

## Article Information

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Service: Blockchain, FinTech

Sector: Financial Services

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# Blockchain Bites: The Australian Blockchain Roadmap is released, Decentralised Finance (DeFi) continues to grow, APRA details discussions on digital wallet regulatory framework, Cambodia creates central bank digital currency

**The Australian Government releases the long awaited Australian Blockchain Roadmap, we look at DeFi offering PoolTogether, a no-loss lottery powered by smart contracts, Compound Finance and Dai, the Australian Prudential Regulation Authority (APRA) published its submission to the Senate Select Committee on FinTech and RegTech and The National Bank of Cambodia is preparing to launch their central bank digital currency (CBDC) during the current fiscal quarter. 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 and FinTech.**

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### Australian Blockchain Roadmap: smooth cruising or a bumpy road ahead?

The much anticipated Roadmap sets out the establishment of a National Blockchain Roadmap Steering Committee with a Terms of Reference that will oversee the 12 step strategy for the Australian Government to address the challenges and leverage the opportunities that are presented by blockchain technology. See our comments on this in more detail [here](#) and the full roadmap is [here](#).

### Swimming in regulatory uncertainty: The “no loss” lottery PoolTogether

As decentralised finance (**DeFi**) continues to grow, governments and regulators internationally are increasingly forced to consider how to promote a regulated market to emerge in this innovative area. Individuals or entities looking to establish a disruptive new DeFi application often find that they do not fit (either neatly or at all) within existing regulatory frameworks. US company [PoolTogether](#), has built a no-loss lottery relying on smart contracts, [Compound Finance](#) and Dai. We explore the regulations which might apply to PoolTogether in Australia, and consider how existing regulation is suited to adapt to DeFi disruption generally [here](#).

### APRA details discussions on digital wallet regulatory framework

The Australian Prudential Regulation Authority ([APRA](#)) has published its submission to the [Senate Select Committee](#) on Financial Technology and Regulatory Technology, which includes a proposal for a new regulatory framework for providers of digital wallets, including Facebook’s [Calibra](#) proposal. APRA’s submission summarises the current regulatory framework for digital wallets, which is split between the Reserve Bank of Australia ([RBA](#)), [ASIC](#) and APRA. The RBA is responsible for the overarching framework set out in the [Payments System \(Regulation\) Act 1998 \(Cth\)](#). ASIC is responsible for regulating digital payments services that are financial products such as non-cash payments facilities, primarily through the [Corporations Act 2001 \(Cth\)](#).

Through the Council of Financial Regulators (CFR), which includes the RBA, APRA, ASIC and the Treasury, APRA has co-developed a new regulatory framework intended to be better suited to accommodate future developments and technological advances, specifically including proposals for “global stable coin ecosystems that have been the subject of significant attention in recent months” (read: Libra).

The Federal Government is currently considering a paper prepared by the CFR following the [Review of Retail Payments Regulation: Stored-value Facilities](#), which broadly provides that APRA's role will expand to oversee digital wallets that are widely used as a means of payment and store significant value for a reasonable amount of time. Unsurprisingly, APRA reaffirms that the group has been closely examining the Libra proposals, as well as other global stablecoin proposals.

### **Binance brings the sparkle of staking for crypto customers**

[Binance US](#), the U.S. cryptocurrency trading platform of major crypto exchange Binance, is set to introduce staking rewards, according to a recent [announcement](#). Staking rewards will be collected when a user leaves crypto-assets in the hot wallets controlled by Binance. The new staking will be made available for [Algorand](#) (ALGO) and [COSMOS](#) (ATOM) starting this month. Staking has been increasing in popularity and seems part of a larger mission for Binance to make crypto-assets easier to hold, and to provide a way for holders to earn returns, possibly with tax reporting handled by Binance.

Proof of Stake is the main consensus mechanism alternative to proof-of-work (PoW) mining. Users who stake coins, that is lock them into an address for a defined period of time, then receive rewards for that staking. The addresses/nodes with staked coins are punished if they fail to verify transactions in accordance with the consensus mechanism. Practically speaking staking is an easier way for holders of coins to participate in assisting a network to function and Binance's offering makes staking even easier.

### **Bermuda beginning bold Blockchain framework**

Denis Pitcher, Chief Fintech Advisor to the Premier of Bermuda, [has told CoinDesk](#) about his government's steps to enable blockchain adoption throughout the country. Pitcher said (*emphasis added*), "in the summer of 2018, we launched a comprehensive regulatory framework to provide clarity and leverage. We introduced a **principle-based framework** that allowed us to **define more of a scope around a business plan** as opposed to specific activities. That allows you to have the flexibility to focus on managing risks of what's new in this space."

Pitcher and his government have set their sights to create a system that allows Bermudians to spend the digital currency they receive on government services and subsequently, build bridges to overseas economies. Pitcher hopes these systems will act as an official introduction for the Bermudians into the global financial ecosystem. He said that the challenge which arises from this is that Bermudians have largely been excluded when it comes to access to financial services. They do not have access to PayPal, Revolut or Square and access to the Apple App Store is limited to credit or gift cards.

### **BITTREX exchange secures \$300 million of insurance**

[Bittrex](#), a US based cryptocurrency exchange, [announced](#) on 30 January 2020 that it has obtained insurance to secure named cryptocurrency assets in cold storage. The insurance coverage is provided by Arch Syndicate 2020 (supported by various syndicates of [Lloyd's of London](#)) through the insurance broker [Marsh](#).

The insurance policy is reported to cover up to \$300 million (presumably USD) in assets in case of external theft and internal collusion. Given Marsh has also established a [Digital Asset Risk Transfer team](#), it is likely that we will see more insurance products offered to cryptocurrency exchanges globally, hopefully leading to increased maturity and sophistication in the industry. It is understood that the team at Marsh specialises in insurance needs of companies operating in the blockchain technology and digital asset space.

This announcement follows [Independent Reserve](#) being the first Australian cryptocurrency exchange to obtain insurance coverage over its cryptocurrency assets in 2019 by international insurance underwriters.

### **Cambodia creates central bank digital currency**

The National Bank of Cambodia (NBC) is preparing to launch a central bank digital currency (CBDC) at some point during the current fiscal quarter. Chea Serey, NBC's director-general, [said](#) that the central bank was developing "the national payment gateway for Cambodia" as a blockchain-based, peer-to-peer platform with its own specially designed cryptocurrency.

The project has long been known as "[Project Bakong](#)" and was first trialed by NBC in July of last year. The CBDC will work on a closed system supported by its banking members, with one of them being the Phnom Penh Commercial Bank (PPC Bank). The CBDC was designed by Japanese blockchain company [Soramitsu](#). CEO Makoto Takemiya said that Project Bakong "is simply a tokenized version of the USD and Riel fiat money in NBC's reserves."

In Australia, the Reserve Bank of Australia's recent submissions to the [Senate Select Committee on Fintech and Regtech](#) confirmed that the RBA is also actively experimenting with wholesale alternatives on a private Ethereum network. The

Australian Financial Review (**AFR**) recently praised these experiments and endorsed the ongoing journey towards an Australian digital dollar.