

Article Information

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Blockchain Bites: Chinese courts using blockchain, South Africa enact crypto capital controls, France approve first ICO

China's smart courts are applying innovative technologies including blockchain and artificial intelligence to decide on millions of legal cases, the Reserve Bank of South Africa is introducing new regulations regarding how people hold cryptocurrency, and France's financial regulator, the Autorité des Marchés Financiers has approved the country's first application for an initial coin offering. Michael Bacina, Louisa Xu, Tom Skevington and Petros Xenos of the Piper Alderman Blockchain group bring you the latest legal, regulatory and project updates in Blockchain.

French financial regulator approves first initial coin offering

France's financial regulator, the [Autorité des Marchés Financiers \(AMF\)](#), has approved the country's first application for an initial coin offering (ICO). The application was granted to a company called [French-ICO](#), which developed a platform for funding projects in cryptocurrency, and is the first to be white-listed.

The AMF's approval will remain valid until the end of the subscription period, which is scheduled for 1 June 2020. Under the Plan d'Action pour la Croissance et la Transformation des Entreprises (commonly known as the PACTE law), token issuers applying for a [visa from the French regulator](#) are required to provide a document that contains all relevant information on the proposed ICO. This information document and the marketing materials relating to the ICO should be accurate to allow investors to understand the risks associated with the offer.

Largest South Korean telecom company issues blockchain-based local currency in Busan

South Korea's biggest telecom company, [KT](#), have announced the launch of a local blockchain-based currency for one of the country's largest cities, which will reportedly go live on 30 December. It was reported in the media outlet Decrypt's news [report](#), that Busan's government signed an agreement with telecom company KT earlier this year in February for the building of the blockchain-based asset set to hit South Korea's second largest city.

Participants can use the "currency at any store in Busan with a credit card terminal," although compatibility will reportedly be less common among larger retailers in an effort to encourage spending at smaller local businesses.

Basel Committee calls for prudent rules for crypto

Global banking regulator [Basel Committee on Banking Supervision \(BCBS\)](#) has called for a conservative prudential treatment framework for crypto assets. The Basel Committee, which includes banking regulators from the United States, Europe and Japan, has published its [report](#) on the prudential treatment of crypto assets.

The report publishes some suggestions for dealing with cryptocurrencies and digital currencies, and are set to become the new standard by March 2020. The Basel Committee recommends that crypto assets should not be accepted for the purposes of credit risk mitigation collateral, treated as high-quality liquid assets for liquidity coverage ratio or used for net stable funding ratio calculations.

Further, the report states that crypto assets held in a bank's trading book should be subject to a full deduction for market risk and credit valuation.

India indignant towards crypto, but open to central bank digital currency

[Reserve Bank of India](#) (RBI) Governor Shaktikanta Das has [reportedly spoken](#) about the prospects of India developing a central bank digital currency (CBDC) at a recent post-policy press conference.

The comments from the governor make it clear that the RBI is against private digital currency, asserting that it is a question of sovereign right. The RBI have never been on friendly terms with digital currency, and it was only in April 2018 when the central bank [banned financial institutions from providing services](#) to digital currency businesses, including exchanges. A number of blockchain industry stakeholders filed petitions with the Indian Supreme Court [challenging the ban](#) but the case is still ongoing. The court is scheduled to resume hearing the case on 14 January 2020.

The RBI has been significantly more flexible to the idea of a CBDC over the past year. The IMC is even of the view that it would “be advisable to have an open mind” regarding the introduction of an official digital currency in India.

Chinese Courts using blockchain and AI to settle millions of cases

China’s smart courts are [reportedly applying](#) a variety of innovative technologies including blockchain and artificial intelligence to decide on millions of legal cases. In what are referred to as “courts of the future”, citizens are able to communicate with non-human, virtual, AI-powered judges in front of multiple screens, negating the need for them to physically appear in court.

The system also creates the possibility for citizens to receive their court decisions by text or through major messaging services. It was [recently reported](#) in China’s official Xinhua news agency that more than 3.1 million Chinese litigation matters from March to October of this year were settled through the blockchain and AI-powered smart internet courts.

Registered users of the smart courts have completed 3.14 million litigation “activities” through a smart court application from March to October, according to a white paper titled [“Chinese Courts and Internet Judiciary.”](#) released by the Supreme People’s Court (SPC).

The white paper reported that 1.16 million people and 73,200 lawyers have registered in smart courts, showcasing China’s monumental efforts in building online judiciary courts through utilizing big data, cloud computing, artificial intelligence (AI) and blockchain.

Securitize soldiers toward security token adoption in Asia

San Francisco based Securitize has [announced](#) a ‘seven-figure’ investment from Japanese financial services conglomerate, [SBI Holdings](#). Although the exact amount injected by SBI was not disclosed, it is expected to be a seven or eight figure number.

For the last year, Securitize have been trying to disrupt the Asian security token market. In January 2019, Securitize partnered with Coinstreet Partners and STO Global-X to introduce security tokens into what was then an ‘untapped’ Asian market. Securitize then partnered with the [Japan Security Token Association](#) in an effort to strengthen its presence and influence in that country.

In September, [Securitize announced a \\$14 million raise](#) in a Series A extension from strategic partners to include [Banco Santander](#), [MUFG](#), and [Nomura Holdings](#). It brought the firm’s total amount raised to north of \$30 million.

South Africa enacts crypto capital controls

The Reserve Bank of South Africa (SARB) is introducing [new regulations regarding how](#) people can, and should, hold cryptocurrency. The new rules will come into effect during the first quarter of 2020 following a consultation period that lasted for almost five years.

Kuben Naidoo, the bank’s deputy governor, has indicated that SARB’s primary concerns are preventing white-collar crimes and putting an end to cryptocurrency fraud/scams. The transactions limits which will not require the bank’s attention is R1 million (AUD\$100,000/USD\$70,000-). For transactions above that amount, South African citizens must complete an application to the [South African Revenue Service](#), to send a further R10 million (AUD\$1M/USD\$700,000) out of the country for foreign investment purposes.

This is a currency control on digital currency transactions, albeit a generous one. South Africans to a total of R11m that they are allowed to send across the border, resulting in high net-worth individuals looking to protect their wealth against the rand’s devaluation and seeking out alternative methods to send their money out of the country.

Thai SEC to amend royal decree on cryptocurrency

In a [recent announcement](#), [Thailand's Securities and Exchange Commission](#) (SEC) has stated that it is currently studying ways to amend its royal decree on digital assets. The jurisdiction is content on balancing a competitive marketplace in Thailand, with adequate investor protection. The decree provided that all exchanges, brokers, and dealers who wished to operate in the country must be granted a license from the country's Finance Ministry. In order to participate through the ICO portal, SEC approval was required.

So far, according to data provided by the SEC, five companies have been granted a license to operate a digital asset exchange. Out of the five, two are currently operating, one was voluntarily shut down, and two others have yet to launch. Three companies have seen approval to operate as a digital asset broker-dealer, while only one is currently operational. When it comes to ICO portal companies, the Thai SEC says it has approved a total of three.

However, in the recent announcement, the Thai SEC stated that it will amend its royal decree in the coming year to facilitate digital asset growth in terms of digital asset use, while continuing to protect investors from any unnecessary risks.

Bringing Blockchain into the Oil and Gas Industry

[Australia is set to become the world's largest gas exporter by 2020](#), and the industry faces an increasingly challenging environment of low crude oil prices, ageing infrastructure, machinery and equipment, and rising cost. These challenges can be tackled and likely reduced by a greater efficiency and transparency in the industry. To get there, the [industry will need to consider pivoting from outdated trading platforms](#) and insecure systems to modern technology, including blockchain technology.

Blockchain is already becoming essential across many industries, through securing and simplifying energy trading, billing and payment, managing unwieldy, complex supply chains, and addressing strict regulatory measures requiring massive documentation.

Oil and gas companies have focused most of their technology innovation on core front-line operations, including augmented reality to help train workers and updated drilling technology. Blockchain can achieve for the back-office what other emerging technologies have done for the coalface.

Libra deletes returns for Investment Token holders

On 10 December, the Libra project quietly updated their whitepaper. Some changes are as expected, with the removal of Mastercard and Visa (who left the project immediately after being sent a letter from Congress which itself is extraordinary) but a key sentence has been deleted. The original whitepaper stated:

*Interest on the reserve assets will be used to cover the costs of the system, ensure low transaction fees, **pay dividends to investors who provided capital to jumpstart the ecosystem (read "The Libra Association here)**, and support further growth and adoption. The rules for allocating interest on the reserve will be set in advance and will be overseen by the Libra Association. Users of Libra do not receive a return from the reserve.*

The new whitepaper reads:

Interest on the reserve assets will be used to cover the costs of the system, ensure low transaction fees, and support further growth and adoption. The rules for allocating interest on the reserve will be set in advance and will be overseen by the Libra Association. Users of Libra do not receive a return from the reserve.

A further reference to funding to jumpstart the ecosystem has been removed. A full comparison of the new and old whitepaper is [here](#).

Some had argued that there would be a perverse incentive for the Libra Association to include riskier assets in the basket backing Libra if they would receive part of the return, particularly if the assets were purchased with other people's money. It would seem just as likely that the inclusion of such a return would trigger financial licensing requirements in most jurisdictions in relation to the offer of the Investment Tokens (but it also seems likely that Libra intended these to be regulated as securities from the start of the project).