

Article Information

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Blockchain Bites: Perth Mint tokenizing gold, Tether and Bitfinex Class Action Lawsuit

The Perth Mint has developed a platform tokenizing gold, and a \$1.4 trillion class action lawsuit against Digfinex Inc has been filed in New York. Michael Bacina, Tom Skevington, Louisa Xu and Petros Xenos bring you a round-up of the latest legal, regulatory and project updates in Blockchain.

Tax-free trading and payments in Portugal

The Autoridade Tributária e Aduaneira (the Portuguese Tributary and Customs Authority) recently released a confirmation that it considers cryptocurrency transactions and payments as exempt from Value Added Tax (VAT), cementing its status as a cryptocurrency tax friendly jurisdiction.

The binding confirmation was released by the Portuguese tax authority in response to a request from a Portuguese company planning to establish a cryptocurrency mining operation seeking clarification about the application of Portuguese tax law to the proceeds of mining. This development comes as tax offices internationally step-up their monitoring and enforcement efforts for taxing cryptocurrency transactions.

Perth Mint tokenising gold with InfiniGold

The Gold Corporation - The Perth Mint, which processes and distributes over AUD\$18 billion in precious metals each year, has developed a platform which enables investors to buy, store and sell tokenised gold. The GoldPass app, said to be developed using InfiniGold technology uses the Perth Mint Gold Token (PMGT).

The Perth Mint and InfiniGold are hesitant to describe PMGT as tokens or cryptocurrency, instead using the phrase “digital certificates”. Both parties emphasise that all PMGT is backed by physical gold, and users can send gold in real time to other GoldPass users, or redeem their digital certificates for physical gold or cash. A user’s holdings are visible in the app’s interface along with any cash available, similar to how balances are seen on online banking systems.

Vanguard hedges bets and partners with startup to develop blockchain trading platform

Massive investment management company Vanguard has partnered with Nasdaq Ventures-backed blockchain start-up Symbiont to develop a trading platform to lower transaction costs in the \$6 trillion currency market. After creating the first index fund in 1975, now with assets under management (AUM) in excess of \$5 trillion, any costs savings afforded by implementing blockchain technology will have significant value for Vanguard.

The deployment of blockchain technology to improve existing trading and provide more open systems to verify and reconcile trading is a significant use-case, one being pursued in Australia by the Australian Stock Exchange with their CHESS replacement project.

US Tax Office publishes new crypto guidance

For the first time in 5 years, the US Internal Revenue Service (IRS) has released new guidance to assist American taxpayers apply tax laws to crypto-related transactions. The guidance expands on the previous guidance issued in Notice 2014-21, and includes a revenue ruling and FAQ.

After announcing in May 2019 that the IRS would “soon” issue further guidance, this eagerly anticipated guidance has addressed a number of long-standing issues in the US. In the press release, the IRS also reiterates that they are actively investigating non-compliance in the crypto space, and will be imposing penalties and interest, or seeking criminal prosecution, for those who fail to comply.

Facebook Founder forced to testify to US House Financial Services Committee

US Congresswoman Maxine Waters (D-CA), Chairwoman of the US Congress House Financial Services Committee has announced that Mark Zuckerberg will be testifying before the Financial Services Committee on Wednesday, 23 October 2019. The hearing has been titled “An Examination of Facebook and Its Impact on the Financial Services and Housing Sectors”, and Mark Zuckerberg will be the only witness at the hearing.

It is likely the hearing will also involve further discussion on the subtly named Keep Big Tech Out of Finance Act. The draft legislation intends to prohibit “large platform utilities”, like Facebook, from becoming chartered, licensed or registered as a U.S. financial institution (e.g. like taxpayer-backed banks, investment funds, and stock exchanges) or otherwise becoming affiliated with such financial institutions.

Class Action Lawsuit Filed Against Tether and Bitfinex

A \$1.4 trillion class action lawsuit against Digifinex Inc, the company behind Bitfinex and [Tether](#), has been filed in the United States District Court for the Southern District of New York. The lawsuit claims that the leveraging of USDT by Bitfinex and Tether is the primary cause of the inflation, and subsequent deflation of the 2017-18 Bitcoin Bubble, claiming that the creation and loss of \$265 billion in Bitcoin value was the result of Bitfinex and Tether propping and popping a massive asset bubble (possibly one of the largest bubbles in history).

The sheer scale of the lawsuit, coupled with the challenges Tether has faced (including having to rely on a law firm as an “audit” after being unable to pass an audit with an accounting firm, which is concerning and embarrassing) as well as Bitfinex having US\$850 million in assets frozen earlier this year makes this one to watch.

Libra’s leader laments limitations of legacy networks

Co-creator of Libra, and current head of Calibra David Marcus has published an article on Medium providing further explanation as to why Libra was founded and to explain the benefits of the Libra protocol (or, a new core network) for payments.

The need to go back and push out more education as to why the current payment and banking systems are old, riddled with security problems and in need of replacement is a reminder that it's easy to get caught up in a bubble of blockchain technology without realising that most users / regulators / politicians don't have the bandwidth to get across disruptive technologies and that an educative approach is needed at the first instance.

US Federal Reserve urged to consider creating national digital currency

In a recent letter sent to the Federal Reserve Board, French Hill and Bill Foster, both members of the United States Congress House Financial Services Committee, outline why they think the Fed should be developing a national digital currency for the US.

With the Bank for International Settlements (BIS) encouraging central banks to continue to research digital currencies, and BIS Chief Agustín Carstens saying that central banks will likely need to issue digital currencies in the future, the RBA will likely need to reconsider its innovation strategy around digital currency.

BIS convenes crypto conference on stablecoins

The Bank for International Settlements and regulators worldwide recently convened in Basel to discuss the legal challenges and policy and regulatory issues posed by the emergence of “global stablecoin” initiatives backed by financial institutions and large technology companies. The conference included presentations by Fidelity International, Libra Association and J.P. Morgan.

The event was convened by the Group of Seven working group on stablecoins chaired by Benoît Cœuré, Chair of the BIS-hosted Committee on Payments and Market Infrastructures. The group will produce a final report on its work by mid-October.

Security Token Offerings To Debut In Japan Next Year

Japan has pushed forward plans to allow digital security offerings as early as April next year in an attempt to catch up to

the rest of East Asia. Leading Japanese old-line and online brokerages formed an association last Tuesday in order to set clear rules for issuing blockchain-based digital securities.

The association plan to establish a digital securities watchdog, and to propose rules for self-regulation, involving greater clarification of disclosure requirements, to the Japanese Financial Services Agency by March 2020. Other associations have been formed around digital securities in Japan previously, but without brokerages involved there was an ever present hurdle to FSA approval.