollar-dominated global financial system

Total Value Locked (USD) in DeFi



SECURITIES LAWS

REGULATORY RESPONSE – SECURITIES

1. Regulatory Warnings / Guidance
2. Regulatory Sandboxes (exemptive relief applications)
3. Regulatory Studies
4. Statutory Reform / Rule-Making
5. Litigation / Enforcement Action

REGULATORY WARNINGS / GUIDANCE

REGULATORY WARNINGS / GUIDANCE

CSA / OSC / IIROC –

- **March 8, 2017** – OSC News Release (“*OSC Highlights Potential Securities Law Requirements for Businesses Using [DLT]*”) (March 8, 2017)
- **August 24, 2017** – CSA Staff Notice 46-307 – *Cryptocurrency Offerings*
- **June 6, 2018** – CSA Investor Alert: *Caution urged for Canadians investing with crypto-asset trading platforms*
- **June 11, 2018** – CSA Staff Notice 46-308 – *Securities Law Implications for Offerings of Tokens*
- **March 14, 2019** – CSA / IIROC Consultation Paper 21-402 – *Proposed Framework for Crypto-Asset Trading Platforms*
- **January 16, 2020** – CSA Staff Notice 21-327 – *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets*
- **March 29, 2021** – CSA / IIROC Staff Notice 21-329 – *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements*



REGULATORY WARNINGS / GUIDANCE

- **SEC (Select Only) –**

- **July 25, 2017** – DAO Report (and related Investor Bulletin + Statement from Enforcement / Corporation Finance)
- **December 11, 2017** – Statement on Cryptocurrencies and Initial Coin Offerings (SEC Chairman Jay Clayton)
- **Jan 19, 2018** – Joint Statement by SEC / CFTC Enforcement Directors Regarding Virtual Currency Enforcement Actions
- **Jan 22, 2018** – SEC Chairman issued warning to companies that change their name to incorporate bitcoin or blockchain
- **Jan 24, 2018** – SEC / CFTC Chairs issued Wall Street Journal op-ed that they are closely monitoring cryptocurrency activities; will take action when warranted
- **March 7, 2018** – Statement on Potentially Unlawful Online Platforms for Trading Digital Assets
- **May 16, 2018** – “HoweyCoins” website (SEC Office of Investor Education and Advocacy)
- **Nov 16, 2018** – Statement on Digital Asset Securities Issuance and Trading
- **April 3, 2019** – SEC Statement on “Framework for ‘Investment Contract’ Analysis of Digital Assets
- **July 8, 2019** – SEC/FINRA Joint Staff Statement on Broker-Dealer Custody of Digital Asset Securities
- **October 11, 2019** – SEC / CFTC / FinCEN Joint Statement on Activities Involving Digital Assets
- **Sept 21, 2020** – SEC FinHub Statement on OCC Interpretation



REGULATORY WARNINGS / GUIDANCE

- **Regulatory Position re: ICOs**

- CSA: “... in many cases, when the totality of the offering or arrangement is considered, the coins/tokens should properly be considered securities”. Does the ICO involve: (i) an investment of money; (ii) in a common enterprise; (iii) with the expectation of profit; (iv) to come significantly from the efforts of others? (see *Pacific Coast Coin Exchange*)
- If so, prospectus requirement / exemptions, disclosure requirements, risk acknowledgement forms, comply with investor investment limits, provide audited annual financials, resale restrictions, registration requirement

- **Regulatory Position re: Cryptocurrency Asset Trading Platforms**

- Those that offer crypto assets that are securities must determine whether they are a marketplace. If so, should comply with rules governing exchanges / ATs. Must apply for recognition or exemption from recognition.
- Additional possible requirements: identity verification, AML, counter-terrorist financing, market arbitrage / manipulation, recordkeeping.

- **Regulatory Position re: Crypto Investment Funds**

- Funds created to invest in bitcoin and/or other crypto assets to provide investors with exposure to them or baskets of cryptos
- Concerns regarding: (i) valuation (how assess “fair value”; policies when hard forks occur or receive “air drops”), (ii) custody (few, if any, qualified custodians; how validate existence and exclusive ownership of private keys; cybersecurity threats / hacks; etc); (iii) use of crypto platforms (whether trading volumes will affect ability to buy/sell cryptos and to fund redemption requests)

REGULATORY SANDBOXES

REGULATORY SANDBOXES

- **OSC LaunchPad – Established Oct 24, 2016; made permanent in Oct 2017**
 - **Purpose:** modernize regulation to support FinTech / blockchain innovation while protecting investors and also promoting confidence in our markets
 - **Focus:** (a) engage with FinTech / blockchain community; (b) offer direct support in navigating rules; (c) take learnings and apply them to similar businesses
- **CSA Regulatory Sandbox – Launched on Feb 23, 2017**
 - Consider applications on a coordinated and flexible basis; harmonized approach to business models
- **Other Provincial Regulatory Sandboxes –**
 - **AMF** – launched AMF Working Group in June 2016; created Fintech lab and entered into partnership with R3; appointed Director, Fintech and Innovation
 - **BCSC** – launched BCSC Tech Team
- **SEC FinHub – Launched on Oct 18, 2018**
 - Launched Strategic Hub for Innovation and Financial Technology (FinHub)



REGULATORY SANDBOXES

Blockchain Related Exemptive Relief Applications / Approvals

- **Initial Coin Offerings**
 - Impak Finance Inc. (AMF / OSC) – August 16, 2017
 - Token Funder Inc. (OSC) – October 17, 2017
- **Exempt Market Dealer**
 - TokenGX Inc. (OSC) – April 17, 2019
 - Finhaven Capital Inc. – November 2, 2020
- **Investment Fund Manager**
 - First Block Capital Inc. (BCSC) – September 6, 2017
 - Ross Smith Asset Management ULC – September 22, 2017
 - 3iQ Corp. (OSC) – January 26, 2018
 - Majestic Asset Management LLC – January 26, 2018

REGULATORY SANDBOXES

Blockchain Related Exemptive Relief Applications / Approvals

- **Distribution of Tokens**
 - ZED Networks Inc. – May 2019
- **Manager of Investment Portfolio**
 - Rivemont Investments Inc. – January 26, 2018
- **Crypto Asset Trading Platforms**
 - Wealthsimple Digital Assets Inc.– August 7, 2020
 - BlockFilm Inc. – March 1, 2021

REGULATORY STUDIES

REGULATORY STUDIES

Examples –

- **European Central Bank (ECB) Occasional Paper 172** – “Distributed Ledger Technologies in Securities Post-Trading” (April 2016)
- **ESMA Discussion Paper** – “The [DLT] Applied to Securities Markets” (June 2, 2016)
- **FINRA Report** – “Distributed Ledger Technology: Implications on Blockchain for the Securities Industry” (January 21, 2017)
- **IOSCO Research Report** – IOSCO Research Report on Financial Technologies (February 2017)
- **IOSCO Final Report** – Crypto-Asset Trading Platforms (February 2020)
- **IOSCO Public Report** – Global Stablecoin Initiatives (March 2020)
- **UK FCA Discussion Paper** – “Discussion Paper on distributed ledger technology” (April 2017)

LEGISLATIVE / RULE REFORM

CRYPTO ASSET TRADING PLATFORMS (CONT'D)

REGULATORY FRAMEWORK

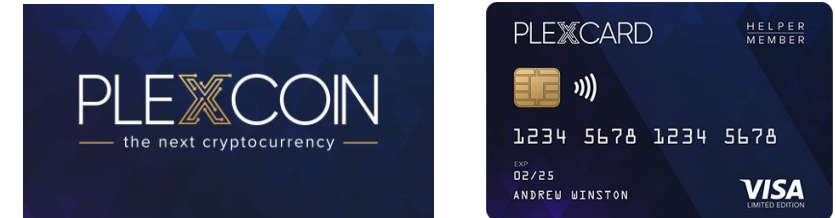
- **CSA / IIROC Consultation Paper 21-402 – Proposed Framework for Crypto-Asset Trading Platforms (March 14, 2019)**
 - Many are performing functions similar to exchanges, ATs, clearing agencies, custodians and dealers. May also introduce novel features which create risks to investors and capital markets that are not addressed by existing regulatory framework
 - Outlined proposed regulatory framework for platforms
 - Noted that there are currently no platforms recognized in Canada as an exchange or otherwise authorized to operate as a marketplace
 - **Application:** If trading securities on platform via non-discretionary methods, must comply. Key positions: (1) ICO tokens may be securities; (2) Even when a token may not be a security (e.g., bitcoin – likely not security), a platform that trades the token may involve a trade of “securities” depending on the investor’s contractual right to the crypto asset / commodity (e.g., if assets are pooled, etc.)
- **CSA / IIROC Staff Notice 21-329 – Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements (March 29, 2021)**
 - Sets out framework for platforms that facilitate trading of either: (i) crypto-assets that are securities (“Security Tokens”), or (ii) instruments or contracts involving crypto assets that are securities (referred to by Staff as “Crypto Contracts”).
 - OSC press release separately noted that CTPs must comply, including by contacting Staff by April 19, 2021, or else they would face enforcement steps.

SECURITIES LITIGATION

INITIAL COIN OFFERINGS

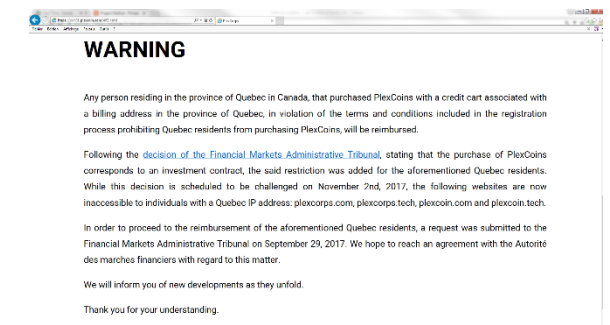
- **Example: *PlexCoin***

- Stated to be new virtual currency (like Bitcoin), promising 1300% returns in a month. Received \$15 million via ICO.
- Aggressive enforcement action by multiple regulators:
 - **AMF** – Obtained various Orders to cease raising via ICO, shut down website / social media sites. Obtained contempt findings (2 months jail; \$100K fine).
 - **SEC** – Filed complaint. Obtained emergency asset freeze.



- **Other Enforcement Actions (United States):**

- **DAO** – Key enforcement prosecution
- **REcoin** – SEC charged an individual and two related companies with allegedly defrauding investors through ICOs supposedly backed by real estate and diamonds. Allegations that selling unregistered securities, etc.
- **Others** – *Telegram, Kik, Ripple, etc*



CRYPTO ASSET TRADING PLATFORMS

QUADRIGA CX – OSC REPORT

- Report issued on June 11, 2020. *** Not findings of OSC ****
- Noted that the collapse of Quadriga in 2019 caused massive losses for 76,000 investors from Canada and around the world, who collectively lost at least \$169 million. Approximately 40 per cent of these investors were Ontarians.
- “Staff determined that Quadriga collapsed due to a **fraud committed by Cotten**. Cotten opened accounts under aliases and credited himself with fictitious currency and crypto asset balances, which he traded with unsuspecting Quadriga clients. Cotten sustained real losses when the price of crypto assets changed, thereby creating a shortfall in assets available to satisfy client withdrawals. Cotten covered this shortfall with other clients’ deposits – in effect, operating a Ponzi scheme. Staff calculated that the bulk of the \$169 million in client losses – approximately \$115 million – arose from Cotten’s fraudulent trading.”
- Staff also determined that Cotten misappropriated millions in client assets to fund his lavish lifestyle.
- OSC Staff would likely have pursued an enforcement action against Cotten and Quadriga. However, not practical since Cotten was deceased and Quadriga is bankrupt.

CRYPTO FUNDS

- **Appeal of a Denial of Prospectus Receipt for Bitcoin Fund**
 - 3iQ intended to create a non-redeemable investment fund that would invest in bitcoin; available to retail
 - **OSC Director (Feb 2019):** Refused on public interest grounds. Several **operational risks** (e.g., inability to accurately value bitcoin due to fragmented and unregulated environment; novel risk on safeguarding of asset due to lack of SOC assurance reports and insurance; material risk that could not file audited financial statements due to lack of SOC assurance). Also, there is a restriction in NI 81-102 on funds holding **illiquid assets**, and bitcoin was an “illiquid asset”.
 - **OSC Decision (Oct 2019):** Not the role of securities regulator to approve or disapprove the merits of securities being offered to the public, or to immunize investors against risk / loss. Public interest jurisdiction is broad but not infinite. While Director’s concerns are warranted and should be taken seriously, they do not warrant denying a receipt.
 - Bitcoin is not an illiquid asset (substantial volumes trade daily)
 - While evidence of market manipulation, one can still achieve price discovery
 - While bitcoin can be stolen or lost, Staff did not establish that the proposed custodian did not follow sufficient practices for safeguarding bitcoin
 - Regarding audited financials, Panel accepted 3iQ’s evidence that it could obtain an audit from a qualified auditor even without a SOC 2 Type 2 report

CRYPTO FUNDS

Recent Developments

- **Closed-End Fund –**
 - **The Bitcoin Fund –** Preliminary prospectus filed in Nov 2019; final prospectus on March 31, 2020; final receipt on April 1, 2020; completes IPO and begins trading on April 9, 2020 (QBTC.U)
- **ETFs**
 - **Purpose Bitcoin ETF –** Preliminary prospectus filed on Feb 10, 2021; final prospectus on Feb 11, 2021; final receipt on Feb 11; begins trading on Feb 18 (BTCC.B and BTCC.U)
 - **Ether ETFs –** Three ETFs begin trading on April 20, 2021 (Purpose Ether ETF, CI Galaxy Ethereum ETF and Evolve Ether ETH)
- **United States –** Previously rejected (dissents by SEC Commissioner Peirce – e.g., July 2018 and Feb 2020); recent applications by Fidelity (Wise Origin Bitcoin Trust) and Goldman Sachs (ARK Innovation Fund) in March 2021

OUTSTANDING ISSUES

LEGAL CLASSIFICATION / JURISDICTION

Regulatory Uncertainty re: Legal Classification of Digital Assets

- **bitcoin (BTC)** – security? commodity? currency?
 - SEC Chairman Jay Clayton – BTC “... is not a security” *CNBC* (June 6, 2018)
 - CSA CP 21-402 – widely accepted that some crypto assets, such as BTC, are not in and of themselves securities / derivatives; commodities
 - CFTC in *Coinflip* – bitcoins are “properly defined as commodities”
- **ether (ETH)** –
 - SEC Director of Corporation Finance William Hinman – “... Ether, based on my understanding of the present state of Ether, the Ethereum network and its decentralized structure, current offers and sales of Ether are not securities transactions.” (June 14, 2018)
- **Others** – Bitcoin Cash (BCH)? Stellar (XLM)? Monero (XMR)?

Top 100 Cryptocurrencies By Market Capitalization

Cryptocurrencies ▾		Exchanges ▾		Watchlist		USD ▾	Next 100 →	View All
#	Name	Market Cap	Price	Volume (24h)	Circulating Supply	Change (24h)	Price Graph (7d)	
1	Bitcoin	\$111,031,523,585	\$6,422.18	\$4,402,164,250	17,288,750 BTC	-0.76%		
2	Ethereum	\$21,506,606,999	\$210.46	\$2,006,975,805	102,189,764 ETH	-5.10%		
3	XRP	\$19,691,613,459	\$0.493884	\$1,560,914,110	39,870,907,279 XRP *	4.99%		
4	Bitcoin Cash	\$7,563,813,958	\$435.48	\$389,030,030	17,368,738 BCH	-3.89%		
5	EOS	\$4,796,928,646	\$5.29	\$807,550,581	906,245,118 EOS *	-1.90%		
6	Stellar	\$4,507,849,423	\$0.239908	\$103,371,038	18,789,946,455 XLM *	-2.42%		

ANTI-MONEY LAUNDERING

CANADA – PCMLTFA

VIRTUAL CURRENCIES

- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (“**PCMLTFA**”) is the cornerstone Canadian legislation. Sets out core elements of Canada’s AML / CTF regime.
- At the outset, common view was that those who were dealing in virtual currencies were not captured *per se* by the *PCMLTFA* and, accordingly, were not required to register as a “Money Services Business” (MSB)
 - Such products were not considered to fall within the definition of “funds” under the *PCMLTFA*
- PCMLTFA was amended in **2014** to close the loop hole
 - Would expressly extend the reach of the Act to persons/entities that are “engaged in the business of...**dealing in virtual currencies**”
 - Amendments would not immediately come into force; only when revised regulations were adopted (e.g., “dealing in virtual currencies” was to be defined by regulation)
 - Lengthy history of draft regulations

CANADA – PCMLTFA

KEY DEFINITIONS

- **Virtual Currency** now defined as set out below:
 - (a) a digital representation of value that can be used for payment or investment purposes that is not a fiat currency and that can be readily exchanged for funds or for another virtual currency that can be readily exchanged for funds; or
 - (b) a private key of a cryptographic system that enables a person or entity to have access to a digital representation of value referred to in paragraph (a).
- Can apply to ICO tokens, likely stablecoins. NFTs?

CANADA – PCMLTFA

NEW OBLIGATIONS FOR VIRTUAL CURRENCY DEALERS

- **Registration:** Entities in the business of “dealing in virtual currencies” (“**virtual currency dealers**”) will be required to register with FINTRAC prior to carrying out their proposed activities and must renew their registration every two years.
- **Record-Keeping:** Virtual currency dealers will be required to maintain records of certain transactions, including “virtual currency exchange transactions”.
- **Reporting:** Virtual currency dealers will be required to submit certain reports to FINTRAC (e.g., suspicious activity reports).
- **KYC:** Requirement to verify / ascertain the IDs of clients in the manner prescribed by PCMLTFA Regs
- **Compliance Program:** Requirement to implement a compliance program (e.g., policies / procedures, appoint compliance officer, train employees / agents).
- **The Travel Rule:** Long-standing customer due diligence requirement for banks / other FIs when sending each other money on customers’ behalf, which requires them to pass on certain pieces of identifying info to the next FI a transaction is sent to.
 - Those required to keep a record in respect of a virtual currency transfer will be required to “(a) include, with the transfer, the name, address and, if any, the account number or other reference number of both the person or entity who requested the transfer and the beneficiary; and (b) take reasonable measures to ensure that any transfer received includes [such] information.”

INTERNATIONAL – FATF

RECENT DEVELOPMENTS

- **June 2019 – Final adoption** of an **Interpretative Note** to the **FATF Recommendations (#15 – New Technologies)** occurred on June 18, 2019. Sets out detailed implementation requirements for the regulation of “virtual asset service providers” (“**VASPs**”).
 - Issued related guidance document: *Guidance For a Risk-Based Approach: Virtual Assets and Virtual Asset Service Providers*
 - FATF stated that they will monitor implementation: “The threat of criminal and terrorist misuse of virtual assets is serious and urgent, and the FATF expects all countries to take prompt action to implement the FATF Recommendations in the context of virtual asset activities and service providers. The FATF will monitor implementation of the new requirements by countries and service providers and conduct a 12-month review in June 2020.”
- **Sept 2020 – FATF issued “Virtual Assets Red Flag Indicators of Money Laundering and Terrorist Financing”**
 - Meant to help national authorities detect whether virtual assets are being used for criminal activity. Also help VASPs, financial institutions, and other reporting entities detect and report suspicious transactions. Highlights the most important red flag indicators that could suggest criminal behavior.
- **March 2021 – Public Consultation on Update to June 2019 Guidance Document**
 - Addresses issues related to stablecoins, DeFi, decentralized exchanges and peer-to-peer transfers

RECOMMENDATIONS

Regulatory Action – Issues to Consider

Issue	Possible Solutions	Examples / Comment
<p>1. Provide Further Regulatory Clarity (<i>Proactive and Collaborative Guidance</i>)</p> <ul style="list-style-type: none"> ➤ <i>Legal status of digital assets</i> ➤ <i>Regulation of platforms for secondary trading of digital assets</i> 	Request for Comments / Consultation Papers	e.g., BCSC Notice and Request for Comments – <i>Consulting on the Securities Law Framework for Fintech Regulation</i>
	Sandbox Discussions (with immunity) <ul style="list-style-type: none"> ➤ UK, Singapore, Australia 	Offer direct support. Allow experimentation without excessive regulation if remain within boundaries. Reduces regulatory uncertainty + costs. Limits on use of info.
	Commission Studies (evidence-based approach to policy making)	e.g., High Frequency Trading (HFT) study; FINRA’s Report on DLT
	No Action Letters (publish)	e.g., <i>United States</i> : SEC No Action Letters - https://www.sec.gov/fast-answers/answersnoactionhtm.html
	Exemptive Relief Orders	Only a handful issued to date.
	Conferences / webcasts	e.g., FINRA Blockchain Symposium, or “A Few Minutes with FINRA”

Regulatory Action – Issues to Consider

Issue	Possible Solutions	Examples / Comment
<p>2. Develop Better Mechanisms to Facilitate Dialogue with Regulators</p> <ul style="list-style-type: none"> ➤ <i>Uneconomic / time consuming dialoguing with multiple regulators</i> ➤ <i>Need regulatory collaboration and unified approach</i> 	<p>Identify Fintech Policy Lead</p> <p>Create multi-org Regulatory Sandbox with federal / provincial bodies (e.g., OSFI, OSC, Bank of Canada, IIROC, FINTRAC, etc), with <u>international collaboration (“bridges” or “landing pads”, and global guidelines)</u></p>	<p>e.g., Delaware Blockchain Ombudsperson</p> <p>e.g., UK Project Innovate, Singapore’s Smart Financial Centre, Australia, etc – have a unified financial sector regulatory framework; can take national, unified approach to encourage FinTech development.</p> <p>e.g., Global Financial Innovation Network (GFIN) – Dubai, Singapore, Ontario, UK, etc</p>
<p>3. Work with Stakeholders to Develop Solutions to Key Legal Issues Restricting Development of DLT Projects</p> <ul style="list-style-type: none"> ➤ <i>Address AML/KYC, anti-terrorist financing and other concerns</i> 	<p>Whitelist freshly mined / minted cryptocurrencies</p> <p>Risk ratings (e.g., Chainalysis)</p>	

Regulatory Action – Issues to Consider

Issue	Possible Solutions	Examples / Comment
<p>4. Statutory / Regulatory Reform: Modernize Regulation</p> <ul style="list-style-type: none"> ➤ <i>Technologically-neutral and device-agnostic regulation</i> ➤ <i>Principle based regulation</i> ➤ <i>Efforts to harmonize across jurisdictions</i> 	<p>Update / neutralize rules and legislation to address blockchain, smart contracts, etc.</p>	<p>e.g., Delaware corporate law amendments – can now use DLT to maintain stock ledgers, communicate with stockholders, issue / maintain shares on the ledger</p> <p>e.g., Arizona, Tennessee, etc – smart contract legislation (CDC: unnecessary)</p>
	<p>Develop specialized frameworks or licensing regimes for blockchain, where required</p>	<p>Need to be flexible and proportional to the risk.</p>

Regulatory Action – Issues to Consider

Issue	Possible Solutions	Examples / Comment
5. Enforcement <ul style="list-style-type: none"> ➤ <i>Enforce against bad actors</i> ➤ <i>Avoid regulation by enforcement</i> 	Publish investigation reports or warning letters	E.g., SEC’s Report of Investigation: DAO
6. Positive Posture <ul style="list-style-type: none"> ➤ <i>Foster innovation; avoid stifling</i> ➤ <i>Lead by example</i> 	Case selection	
	Positive campaign	Singapore “Smart Nation”, Dubai 2020, Switzerland
	Experimentation with blockchain (pilot projects, proofs of concept)	Use in combatting insider trading, assist in AML/KYC compliance, etc.

QUESTIONS?

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Thank You For Listening



Forthcoming Events

- Fri, 04 Jun (11:00-11:45) Brexit: Ending The City's Dominance Of European Finance?
- Mon, 07 Jun (11:00-11:45) How To Create A Knowledge City – Evidence From London's Flat White Economy
- Tue, 08 Jun (15:00-15:45) The European Merger & Acquisition Landscape – Surprising Shots In The Arm From Covid-19
- Wed, 09 Jun (15:00-15:45) Digital Care – One Year Into Covid And Here To Stay

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