Bitcoin and Blockchain Technology Update:
Research Paper

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COUNTRIES AND TERRITORIES THAT HAVE ACTED OR ARE ACTING TO REGULATE BITCOIN
Australia

Bitcoin Regulation / status?

- The current rules in 2017 of the Australian Taxation Office attribute to Bitcoin the status of “intangible assets” rather than money making it subject to goods-and-services tax (GST). Bitcoin businesses also can be liable for the tax if they receive payments in Bitcoin.
- In a statement made in October 2016, the Australian Government announced that it will amend its anti-money laundering legislation to include Bitcoin and digital currencies such as Ethereum. It is planned that by June/July 2017 legislature will begin its drafting process as the country looks to modernise its anti-money laundering regulations. The Australian treasury has also supported this legislature as the economy shifts to a majorly online and digital one.
- Early in August 2016, Government agency Australian Transaction Reports and Analysis Centre published a report stating that “electronic, online and new payment methods” are increasingly used by terrorist groups. The document suggests a further tightening of cryptocurrency regulations in the country.
- In March 2016, it was announced that the authorities will seek to introduce legislation on digital currencies and address the problem of its double taxation by exempting Bitcoin from GST. The legal base for this is to be developed throughout 2016 and 2017.

Blockchain update

- On 22 January 2017, the Australian Securities Exchange (“ASX”) announced it has enlisted Digital Asset Holdings to develop a new system for clearing and settling trades in the Australian equity market. Blockchain will replace the legacy Clearing House Electronic Subregister System (CHESS) platform as a more efficient mechanism. In September 2016, the ASX has completed a prototype post-trade solution using blockchain technology, and is looking to make a final decision on whether to implement it at the end of 2017.

Canada

Bitcoin Regulation / status?

- Bitcoin is regulated under the anti-money laundering and counter-terrorist financing laws in Canada and there are requirements for operating as a Bitcoin Exchange. In Canada, there are only two registrations required. One for Quebec, one for the remainder of the country.
- Canada tax Bitcoins in two ways. Transactions made for goods or services will be treated under its barter transaction rules, while its “Transactions in Securities” document says that profits made on commodity transactions could be income or capital.
Views of Michael Patryn, co-founder of QuadrigaCX November 2016

- The major problem for Canadians running a Bitcoin exchange is banking regulation. As a result, Kraken, Coinsetter / Virtex, and Coinbase do not operate in Canada.
- None of the big 5 Canadian banks will accept a Bitcoin exchange.
- There are no Bitcoin companies in Canada with big 5 bank accounts.
- There are no clear regulations for Bitcoin businesses in Canada.
- Banks seem to have little interest in using the Bitcoin blockchain. They are focused on creating their own private blockchains for alternative use-cases.

Blockchain update

- Canada’s central bank, the Bank of Canada, and five other Canadian banks are experimenting with blockchain technology and a possible digital dollar as the growing demand for digital fintech payment systems puts the squeeze on the traditional banking sector.
- The big Canadian banks are also members of the R3 Consortium, which is working with over 75 member banks worldwide, developing the standard for blockchain technologies for banks.
- The Canadian Money Service Business Association, representing more than 800 money service businesses, is petitioning the federal Government’s Financial Transactions and Reports Analysis Centre of Canada, the agency responsible for regulating fintech, to clearly define money services businesses to include digital currencies businesses.

Views

The industry view is that the application for blockchain as a verifiable, incorruptible ledger could prove to be a key feature in checking for and preventing financial crimes.

Estonia

Bitcoin Regulation / status / views

- In April 2016, the Estonian court decided to apply extra regulation to Bitcoin trading that does not apply to other economic activities. This includes the requirement to meet customers in person (face to face), as well as the requirement keep identification of all customers and report those who trade more than 1,000 Euros more per month. No other financial activity is subject to such strict requirements. The normal reporting limit is 15,000 Euros not 1,000 Euros. Estonia is also the only EU country to apply special strict requirements to Bitcoin, most other EU countries, treats Bitcoin like other economic activities and do not impose extra strict regulation.
- The ruling applies to Bitcoin and to all blockchain tokens and assets that can be exchanged for fiat currency.

Blockchain update

- Estonia has a tech-friendly Government that seems willing to implement innovations like blockchain technology for healthcare, banking services and even governance by allowing its citizens to become “e-Residents.” This service gives Estonian citizens and businesses digital...
authentication. It was also one of the first to use a blockchain-based e-voting service that enables people to become shareholders of Nasdaq’s Tallinn Stock Exchange.

- It now hosts a number of Bitcoin ATMs and startups such as Paxful, a global peer-to-peer buying and selling service for Bitcoins. With one of the highest internet penetration rates in the world, Estonia is well positioned to be a place where a cryptocurrency users can certainly feel welcome.

**European Union**

- On 5 July 2016, the European Commission (“EC”) published the legislative proposal it has adopted to amend the Fourth Money Laundering Directive (“MLD4”) as part of its action plan to strengthen the fight against terrorist financing. The amended MLD4 includes bringing digital currency exchange platforms and custodian wallet providers within the scope of AML and CTF regulation so that they are required to perform customer due diligence and report suspicious transactions.

- Prompted by the terrorist attacks in France in 2015, the EC published an Action Plan to strengthen the fight against the financing of terrorism on February 2016. As part of this, the EC proposed to re-open particular aspects of MLD4, in order to address vulnerabilities in Europe’s fight against terrorist finance, including in relation to the anonymity associated with the purchase and use of digital currencies.

- The EU, as a whole, supports the use of crypto-currencies however attitudes in relation to regulation vary across the Member States. The European Parliament is the directly elected legislative body of the EU.

- In the Presidency Compromise text revising the MLD4 published on 14 November 2016 there is a proposition that allows member States to create a register for crypto account holders to register their accounts and be verified; namely:

  “(7) The anonymity of virtual currencies allows their potential misuse for criminal purposes. The inclusion of providers engaged in exchange services between virtual currencies and fiat currencies and custodian wallet providers will not entirely address the issue of anonymity attached to virtual currency transactions, as a large part of the virtual currency environment will remain anonymous because users can also transact without these providers. To combat the risks related to the anonymity, national Financial Intelligence Units (FIUs) should be able to obtain information allowing to associate virtual currency addresses to the identity of the owner of virtual currencies. In addition, the possibility to allow users to self-declare to designated authorities on a voluntary basis should be further assessed.”

- This represents a real opportunity for crypto currency users to gain credibility and hence greater global acceptance.
France

Bitcoin regulation / status

- In April 2016, the French Central Bank has published a new research report on financial stability in the digital age and has described Bitcoin and cryptocurrencies as a “parallel mechanism of money creation”.
- Bitcoin Exchange services operating in France must have an agreement from the central bank, or work with a registered company for holding funds.
- France are optimistic about the number of opportunities Bitcoin may offer. Without ignoring the risks related to its “volatility, its anonymity and its lack of legal guarantee”, it underlines the possible uses of the currency as a “payment system and … a decentralised validation protocol”.

Views

- In January 2016, French Federal Finance Minister Wolfgang Schaeuble and former minister of social affairs Michel Sapin urged the European Commission for stricter regulation of payment systems to combat the financing of terrorism. They advocate setting up of centralised directories of bank accounts in all Member States.

Blockchain update

- The French Central Bank report also mentions the use of decentralized exchange systems that will be made possible through blockchain technologies. Blockchain technologies have been touted by many banks and financial institutions as providing a revolutionary way to redesign a lot of back-office industry. The report highlights some uses like collateral management that can see immediate gains with the adoption of blockchains.
- The report recommends that regulators should be ready to adapt their regulatory frameworks for the financial markets and institutions. The regulators need to ensure that all the market participants and actors are in compliance with the existing rules. In addition, the regulators need to ensure that blockchain technology and its wider adoption doesn't create any new systemic risks in the system. However, the report recommends that the regulators should also ensure that the market retains trust in the new protocols that will invariably be adopted.

Germany

Bitcoin regulation/status

- Germany are concerned over the use of cryptocurrencies for illegal activities and terrorism financing. Germany are pushing the EU Council for an “improved regulation and control” of anonymous payment products such as prepaid cards and digital payment systems, particularly Bitcoin and Ripple. These requests have been successfully heard by the European Union which have published an amended Fourth Money Laundering Directive discussed in the European Union section above..
• In Germany, Bitcoins are regarded as legally binding financial instruments that fall into the category of units of account, which are not classified as foreign currency but as ‘private money’.
• Germany declared Bitcoin exempt from VAT in 2015. Bitcoin will be labelled as “private money” and a “complementary currency”.
• Germany’s plans are to regulate and tax the digital token as a commodity.
• Germany is one of the most advanced country when it comes to regulating Bitcoin and digital currencies. Although some issues remain unresolved, the German Government has exempted Bitcoin transactions held for over one year from 25% capital gains tax.
• Bitcoin is recognised as private money, as a “unit of account” by the German Finance Ministry, meaning it is can be used for tax and trading purposes.

Views

• Bundesbank board member Carl-Ludwig Thiele maintains that Bitcoins are an exceptionally risky investment. “Because of its design and because of the large volatility, Bitcoin [is] highly speculative,” he said. “We do not see that the price is being driven by fundamentals.” Theile also pointed out that Bitcoin investors have absolutely no guarantee in case something goes wrong: “There is not state guarantee for Bitcoin and investors might lose all of their money. The Bundesbank is warning emphatically about these risks.” Thiele added that Bitcoins do not pose a threat to financial stability, due to their low volumes and amount of Bitcoins in circulation. He said that about 70,000 Bitcoin transactions take place worldwide each day, a figure dwarfed by the 59.8 million regular payments made in Germany each day.

Blockchain update

According to German Bank, Deutsche Bank, several financial institutions have already established what are known as innovation labs that deal exclusively with all the technology involved in the blockchain. However, stock exchanges, credit card firms, clearing houses and insurers are also increasingly focusing on the technology and analysing the potential of the P2P movement for their own purposes.

Views

The research further explicates the impact of the blockchain technology on intermediaries and third party operators, since a successful implementation of the technology could threaten their existence and eliminate them once and for all.
Isle of Man

Bitcoin Regulation / status

- In May 2016, CoinCorner a Bitcoin exchange and wallet provider was one of two Bitcoin businesses to be awarded Designated Business status by the Isle of Man Financial Services Authority (IOMFSA) following the introduction of The Designated Businesses (Registration and Oversight) Act. The Act came into force in October 2015 after a proposal was put forward to place responsibility on the IOMFSA for the oversight of the adherence of certain businesses and professions to the Island’s anti-money laundering and countering the financing of terrorism legislation.
- Designated Businesses now also include those in “the business of issuing, transmitting, transferring, providing safe custody or storage of, administering, managing, lending, buying, selling, exchanging or otherwise trading or intermediating convertible digital currencies, including crypto-currencies or similar concepts where the concept is accepted by persons as a means of payment for goods or services, a unit of account, a store of value or a commodity.”

Blockchain update

- A report dated August 2016 confirmed that the Isle of Man Government is researching and developing blockchain technology to create synergy with the Internet of Things (IoT) concepts.
- Blockchain specialist ‘Credits’ is following a tradition of testing new technologies on the Isle of Man with a federated know your customer (KYC) application which leverages the jurisdiction’s financial services pedigree. The Credits blockchain is a hybrid, combining public ledger elements and some private ledger elements, again facilitated by testing on the Isle of Man.

Japan

Bitcoin Regulation / status

- Japan has taken a proactive role in regulating digital currency business activities, through its (1) Fund Settlement Law (2) Banking Act, and (3) Anti-Money Laundering Laws.
- A further amendment in 2016 to the Payment Services Act included digital currency exchanges regulation. Digital currency exchanges operating in Japan will be required to register with the Financial Services Agency. The amendment will be effective by early June in 2017.
- Japan considers Bitcoin a commodity. The new definition would consider anything that can be exchanged for goods and services or legal tender as a currency, bringing Bitcoin, dogecoin and many other cryptocurrencies into the fold.
- Japan has formed a new advocacy group for Bitcoin businesses and, notably, it has the explicit backing of the nation’s Government. The Japan Authority of Digital Asset (JADA) will be a Bitcoin business-only group intended to establish standards and codes of conduct for its members.
Views

- Mt. Gox, once the world’s largest Bitcoin exchange, ceased operations and soon after filed for bankruptcy in 2014. Mark Karpeles, the former chief executive of Mt. Gox, is being held by Japanese authorities and has been charged with embezzlement. Following the collapse of Mt Gox, the FSA considered plans to regulate digital currency exchanges. In May 2016 Japan’s national legislature approved a bill to this effect. Operators must now register with the Financial Services Agency, this will come into force in 2017. The FSA, however, do continue to advocate the benefits of blockchain technologies.

Jersey

Bitcoin Regulation / status / views

- In December 2016, the Channel Islands Securities Exchange announced that it has listed its first regulated Bitcoin fund listing, the Jersey’s Global Advisors Investment Fund plc.
- In September 2016, the Jersey State Assembly published a Government order that exempts digital currency exchanges from registration requirements if their annual turnover is less than £150,000. For those who go over that annual amount will be required to notify the Jersey Government within three months or face potential sanction.

Luxembourg

Bitcoin Regulation / status / views

- Bitcoin exchanges in Luxembourg must be fully regulated by the Luxembourg financial regulator to operate.
- In April 2016, Luxembourg granted a license to Bitcoin exchange Bitstamp making it Europe’s first fully regulated payment institution for the cryptocurrency with the aim of making Bitcoin exchange safer.

Views; James Lynn, Billon Group

- “A degree of additional confidence in Bitcoin firms could arise based on this license, but will it impact the day to day flows of Bitcoin based on supply and demand? I think that unlikely, and hence also unlikely that the price of Bitcoin itself will be impacted directly by the news.”
The Netherlands

Bitcoin Regulation / status / views

- The Netherlands views Bitcoin as a medium of exchange, since it seeks to provide a solution to the exchange of goods and services in daily life however Bitcoin trade is not regulated or monitored by the Dutch financial authorities.
- The Dutch authorities are considering taking measures however to curb money laundering and illicit practices using Bitcoin.
- In January 2016, Dutch police arrested 10 people in the Netherlands as part of an international investigation into money-laundering through large transfers of Bitcoin.

Blockchain update

- The Dutch Central Bank is supported the creation of a 'blockchain development campus' for banks, which opened in September 2016, to congregate and share knowledge on the application of distributed ledger technology in the financial services arena.
- The Dutch Central Bank has been studying its own prototype cryptocurrency for at least two years, the most prominent being DNB Coin, and revealed testing of three different versions in June 2016.

Singapore

Bitcoin Regulation / status

- According to a report dated August 2016, Singapore’s central banking authority is beginning to establish what they call a “National Payments Council”. The proposal will require digital currency exchanges to get a license from the state’s central banking authority if they are involved in “payment services, money transmission, and/or conversion services.” It is unknown if the State of Singapore officially recognises Bitcoin or digital currency as “money”.
- Regulation will be applied on an activity basis, and entities will only be required to apply for a single license to undertake several payment activities. The proposed framework aims to strengthen standards of consumer protection, anti-money laundering, and cyber security related to payment activities while facilitating innovation and system interoperability.
- Bitcoin will be treated not as a currency, but as either a good or asset. As a good it would be subject to GST (VAT or sales tax) when traded to and from local currency by Singapore-resident businesses and goods purchased with Bitcoin would also be subject to sales tax. However, as an investment asset, Bitcoin would not be taxed as Singapore does not have a capital gains tax.
Views

- In Singapore, cryptocurrency is gaining steam. Being a global financial hub, Singapore provides a safe haven for investors to invest their funds. One of the world’s most renowned cryptocurrency wallet and Bitcoin exchanges, Coinbase is expanding to Singapore. It has currently more than 15,000 customers in Singapore. Singapore also houses other cryptocurrency companies such as BitX, CoinPip, Coin Supermarket, and Tembusu System.

- A key driver of cryptocurrency in Singapore is their strong legal and judicial system. It creates a conducive business climate with regulations in place to protect various stakeholders. The Government is also working towards developing a strong regulatory framework within FinTech itself. Recently, MAS has set up a new FinTech and Innovation group (FTIG). FTIG will formulate and develop regulatory policies and development strategies. This is to facilitate technology and innovation usage, allowing better risk management, enhanced efficiency, and increase competitiveness in the financial sector.

USA

Regulation status

- In January 2015, the first regulated US Bitcoin exchange, Coinbase, opened. The exchange is licensed to do business in 25 states — including New York and California. While accounts at Coinbase and other Bitcoin exchanges are not backed by any Government of the Federal Deposit Insurance Corp., Coinbase has insurance, which should offer traders some assurance against loss.

- There are two legislation levels – federal and state. On the federal level, FinCEN (Financial Crimes Enforcement Network) is the main authority to look up to. Bitcoin seems to have drawn its attention in 2016, right about the time when the price increased significantly, and it has made a statement that Bitcoin is a payment system.

- According to FinCEN, every business dealing with cryptocurrencies, should have an MSB status (money service business). It is the necessary condition for any exchange or a payment processor to operate legally on the US territory. This status means that a company complies with AML and KYC policies, so that the risks of illegal activities are reduced to the minimum. AML and KYC are also partly covered by the PATRIOT Act that was signed in 2001 to prevent terrorism.

- There is a different picture in every State. The authorities’ attitude towards Bitcoin varies significantly, especially when it concerns the Money Transmitter License – every State has its own requirements for obtaining it. There are currently 3 States, in which businesses that operate digital currencies do not need an MTL for sure: Montana, South Carolina, and New Mexico. Others either require businesses (exchanges and payment processors) to be registered as money transmitters or do not have a definite view on this matter.

- New York - New York is the only State to have comprehensive regulations aimed specifically at digital currency. These rules were adopted by the New York Department of Financial Services (NYDFS) in June 2015. Under the rules, a license is required to engage in any Digital Currency Business Activity, defined as any of the following activities involving New York or a New York resident:
Receiving digital currency for transmission or transmitting digital currency, except where the transaction is undertaken for non-financial purposes and does not involve the transfer of more than a nominal amount of digital currency;
- Storing, holding or maintaining custody or control of digital currency on behalf of others;
- Buying and selling digital currency as a customer business;
- Performing exchange services as a customer business; or
- Controlling, administering or issuing a digital currency.

Transmission is “the transfer, by and through a third party, of digital currency from a person to a person . . . .”

A licencsee is subject to quarterly and annual reporting requirements, disclosure requirements and extensive AML and cybersecurity requirements. Licensees are required to “maintain at all times such capital in an amount and form as the superintendent determines is sufficient to ensure the financial integrity of the Licencsee and its ongoing operations based on an assessment of the specific risks applicable to each Licencsee” as well as a surety bond or trust account.

The regulations avoid the permissible investments problem identified above, however, by permitting licensees to meet the capital requirement with “cash, digital currency, or high-quality, highly liquid investment-grade assets, in such proportions as are acceptable to the superintendent.”

These rules have been heavily criticised for imposing onerous conditions on Bitcoin operators, and making it difficult for small companies or startups to operate in the space. Even more critical is the fact that, if extended to other blockchain-based applications, similar regulatory approaches could have the effect of seriously slowing down innovation in the blockchain space.

In September 2015, NYDFS announced it had issued its first BitLicence to Circle Internet Financial and had received 25 BitLicence applications to date. The NYDFS has also granted a charter to Gemini Trust Company, LLC (Gemini), a Bitcoin exchange founded by twin entrepreneur-investors Cameron and Tyler Winklevoss. Gemini is the second digital currency company to receive a charter under the New York Banking Law, and is in full compliance with NYDFS’s recently finalised BitLicence rules.

- Connecticut – In June 2015, Connecticut state amended its Money Transmission Act to address digital currency. The new legislation requires a money transmitter applicant to specify in its application whether its money transmission activities “will include the transmission of monetary value in the form of digital currency.”

The legislation allows the commissioner discretion to deny a money transmitter application if the applicant intends “to engage in the business of transmitting monetary value in the form of digital currency” and it presents undue risk to consumers. Alternatively, the commissioner may impose additional requirements, restrictions or conditions on such an applicant. The legislation also requires such applicants to hold a surety bond in an amount determined by the
The Connecticut Money Transmission Act grants the commissioner authority to approve the use of “other investments” to meet the permissible investment requirement.

- Florida – In July 2016, the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County determined that Bitcoin is not a “payment instrument,” which is defined under the state statute to mean “a check, draft, warrant, money order, travelers check, electronic instrument, or other instrument, payment of money, or monetary value whether or not negotiable.” Further the Court confirmed that in its view, “it is very clear, even to someone with limited knowledge in the area, that Bitcoin has a long way to go before it is the equivalent of money”.

- North Carolina- In July 2016, the North Carolina Gov. Pat McCrory signed a law that defines “virtual currency” and clarifies what activity triggers licensure. Virtual currency miners and blockchain software providers will not require a license for multi-signature software, smart contract platforms, smart property, colored coins, and non-hosted, non-custodial wallets.

- California – According to a report dated August 2016, the state of California is moving forward with legislation that would update its money transmitter rules to capture businesses engaged in digital currency activities. Most notably, the bill no longer proposes to license businesses engaged in financial applications of the technology, but would instead create a new Digital Currency Business Enrollment Program. Lasting five years, the proposed program appears focused on helping the state learn more about the emerging technology. In addition, there is a continuing cost of $2,500 annually, and the text proposes giving the program commissioner the authority to impose “a claim for civil penalties” of up to $25,000. The bill states that, companies that store, transmit, exchange or issue digital currency qualify as digital currency businesses and would be required to pay a non-refundable $5,000 fee to participate in the program, a cost equal to the New York BitLicense application fee.

Blockchain update

- The Chamber of Digital Commerce and Coin Center have established a forum, called the Blockchain Alliance, to help combat criminal activity involving Bitcoin and the blockchain. The organisation is comprised of a coalition of companies and other institutions that have come together to address public safety concerns about digital currencies and the blockchain.

- Industry participants include the Chamber of Digital Commerce, Coin Center, MIT Media Lab’s Digital Currency Initiative, Bitcoin core developer Gavin Andresen, BitFinex, BitFury, BitGo, Bitnet, BitPay, BitStamp, Blockchain, Bloq, Circle, CoinBase, CoinX, ItBit, Kraken, Noble Markets, and Xapo

- The Blockchain Alliance will liaise with the US Department of Justice, including the FBI and the U.S. Marshals Service, the U.S. Secret Service, Immigration and Customs Enforcement Homeland Security Investigations, and the Commodity Futures Trading Commission. The forum plans to engage with other U.S. and foreign agencies as well.
Views

- There has been a mixed reception in the Bitcoin sector to the Blockchain Alliance’s establishment. Many Bitcoin enthusiasts see the organisation as a means of Government manipulation or control.
COUNTRIES THAT HAVE BANNED BITCOIN
Bangladesh

Regulation / status / views

- Bangladesh's central bank has warned against dealing in Bitcoin, saying anybody caught using the digital currency could be jailed under the country's strict anti-money laundering laws.
- The Bangladesh Bank, which regulates the country's banking industry, said it issued the order after reports in local media of Bitcoin transactions through various online exchange platforms.

Bolivia

Bitcoin Regulation / status / views

- The Bolivian Government has banned the use of Bitcoin in the belief that it will allow tax evasion and monetary instability.
- El Banco Central de Bolivia, the central bank of the South American nation, has officially banned any currency or coins not issued or regulated by the Government, including Bitcoin and a list of other cryptocurrencies including namecoin, peercoin, Quark, primecoin and feathercoin.

Ecuador

Bitcoin Regulation / status / views

- The Ecuadorian Government has banned all Bitcoin use in the hope of promulgating their own digital currency based on the principles of Bitcoin (2016).
- In July 2014, the National Assembly of Ecuador effectively banned Bitcoin and other decentralized digital currencies while, in a novel move, establishing guidelines for the creation of a new, state-run currency. The law gives the Government permission to make payments in 'electronic money', but digital currencies like Bitcoin are prohibited.

Iceland

Bitcoin Regulation / status / views

- Since 2009, Iceland has instigated a ban on Bitcoin and other digital currencies due to capital controls resulting from the banking crisis of 2008. According to the existing legislation, Icelandic national currency cannot leave the boundaries of the country. This rule contradicts the universal nature of Bitcoin which is transferrable.
- Personal ownership does not seem to be an issue, rather buying (importing) Bitcoins from outside the country is illegal because it constitutes a movement of capital out of the country. Furthermore, selling products or services for crypto-currencies is also prohibited.
- The locally created digital currency auroracoin recently made headlines with its 'Airdrop' to all Icelandic citizens and is not illegal due to its provenance within the country.
The National Bank of the Kyrgyz Republic, the central bank of the Central Asian nation, has said that the use of Bitcoin and other digital currencies as a form of payment is currently illegal under national law. Issued in July 2015, the notice states that the only legal tender in Kyrgyzstan is the national currency, the som, and that as such, any use of Bitcoin for payment violates this policy.
COUNTRIES THAT HAVE STOPPED SHORT OF REGULATING BITCOIN, BUT HAVE IMPOSED TAXES
**Brazil**

**Bitcoin Regulation / status / views**

- Brazilian regulators have confirmed they will not regulate Bitcoin because the technology is still in its early stages and does not represent a risk to the financial system (2016). However, Bitcoin should be declared and stated as Income Tax.
- The Brazilian Government have also declared that Bitcoin is not a currency but an asset and therefore subject to 15% capital gains taxes above the threshold (2016).
- The Brazilian Bitcoin exchange is FoxBit. FoxBit is a result of partnership between FoxBit Serviços Digitais and BlinkTrade Inc, a technology provider for Bitcoin exchanges around the world.

**Bulgaria**

**Bitcoin Regulation / status**

- In 2014, the Bulgarian tax service indicated that income from the sale of digital currencies such as Bitcoin will be treated as income from the sale of financial assets and taxed at a rate of 10%. There have since been no further updates.
- Bulgaria announced in 2014 that Bitcoin trading would be subject to ordinary income and corporate income tax rates, but did not issue regulations requiring gains to be documented or reported, raising the issue of potential money laundering through digital currencies.

Views; Vladislav Dramaliev, co-founder of Bulgaria’s first Bitcoin exchange

- “So far Bulgarian institutions have not really expressed official interest in Bitcoin, apart from announcing that Bitcoin should be considered a financial asset and all capital gains are subject to a 10% tax. Bulgarian banks are also either oblivious to the existence of Bitcoin or are not against using their services for Bitcoin-related deals. I have not heard of a local bank that has denied access to its services due to identified Bitcoin affiliation,”. (2016)

**Denmark**

**Bitcoin Regulation / status**

- Denmark is at the forefront of the push towards eliminating cash in favor of 100% digital currency.
- The Danish Central Bank declared Bitcoin not a currency, stating that it will not regulate its use in the country. Denmark is home to a number of Bitcoin startups and exchanges such as CCEDK, which has been a prolific innovator in the crypto-space with recent releases of Bitcoin “3.0” technology and decentralized exchange.
- The nation's stance on the taxation of Bitcoin for general transactions is considered a private asset and any gains are tax exempt; similarly, losses are not deductible. However, for companies whose sole business is related to trading or speculating in digital currencies, gains will be taxed.
Whether Bitcoin will be used as a means of exchange or an alternative to the central banking monopoly or both, remains to be seen.

Blockchain update

- In December 2016, The Central Bank of Denmark announced their plans of embracing a national digital currency and plan to use blockchain technology to achieve this goal.
- It remains unclear if the Danish central bank will create a proprietary distributed ledger to do so, or use an existing solution to facilitate this project. It appears they are working on their own solution, though, but no official announcement has been made regarding this decision.

Finland

Bitcoin Regulation / status

- The Finnish Government is very relaxed about Bitcoin and as far as regulation is concerned, there are no special rules for handling Bitcoin. Also, no banking license is required and there are no KYC rules. Profits from Bitcoin are, however, fully taxable and most Bitcoin users in Finland voluntarily declare their Bitcoin profits in their tax declaration.
- From a psychological point of view, Bitcoin is approached from the technological side or intellectual side and not so much used to solve actual day to day problems.
- The Finnish Government are very eager to tax all Bitcoin-related activity as much as possible and may provide further guidance in 2017.

Views Martin Albert, CEO of Bitalo

- Finland was the most cashless society in 2016 with an average of 450 million non-cash payments made in Finland. Perhaps digital currency uptake here will be faster than in other jurisdictions.
- Finland and all Nordic Countries are well known for big Government, high state quotas, and high taxes. People love the state and people even love to pay taxes. Corruption is a bit lower than in other parts of the world. There is no real cash economy and even small purchases are paid with credit card.

Italy

Bitcoin Regulation / status / views

- In September 2016, Italy's tax authority, released a publication that comes months after an EU court ruling regarding how value-added tax (VAT) would apply to transactions executed using the technology.
- Italian tax officials are applying income tax to speculative uses of Bitcoin, or events in which money is made during a sale or purchase. Those buying Bitcoins outside of the scope of speculative activity are not required to pay income tax.
Italy’s tax authority appears to be treating Bitcoin as a form of currency, a move that is the latest turn regarding Bitcoin taxation worldwide.

Norway

Bitcoin Regulation / status / views

- Norway does not regulate Bitcoin.
- Since November 2016, Norwegians can now buy Bitcoin directly through Vipps Payment Application. Vipps is one of the widely-used payments application in the country. The platform operated by DNB ASA, Norway’s largest financial services group, allows people to pay for their Bitcoin purchase on Bitcoins Norway cryptocurrency exchange.
- The last update in relation to Bitcoin taxation was in 2013 when Norway’s director general of taxation, Hans Christian Holte, said that Bitcoin “doesn’t fall under the usual definition of money.” The Norwegian Government instead decreed Bitcoin to be an asset upon which capital gains tax can be charged. Furthermore, profits from Bitcoin will fall under the wealth tax, and losses can be deducted. Holte also said there will be a 25 percent sales tax for businesses engaging in Bitcoin trade.

Slovenia

Bitcoin Regulation / status / views

- Slovenia is one of the more permissive Governments towards digital currency use.
- In April 2016, Slovenia-based Bitcoin exchange, BitStamp, became the world’s first-ever digital currency firm to have obtained a European payments institution license, thereby enabling consumers to trade Bitcoin against the fiat currencies across all the 28 European countries.
- The country’s Tax Administration and Ministry of Finance have said that Bitcoin is subject to income tax like any other non-monetary income, and would be calculated based on the Bitcoin-Euro exchange rate at the time of transaction.
- Selling Bitcoin would not be subjected to capital gains tax.

Sweden

Bitcoin Regulation / status

- Swedish financial regulator Finansinspektionen legalised Bitcoin and other cryptocurrencies in the country defining them as an asset, but not money.
- Sweden has many Bitcoin startups including Safello Exchange and, in the past, one of the largest manufacturers of mining equipment, KnCMiner. The company was the first to release ASIC-miner in 2013, but it declared bankruptcy in May 2016, citing the halving of the Bitcoin mining award (from 25 to 12.5 BTC) as the main reason.
- Bitcoin mining is subject to taxation in the country, but only if it makes a profit.
Views

- Sweden has been against cash for many years now, and their regulations have led a drop in cash circulation of about 40% since 2009. The vast majority of financial transactions are done by debit card or other non-physical means. Officially, they are looking at making a decision on issuing what would be known as the e-krona by 2018.

Blockchain update

- Sweden has plans to become the world’s first Cashless Country. Sweden says that cash is increasingly falling into disuse. Sweden is trying to become the world’s first cashless society and wants to use the blockchain as an alternative. This has been highly motivated by the IT industry in the country which has seemingly helped the country to crackdown on a series of organised crime institutions.
- It seems that the new P2P payment systems and payment mobile systems have been revolutionising the way people use their money. The latest advancements on several financial technologies, including Bitcoin, have led the country to embrace a new wave of options that will have their influence in a near future. The country already foresees the chance of turning into a cashless system in a few years. The increased use of P2P technologies and new payment systems are making this supposition a real probability.
- Sweden is currently working on a project with Blockchain company Chomoway, consulting firm Kairos Future and telecommunications provider Telecom to adapt its land registry to blockchain. The transactions would be put on blockchain once the contract has been created and all parties involved would be able to follow the transaction’s progress.

United Kingdom

Bitcoin Regulation / status

- In Europe, the European Commission has proposed that draft amendments to the Fourth Anti-Money Laundering Directive be agreed and implemented by December 2016 requiring that digital currency exchanges and electronic wallet providers carry out customer due diligence and have a compliance regime in place.
- On 5 September 2016, the UK Treasury reported that a large number of Member States have concerns about this timetable and it seems likely that implementation will be delayed.
- The UK regards Bitcoin as a personal asset. Goods and services purchased for Bitcoins are subject to value added tax. The cost of goods or services subject to VAT must comply with the value of Bitcoin in pounds sterling at the time of purchase.
- VAT will not be charged on digital currency transactions and margins will not be taxed. Other taxes, including corporation tax, will apply, although each case will be considered on the basis of its own individual facts and circumstances.
- Further ahead digital currency exchanges will have to comply with new stricter cybersecurity standards (which will apply to service providers such as those supporting banking and financial market infrastructures) when the Network and Information Security Directive is introduced (by May 2018).
• Whilst the position in the United Kingdom will be subject to the outcome of negotiations over Brexit, the reality is that certainly in the medium term, the UK will continue fully to implement and be subject to EU legislation.

Blockchain update

• In November 2016, it was confirmed that London based blockchain remittance specialist Epiphyte will be working with the UK regulator, the Financial Conduct Authority (FCA), to test cryptocurrency. Epiphyte will be working within the FCA's sandbox, exploring ways to provide cheaper and more efficient cross-border payment services using blockchain systems such as Bitcoin.
• Under the sandbox testing, Epiphyte will be providing an alternative clearing and settlement mechanism to banking systems such as SWIFT, according to a statement.
COUNTRIES THAT ARE UNDECIDED IN RESPECT OF DIGITAL/DIGITAL CURRENCIES
China

Bitcoin Regulation / status / views

- The official attitude towards Bitcoin in China is ambiguous. Its legal status is far from being equal with that of fiat currency because financial companies are directly forbidden to own it.
- BTCC in China is the longest running exchange in the world, and has always adhered to strict AML/KYC policies and is compliant with all current regulations in China. It meets regularly with the People’s Bank of China to ensure that it is operating in accordance with the laws and regulations of China. A press release from the PBOC in January 2017 outlines that there is significant volatility in bitcoin trading, and also quoted from a notice released in 2013 saying that bitcoin is a virtual good and doesn’t have legal tender status.
- In July 2016, China started developing a law that would reportedly give Bitcoin the status of a “civil rights object” equalling it to personal belongings, property, bank deposits and other objects of private property, and therefore, will provide owners of Bitcoin legal protection in case of theft. However, these reports have not been officially confirmed.
- Bitcoin is not recognised as a means of payment by the official structures. Banks do not accept it and Chinese financial system does not protect Bitcoin owners in the case of stock exchange crisis.
- However, Chinese citizens may sell and buy Bitcoins between each other as well as make deals with foreigners. They are allowed to pay with digital currencies to merchants who accept them.
- It was announced in January 2016 that China’s central bank plans to issue its own digital currency “as soon as possible”. China is pro-digital currencies.
- Despite the fact that there is no direct ban on cryptocurrencies, financial institutions and payment processors are not allowed to deal with Bitcoins. Bitcoin itself, just as any other cryptocurrency, is a ‘digital commodity’ – it means that people can own and trade it privately. Thus, China provides a moderately favourable environment for many companies which are neither financial institutions, nor payment processors.

Colombia

Bitcoin Regulation / status

- In August 2016, the first Bitcoin exchange in Colombia, Colbitex, went offline due to legal issues with digital currency in the country. According to a report dated August 2016, the closure is a temporary measure while the company and regulators determine the legal framework under which it may operate, if at all.

Views

- Colombian security forces continue to struggle with the twin issues of narco-trafficking and Communist rebels, both of whom may see value in Bitcoin as a means of payment for illicit transactions.
Israel

Bitcoin Regulation / status / views

- The Bitcoin community in Israel represents one of the most active Bitcoin communities in the world.
- In June 2016 Intel announced the creation of a fintech lab in Tel Aviv. The research conducted will revolve around blockchain technology, biometrics and the Internet of Things and the lab will be in association with The Floor, the Tel Aviv Fintech hub.
- A Deloitte report dated February 2016 explained that Israel had become a hub of startups and blockchain innovation due to its strong defence industry, technological military units and academic institutes.

Lithuania

Bitcoin Regulation / status / views

- Lithuania does not regulate Bitcoin however has issued warnings to individuals about the risks associated with it.

Blockchain update

- Lithuanian policymakers are particularly keen to take a lead on blockchain. Local venture capital firm Nextury Ventures hosted a blockchain and Bitcoin conference in the capital city, Vilnius in April 2016, in conjunction with the mayor’s office, and the central bank is in talks with several Bitcoin exchanges about the possibility of issuing them with e-money licences.

Mexico

Bitcoin Regulation / status / views

- The Mexican Government has introduced strong virtual currency anti-money laundering regulations and the Bank of Mexico released a warning on the use of Bitcoin by associating the use of Bitcoin with other “illicit operations, including fraud and money laundering.”
- Mexico receives around $25 billion a year in remittances from Mexican workers in the US sending money back home to family in Mexico. Nearly all of these remittances are sent by electronic transfer. Western Union is the leader here and has been an innovator in this space for over one hundred years. Given that Mexico and Texas is the largest remittance corridor in the world, there’s a growing need for Bitcoin ATMs and other methods of gaining Bitcoin, which is seen as a lower cost alternative to other dollar-denominated services being used in the country.
Views

- In September 2016, Bitcoin exchange startup Bitso raised $2.5m to make it easier for the underbanked in Mexico to gain access to financial services.
- Among the investors is Mexico-based foreign exchange, Monex Group, which in 2015 conducted $160bn in transactions in Europe, the US and Latin America.
- Bitso’s co-founder and president Daniel Vogel told CoinDesk he believes the expertise of Monex and the other investors will help the startup grow from its “strong footprint” of users in Mexico to elsewhere in Latin America.

New Zealand

Bitcoin Regulation / status / views

- Bitcoin is not regulated in New Zealand however a report dated December 2016 stated that national police have voiced concern at the rise of cryptocurrencies such as Bitcoin, and are considering regulation.

Philippines

Bitcoin Regulation / status

- Bitcoin is unregulated in the Philippines for now, however, in December 2016, the Philippines Government discussed whether to regulate digital currencies to improve protection for its citizens as the number of Filipinos abroad using Bitcoin to send money back home increases.
- In December 2016, Bangko Sentral ng Pilipinas, the central bank of the Republic of the Philippines, estimated that digital currencies used in transactions had increased by around $2 million every month in 2016 and was therefore concerned about an increase in money laundering activity.
- With the Philippines launching its first two-way Bitcoin ATM in 2015, the digital currency is set to only increase in popularity as more people turn to it as the payment choice for remittance services.

Russia

Bitcoin Regulation / status / views

- In October 2016, a document issued by the Russian Federal Tax Service states that for legal purposes, cryptocurrencies should be treated as any other foreign currency. These require no financial reporting of transactions.
In summary, the document states that:

- The concepts of surrogate money, digital currency, and cryptocurrency are not defined under Russian law.
- There is no specific legislation on prohibiting Russian citizens and organisations from using cryptocurrencies.
- Using cryptocurrencies in transactions may form a basis for investigating those transactions regarding laundering money and terrorist activities.
- According to the Federal Tax Service, buying and selling cryptocurrencies using foreign exchange assets (currency and securities), or Russian currency is considered a foreign currency transaction;
- Under the current system, there is no obligation for residents or non-residents to provide information on foreign currency transactions (and hence cryptocurrency transactions) to the authorities.

**South Africa**

**Bitcoin/Blockchain Regulation/status**

- The year 2016 has seen increased activity within the South African Bitcoin environment. Amid the prevailing global economic turmoil, Bitcoin as an alternative payment method has experienced some reasonable growth in South Africa.
- The legal status of Bitcoin in South Africa is akin to that of most countries around the world, wherein cryptocurrencies aren’t prohibited or outlawed outright. While the official position and lack of regulation remains the same there is a possibility of the Government looking into regulating and recognizing Bitcoin in the future.
- Bitcoin users in Africa as a whole have been quite conservative. The level of acceptance of cryptocurrency in Africa has been very low when compared to other parts of the world. Nevertheless, awareness and usership of the cryptocurrency keeps increasing.
- Bidorbuy, Africa’s largest online marketplace, now accepts payments in Bitcoin.
- The ‘Blockchain and Bitcoin Africa Conference’ which took place in Johannesburg on March 3-4 2016. This was an event that had representation from other African countries such as Botswana, Kenya, Ghana and Zimbabwe.

**Spain**

**Bitcoin Regulation / status / views**

- It was confirmed in November 2016 by the Spanish Government that Bitcoin payments were a form of financial service and thus exempt from VAT under the Council Directive 2006/112/EC of 28 November 2006.
- However, in September 2016, the Spanish tax authority published a report stating that Spain sees Bitcoin mining as an economic activity, opening cryptocurrency mining to taxation.
The new National Directorate of Tax would require all cryptocurrency miners to register themselves with Spanish authorities before submitting taxes on mining-earned profits. The report confirms that the reasons for the introduction of the new regulation is to curb money laundering, tax evasion and the ‘possible’ relation to cybercriminal activity and tools such as ransomware. The newly imposed tax for cryptocurrency miners comes in after Spanish law enforcement seized six Bitcoin mines in May 2016 that were allegedly used by a criminal network involved in the illegal distribution of pay-TV channels in the country.

### Taiwan

**Bitcoin Regulation / status / views**

- In 2016, Bitcoin remains legal to trade on international financial markets despite announcements stating that Bitcoin was illegal in Taiwan. Taiwan’s Financial Supervisory Commission remains wary of illegal activity however the country is home to BitoEX, a thriving Bitcoin exchange.
- Bitcoin in Taiwan is treated like a commodity. Like in all jurisdictions, Bitcoin is not “legal tender” therefore Bitcoin investments are not covered by any legal protections, and any losses incurred are the sole responsibility of the consumer.
- The Financial Supervisory Commission of the Republic of China and the Central Bank of the ROC issued a joint statement at the very beginning of 2014 warning against Bitcoin use in Taiwan. Regulators there have also said they will block any attempt to install Robocoin Bitcoin ATMs.

**Blockchain update**

- In December 2016, a consortium of Taiwanese financial institutions developing blockchain services is on the verge of entering a newly created safe-haven for FinTech startups.
- Announced discreetly in December 2016, the Amis blockchain consortium currently consists of six local financial institutions and the Industrial Technology Research Institute of Taiwan, but has aired plans to go international.

### Ukraine

**Bitcoin Regulation / status / views**

- Ukraine has a supportive cryptocurrency ecosystem. Many major banking institutions in Ukraine have started accepting Bitcoin payments through their merchant solutions.
- In December 2016, the Ukrainian Exchange announced the launch of new futures contracts on an index price of Bitcoin. The Ukrainian Exchange is the first regulated market in the world ever to offer futures contracts on Bitcoin.
- Local legislation restricts the ability of Ukrainians to access financial instruments available on the developed markets using fiat currencies so it is expected that the National Securities and Stock Market Commission of Ukraine will be able to manage high liquidity for Bitcoin futures contracts.
Vietnam

Bitcoin Regulation / status / views

- While it is not prohibited for individuals to own cryptocurrencies in Vietnam, it is so for financial institutions. The authorities do not recognise Bitcoin as either currency or commodity. Its status is unclear, and any business dealing with it will be penalised.
COUNTRIES THAT DO NOT REGULATE BITCOIN
Albania

Bitcoin Regulation / status

- Bitcoin is neither well-known nor popular in Albania, meaning that there has been absolutely no regulation at all in the area. In fact, there has barely been mention of Bitcoin from any national agency in the country. Should Bitcoin use become more popular within the country, the authorities might start to pay attention to the subject more though, and regulation could well follow.

Argentina

Bitcoin Regulation / status

- Argentina hosts the largest Bitcoin community in Latin America, and is home to dozens of entrepreneurs that have launched diverse startups, but the volume at the exchanges is minimal.
- The Argentinian Government has opened its doors to Bitcoin entrepreneurs however the national bank has expressed mixed opinions about Bitcoin, but confirmed they are interested in adopting the Blockchain technology for the monetary authority.
- According to a report by CoinTelegraph dated October 2016, over a hundred shops and professionals accept Bitcoins in Buenos Aires, according to Coinmap, including dentists, law firms, cafes, and bed and breakfasts, but still most of Bitcoin users are independent professionals and companies using the cryptocurrency for international transfers.

Belgium

Bitcoin Regulation / status

- The Belgian Government has a hands-off attitude when it comes to Bitcoin, with the Minister of Finance publicly stating that there is no reason for the Government to intervene at the present time. However in February 2016 the Financial Markets and Services Authority, in Belgium announced they are banning the use of derivatives based on Bitcoin. This will hit many of traders that use this asset in their portfolios.
- The National Bank of Belgium has no intention of intervening in Bitcoin business or regulating it, says the Belgium Bitcoin Association. There are no specific laws or regulations regarding Bitcoin in Belgium.

Croatia

Bitcoin Regulation / status

- As of 2017, there is no central monitoring or regulation of Bitcoin by the Croatian Government, however future regulation by the national central banks has not been ruled out.
- Croatia is one of the many countries around the world seeing an increase in the number of drug-related shipments passing through local post offices. In September of 2016, law enforcement agents confiscated a package containing 130 grams of amphetamines. Similar trends have been
noted in other countries around the world, particularly the United Kingdom, The Netherlands, and Germany.

Cyprus

Bitcoin Regulation / status

- In March 2014, the Ministry of Finance, the Ministry of Energy, Commerce, Industry and Tourism and the Central Bank of Cyprus wish to draw the attention of the public to the risks associated with the purchase, holding or trading of virtual currencies (such as bitcoin), which are not legal tender nor financial instruments.
- The Central Bank of Cyprus has not provided any further statements in relation to virtual currencies since March 2014.

Dubai

Bitcoin Regulation / status / views

- Bitcoin is not regulated in Dubai.
- In September 2016, Ola Doudin, a female Jordanian entrepreneur, has launched a Bitcoin wallet and exchange, BitOasis, in Dubai, after having difficulty finding any place to buy Bitcoin in the region, according to The National Business in the United Arab Emirates.
- BitOasis plans to be the first Bitcoin company in the Middle Eastern and North Africa (MENA) region to be registered in a major technology center in the region.

Greece

Bitcoin Regulation / status / views

- The use of Bitcoins in Greece is completely unregulated, as the Government hasn’t passed any legislation concerning the digital currency at all. The Bank of Greece made a statement in 2014 about Bitcoin, warning investors that losses concerning the change of price of Bitcoin are not protected. As of December 2016, it is completely legal to trade Bitcoins, and that there is no chance of being arrested or prosecuted for doing so.
- In December 2016, ten times as many Greeks registered to trade Bitcoins on the German marketplace Bitcoin.de than usual. Bitcoin trades from Greece have increased by 79% from their ten-week average on Bitstamp, the world’s third-largest exchange.

Hong Kong

Bitcoin Regulation / status

- In Hong Kong, Bitcoin is viewed as a digital commodity. The only role of the Government is to advise against using cryptocurrency because of the high risks associated with it. Regulation has not been ruled out entirely, with the Hong Kong Monetary Authority ensuring that it keeps a close eye on Bitcoin usage in the country.
The Special Administrative Region (SAR) of China and financial hub has remained otherwise hands-off in its approach to Bitcoin, saying it does not pose a risk to the financial system if it is not widely adopted.

**Hungary**

**Bitcoin Regulation / status**

- In December 2016, the National Bank of Hungary issued a public statement warning citizens who use or invest in cryptocurrencies such as Bitcoin, citing their unregulated nature amid increasing instances of high-return investment schemes abusing the cryptocurrency.
- There are however no regulations surrounding the use of Bitcoin or other digital currencies in Hungary.
- The National Bank of Hungary has a rather confusing stance on the currency, as they have warned citizens that Bitcoin is “much riskier” than many other forms of payment, but have also acknowledged the advantages of the currency, such as its speed and anonymity. This means that the Hungarian stance on Bitcoin closely resembles that of the European Union, and that the country has resisted taking the hard-line approach adopted by Russia.

**India**

**Bitcoin Regulation / status / views**

- As of November 2016, India has experienced an unprecedented cash crunch that sees over a billion people face Government-imposed limits on ATM and bank withdrawals. The move to demonetise 500 and 1000 rupee banknotes meant that 86% of Indian cash in circulation was rendered obsolete overnight. The Government is pushing its agenda toward digital banking and cash, a growing percentage of the population is turning to Bitcoin as a safe store of value.
- Zebpay, a prominent Indian Bitcoin exchange now sees 200,000 registered users in its trading platform, with 50,000 new users added last month in November 2016.
- The Indian Government does not wield any regulatory oversight upon Bitcoin however it is likely that regulation will be implemented within 2-3 years, following the example of countries like Japan, Singapore and the USA. Until then, Zebpay implements a KYC process of identification before allowing users to trade on its platform.

**Indonesia**

**Bitcoin Regulation / status / views**

- Bitcoin is unregulated in Indonesia. BitX, is a Bitcoin exchange in Indonesia and has seen its customer base increase ten times since June 2016.

**Ireland**

**Bitcoin Regulation / status / views**

- The Central Bank of Ireland stated 2014 that it does not regulate Bitcoins at all. Those in the Republic of Ireland are free to use Bitcoins as a currency, both online and in land-based venues.
This complete lack of regulation from the Government means that the Republic of Ireland is one of the easiest countries in the world to use the currency.

Blockchain update

- The Blockchain Association of Ireland is to officially launch on December 2016 in the country as it attempts to establish the country as a global hub for FinTech.
- Blockchain academic research is thriving in Ireland. Deloitte has recently announced that it is creating a blockchain research and development department in Dublin that will be comprised of 50 developers. This is part of its FinTech initiative ‘The Grid’.
- In March 2016, the Bank of Ireland announced its successful peer-to-peer blockchain trial demonstrating the means for distributed ledger technology to enable banks to combine the technology with existing banking systems.

Malta

Bitcoin Regulation / status / views

- There are absolutely no rules or regulations for individuals in place surrounding Bitcoin in Malta. Bitcoin users are completely free to spend, trade and mine the digital currency, without any risk of being prosecuted for doing so.
- There is an issue when it comes to gambling sites registered with the Maltese Gaming Authority though, as they do not recognise Bitcoin as a form of payment. Should they find a casino licenced by the them accepting Bitcoin, they could revoke the licence of the casino in question. It is expected that the use of Bitcoins at online gambling sites registered with the MGA will be allowed by 2017.

Malaysia

Bitcoin Regulation / status

- There are no laws in Malaysia regulating the use of Bitcoin at present in 2017.
- With the tightening of capital controls in more traditional financial services due to reports of major banks and investment funds being involved in money laundering, startups like Coins.my are making it easier for Malaysians and expats to buy, sell, and pay for utility bills with Bitcoin.
- Bitcoin is not recognised as legal tender in Malaysia. The Central Bank does not regulate the operations of Bitcoin. The public is therefore advised to be cautious of the risks associated with the usage of such digital currency.”

Poland

Bitcoin Regulation / status

- There are no explicit regulation concerning Bitcoin in Poland. Poland’s Ministry of Finance has publicly stated in 2016 that it does not consider Bitcoin to be illegal, and that it also doesn’t want to hinder the development of the currency. It has also stated that Bitcoin can’t be classed as legal tender though, and that it is also not electronic money. The fact that Bitcoin is not illegal hasn’t stopped some banks from closing accounts of some Bitcoin traders though, as they have
made the decision to class Bitcoin trading as a criminal activity. So, essentially the Government has no problem with Bitcoin, but some of the banks do.

- In October 2016, the Polish Government had a debate in the Polish Parliament regarding Bitcoin regulations. It was accepted that regulations are necessary to protect the investors’ interest without hindering the freedom of the community or hampering the progress of technology development.
- BitBay is the leading cryptocurrency platform in Poland, its CEO Sylwester Suszek’s attendance in the event allowed them to explain the various challenges faced by cryptocurrency companies to the country’s lawmakers. Suszek, during the presentation, is said to have stressed upon the need for co-operation between the companies and Government institutions to create the much-needed solutions for the public using cryptocurrencies.

Portugal

Bitcoin Regulation / status

- As of 2016, there is no central monitoring or regulation of Bitcoin by the Portuguese Government.

Romania

Bitcoin Regulation / status

- There are no explicit regulations concerning Bitcoin in Romania (2017).
- Bitcoin falls into the category of movable goods and is not currency, any transaction which implies a “payment” in Bitcoin can be qualified as a barter, according to Article 1763 of Romanian Civil Code.
- In the case of a business which accepts payment in Bitcoins, the Bitcoins must be registered as assets in the bookkeeping, and income tax will be determined based on the “market price” for those respective assets (as provided by Article 10 of the Romanian Tax Code). This might trigger the need to evaluate the Bitcoins in order for them to be correctly registered in the bookkeeping.

South Korea

Bitcoin Regulation / status

- There are no laws in South Korea regulating the use of Bitcoin at present in 2017.
- The chairman of South Korea’s Financial Services Commission, Yim Jong-yong, announced in October 2016 that Financial Services Commission will “Lay the systemic groundwork for the spread of digital currency.” There are no details about the form or technology that the Financial Services Commission’s digital currency will use, other than a suggestion that it would include a blockchain, a consortium on blockchain technology to jointly research and run pilot projects will be launched by the Government and the local financial industry players this year.
- In February 2016, one of South Korea’s largest banks, KB Kookmin, announced a partnership with the number two Bitcoin exchange by Korean won volume, Coinplug, in order to develop remittance and data storage services.
Thailand

Bitcoin Regulation / status

- Bitcoin is not regulated in Thailand.
- Coins TH and BX are two exchange and wallet platforms that operate in Thailand.

Blockchain update

- In September 2016, the Bank of Thailand held a public meeting through its website regarding Fintech regulation. Residents, startups, and entrepreneurs had an opportunity to share their opinions and concerns until October 15, 2016. A sandboxed regulatory environment will be established starting in Q1 of 2017.
- According to a report dated September 2016 from btcmanager.com, the approach will be very localized, as only companies offering their products and services within Thailand will be allowed. To be more precise, none of the regulatory sandbox members can extend their offering to international customers. Everything will be developed in Thailand, and only offered to Thai clients.

Turkey

Bitcoin Regulation / status

- Bitcoin is not regulated as it is not considered to be electronic money according to Turkish law (2017).
- It was announced in August 2016 that Turkish Bitcoin exchange BTCTürk had been forced to cease its operations in Turkey after failing to find support from local banks, the last of whom terminated BTCTürk’s banking account. However, Bitcoin operations and balances seem to have remained unaffected, allowing users to retain their BTC with the exchange or transfer it elsewhere.
- Turkey recently denied Paypal a renewed licence to operate in the country because Paypal does not localise all of their IT infrastructure inside the country. The ceasing of operations took effect in June 2016. A opportunity for other peer-to-peer transaction and merchant payment solution methods, BTCTurk (Turkey’s largest Bitcoin exchange) has since witnessed a huge increase in volume following the announcement. BTCTürk saw 5000 BTC, roughly just under $3 million at the time in total trading volume, a record trading volume for the exchange in 2016.

Venezuela

Bitcoin Regulation / status

- Venezuelan Government officials have never communicated their stance on the technology, but Venezuelan law is very clear on its definition of money, and Bitcoin doesn’t fit in that definition. Bitcoin is considered property rather than money in Venezuelan law (2017).
- Bitcoin is generally viewed by Venezuelan citizens as a positive innovation. (2016)
MOST COMMON WARNINGS
ABOUT BITCOIN AND DIGITAL CURRENCIES
Most common warnings about Bitcoin and digital currencies

- Because of its design and because of the large volatility, Bitcoin is highly speculative.
- The anonymous nature of digital currency transactions leave them particularly vulnerable to risks.
- Bitcoin does not offer consumer protections.

FATF’s 2015 Guidance reflects a sophisticated understanding by FATF’s members of virtual currencies and of the risks associated with their use. That is very encouraging; not all virtual currencies function the same way or pose the same risks. Also encouraging, is FATF’s emphasis on employing a risk-based approach to AML/CTF risk involving virtual currencies. Many law enforcement and regulatory efforts in the earliest days of digital currency assumed that virtual currencies were inherently unlawful or were only a tool to further criminal activity. The risk-based approach championed by FATF—an approach which specifically points out many lawful, innovative, desirable uses of virtual currencies—acknowledges this important fact.

In June 2014 the Financial Action Task Force (FATF) published their initial report on “Digital Currencies: Key Definitions and Potential AML/CFT Risks”. Some of the AML/CFT risks of digital currencies the report outlines include:

- Greater anonymity than traditional non-cash payment methods, generally characterised by non-face-to-face customer relationships, and may permit anonymous funding and transfers.
- Decentralised systems are particularly vulnerable to anonymity risks. For example, by design, Bitcoin addresses, which function as accounts, have no names or other customer identification attached, and the system has no central server or service provider. The Bitcoin protocol does not require or provide identification and verification of participants or generate historical records of transactions that are necessarily associated with real world identity.
- There is no central oversight body, and no AML software currently available to monitor and identify suspicious transaction patterns.
- Law enforcement cannot target one central location or entity (administrator) for investigative or asset seizure purposes (although authorities can target individual exchangers for client information that the exchanger may collect).
- Digital currencies commonly rely on complex infrastructures that involve several entities, often spread across several countries, to transfer funds or execute payments. This segmentation of services means that responsibility for AML/CFT compliance and supervision/enforcement may be unclear. Moreover, customer and transaction records may be held by different entities, often in different jurisdictions, making it more difficult for law enforcement and regulators to access them. This problem is exacerbated by the rapidly evolving nature of decentralised digital currency technology and business models.
- Importantly, components of a digital currency system may be located in jurisdictions that do not have adequate AML/CFT controls; Centralised digital currency systems could deliberately seek out jurisdictions with weak AML/CFT regimes.
- The report also comments on digital currencies have prominent venture capital firms investing in digital currency start-ups, and outlines some of its legitimate uses also, including:
  - The potential to improve payment efficiency and reduce transaction costs for payments and fund transfers. For example, Bitcoin functions as a global currency that can avoid exchange fees, is currently processed with lower fees/charges than traditional credit and debit cards, and may potentially provide benefit to existing online payment systems, like Paypal.
  - Facilitating micro-payments, allowing businesses to monetise very low-cost goods or services sold on the Internet, such as one-time game or music downloads. At present, as a practical
matter, such items cannot be sold at an appropriately low per/unit cost because of the higher transaction costs associated with e.g., traditional credit and debit.

- Facilitating international remittances and supporting financial inclusion in other ways, as new digital currency-based products and services are developed that may potentially serve the under- and un-banked.
- They may also be held for investment.
BTC/BLOCKCHAIN FUNDING ROUNDS UPDATES
## BTC/BLOCKCHAIN Funding Rounds Updates

<table>
<thead>
<tr>
<th>Date</th>
<th>BTC/Blockchain Company</th>
<th>Funding Partners</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/2016</td>
<td>Credits</td>
<td>BankToTheFuture, Business Instincts Group, Private Investors</td>
<td>$550,000</td>
</tr>
<tr>
<td>11/2015</td>
<td>BTL Group</td>
<td>Shafin Diamond, Harry Dobson, Brian Hinchcliffe, and Vela Technologies.</td>
<td>USD $2 million</td>
</tr>
<tr>
<td>29/04/2015</td>
<td>Circle</td>
<td>Goldman Sachs and IDG Capital Partners</td>
<td>USD $50 million</td>
</tr>
<tr>
<td>10/03/2015</td>
<td>21 Inc</td>
<td>Andressen Horowitz, Qualcomm, eBay founder Peter Thiel and Dropbox CEO Drew Houston.</td>
<td>USD $116 million</td>
</tr>
<tr>
<td>20/01/2015</td>
<td>Coinbase</td>
<td>New York Stock Ex. Fortune 500 BBVA DoCoMo</td>
<td>USD $75 million</td>
</tr>
<tr>
<td>07/10/2014</td>
<td>Blockchain</td>
<td>Lightspeed Venture Partners and Wicklow Capital. Blockchain</td>
<td>USD $30.5 million</td>
</tr>
<tr>
<td>13/05/2014</td>
<td>BitPay</td>
<td>Index Ventures, Horizons Ventures, Founders Fund, Felicis Ventures, RRE Ventures, TTV Capital, Sir Richard Branson and AME Cloud Ventures</td>
<td>USD £30 million</td>
</tr>
</tbody>
</table>
RECENT SIGNIFICANT INITIAL COIN OFFERINGS
## Recent Significant Initial Coin Offerings

<table>
<thead>
<tr>
<th>Completion date</th>
<th>BTC/Blockchain Company</th>
<th>Product Description</th>
<th>Amount Raised (approx.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 January 2017</td>
<td>Wings</td>
<td>A platform for planning, launching, and managing DAOs using the wisdom of prediction markets.</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>28 December 2016</td>
<td>Darcrus</td>
<td>A platform for building enterprise level SQL database dapps</td>
<td>$295,000</td>
</tr>
<tr>
<td>26 December 2016</td>
<td>BlockchainCDN</td>
<td>A blockchain based Content Delivery Network (CDN) that aims to reduce buffering wait times.</td>
<td>$300,000</td>
</tr>
<tr>
<td>22 December 2016</td>
<td>hack.ether.camp</td>
<td>A virtual incubator for Ethereum based blockchain startups</td>
<td>$653,000</td>
</tr>
<tr>
<td>15 December 2016</td>
<td>vDice</td>
<td>An Ethereum-based gambling platform.</td>
<td>$1,647,000</td>
</tr>
<tr>
<td>11 December 2016</td>
<td>Ark</td>
<td>a Lisk-forked cryptocurrency that will support cross blockchain communication.</td>
<td>$998,000</td>
</tr>
</tbody>
</table>