Edmund Hillary Fellowship

New Zealand: Unlocking Blockchain's Potential

Recommendations on Regulation and Policy

Version 1.0 December 2017

These recommendations are the advice of a consortium of local and international blockchain experts. They broadly represent the shared views of the fast growing NZ blockchain industry.

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Introduction

Blockchain is the next internet. Over the next 20 years, it will transform society and commerce.

Blockchain is a fundamentally new development in computer science. It's essence is simple: *a record book that everyone can see, and no one can alter*. Many copies of this record book are *distributed* (often globally). New information is added to a blockchain only after a consensus is reached between a majority of parties who hold copies.
This simple innovation enables 'trust through visibility' transactions between individuals, frequently *without the mediation of a third party.* This power will radically alter the relationships between people, business and government. Many intermediaries will find their roles changed or swept aside.

The New Zealand Opportunity

The full potential of blockchain technology is yet to be realised. With the right policy and approach, New Zealand can benefit from its development; economically, socially, and environmentally. Blockchain is being applied to transform fintech, agriculture, health, smart grid energy systems, climate response, education, public services, and international development. It has the power to create new industries that New Zealand can participate in.

Most importantly, this technology is inherently decentralised. Even more than the open internet, it breaks down physical barriers that New Zealand has faced when attempting to participate in high-value global commerce.

Internationally, Switzerland, Singapore and the US have been key territories for blockchain investment and development. However, none have yet provided a regulatory framework that is clear, open, and flexible.

These nations have told entrepreneurs what is out of bounds, while leaving them to guess and take risk on what may be in bounds. New Zealand can become a global leader and attract world class entrepreneurs by taking a different approach; *actively affirming the characteristics of blockchain tokens which are in bounds and accompanying such regulation with a welcoming tone.*

Increasingly, the best computer engineering talent in the world is focused on blockchain innovations. By showing leadership now, New Zealand will attract exceptional talent, and retain homegrown talent.

The benefits to New Zealand will be:

- **access** to top entrepreneurs, exceptional technology talent, and sustainable capital for internationally scalable blockchain solutions that;
    - support a wide range of cultural, social and commercial applications;
    - provide spillover benefits for NZ's key economic sectors, including agriculture, tourism, science and technology;
- **ability** for Kiwis to develop expertise in blockchain technology and related fields, resulting in high-value employment opportunities, and more highly skilled workers;
- a **broader** tax base;
- **affirmation** of NZ's role as a leading innovation hub, while preserving the reputation and integrity of NZ's financial markets; and
- **influence** the emergence of a key technology that will change the global economic and social fabric, in a way similar to the arrival of the internet.

These five benefits form the basis for our recommendations.

The Big Picture

To understand the impact blockchain technology will have on society and economy, it's useful to look at some examples.

Energy is in the very early stages of a massive transition from centralized production to distributed production. As more people and organizations adopt solar, wind, and geothermal energy production, they'll have energy to use both for their own needs and to sell into the power grid. Blockchain could:

- Help recognize power contributions, and balance them against withdrawals. Individuals become both consumers and generators
- Enable peer-to-peer power sales between homeowners with solar and wind capacity
- Power units can be represented directly through tokens. There is no need for it to be translated to currency (bought and sold) in order for transactions to occur
- Costs will decrease, because there will be an efficient and direct market on which to transfer power between consumers
- Existing power retailers and generators roles will reduce. Existing lines companies role will change to better support multi-directional transfers in the grid.

Healthcare is also in transformation, from a clinician-led individual practice, toward a population health data-science activity. In the future, we will offer individuals health support earlier, through knowing who is at risk of developing an illness and why. Blockchain could:

- Solve the very difficult problem of uniquely identifying patients and accurately linking them to their many different sources of healthcare information
- Incentivising people to take better care of their health, using transferable tokenised rewards that can benefit them or their community. Effective incentivisation for healthy behaviour can slow or reduce a nation's long-term healthcare costs
- Securely permissioning sensitive health information, and enabling access to specific health data only to the right person, in the right place, at the right time
- Dramatically improving individuals control over their own health data for use in research

Food Production and Distribution is one of the greatest challenges of the 21st century. Of all the things we do, it has the largest impact on the sustainability of our natural environments, and on our efforts to combat climate change. Blockchain could:

- Verify the provenance of ingredients in manufactured food, and communicating the value of sustainable farming practices up the chain to the end consumer "on

the packet". This gives farmers an incentive to adopt better but more costly farming methods
- Create real-time, local, and direct fresh produce exchanges to increase speed-to-market and reduce food waste
- Enable markets to contain evidence of quality (freshness, taste, safety), increasing returns to high quality farms, and providing verifiable claims that grocers can use to justify their services to increasingly discerning consumers

Global Payments is a $500bn business. Every person with a bank account uses the global payments network most days. Despite major improvements in technology, little has changed in the way this system works since 1977, when the SWIFT network was first established. Blockchain will:

- Decrease costs to individuals by removing some or all of the middlemen involved in each transaction (issuing bank, merchant bank, network)
- Reduce or remove unseen costs: 3% interchange, 3% fraud, hidden cost of false declines
- Increase speed of settlement. Currently, interbank transfers in many countries have two day settlement for no reason, because banks don't want to upgrade and their incentive is not to. Holding individuals money increases profit
- Create truly frictionless internet payments and enable micropayments, allowing individuals to be directly and fairly rewarded for creating unique and interesting content (e.g. musicians being paid a fair amount for each play of a song, without going through Spotify or Apple Music)

Many other sectors will feel large, long term impacts. **Democracy and National Institutions** will use blockchain to solve the hard problem of consistent, unique digital identity. **Social Justice and Community Organisations** will use block to create truly decentralised peer-to-peer value exchange systems, that help break the economic grip of repressive autocratic governments. They will use blockchain to develop solutions that reduce economic inequality from the ground up (rather than the top down).

The late 2017 cryptocurrency mania is a brief waypoint in the development of this transformative technology. As we move into the second wave of blockchain development, the global impacts will be far-reaching. As with all technology, the benefits will take longer to arrive than we currently predict. But when they do arrive, the impacts will be more transformative than we imagined.

Goals

1) **Make New Zealand a global 'centre of excellence' for blockchain; through provision of clear, principled token regulation, and a welcoming voice to blockchain entrepreneurs**
   - Provide a clear framework that defines tokens which provide genuine utility to a decentralized network ("Asset Token");
   - Clearly define which tokens do *not* qualify as Asset Tokens (for example, those which are in economic substance financial products)
   - Enabling government agencies to use blockchain technology internally, without fear, for experiments to improve the efficiency of NZ's government functions.
   - Adopt a communication tone for policy that is welcoming and focused on benefits
   - Success is measured by:
     - entrepreneurs launching quality tokens in NZ, at a level disproportionate to our global economic scale

2) **Banks in New Zealand are willing to provide transactional banking facilities for credible blockchain projects.**
   - Local banks have frequently been unwilling to provide transactional bank accounts to blockchain businesses
     - Banks cite their AML/CFT policies as reasons to decline these customers
     - In some cases, the projects have relocated to Australia, Hong Kong and Singapore
     - These jurisdictions operate under the same FATF recommendations as NZ for AML/CFT, making this position contradictory
   - Success is measured by quarter-on-quarter growth in the number of blockchain businesses with transactional accounts in the NZ banking system.

Key Action	*Implement a regulatory framework for blockchain businesses which maintains New Zealand's principles-based approach while improving regulatory certainty for participants.*

Common Principles

We recommend six common principles to guide NZ's Regulatory 'Centre of Excellence'

- **Blockchains are a new and important global infrastructure**. As a major technology development, they will have a fundamental impact on businesses and social systems in the coming decades. Blockchains scope to drive change exceeds that of the mobilisation of the internet between 2007 and today.
- **Regulatory uncertainty is an obstacle** to this new technology developing in a sustainable manner. Providing clear regulation will provide certainty to businesses, and give 'NZ Inc' a competitive advantage.
- **Benefits should be considered equally to risk.** Like any new technology there are associated risks, but harnessed properly, there will be great social, economic and cultural benefits.
- **The technology is evolving quickly, so it is best to guide with principles**, rather than prescriptive and detailed regulation.
- **The NZ framework should support projects which have a credible use case**, and who release tokens which provide genuine utility.
- **Government should ensure a coherent and consistent regulatory approach**. Ministries (MBIE, DIA and MOJ) and regulators (FMA, RBNZ, IRD, Commerce Commision) will continue to work from common principles.

A Timeline for Regulatory Approach

1. CLARIFY

(around 6 months)

What: In line with the recommendations in this document, clarify how the industry should proceed now under existing regulation.

Why: Creating smart regulation for blockchain will take time. Offering immediate clarity will ensure NZ benefits now, by fostering local participants, and attracting international participants.

2. WATCH & LEARN

(6 to 24 months)

What: Watch and learn. Tweak definitions using existing regulation, to achieve the best outcomes in response to activities and developments in the market.

Why: To ensure NZ retains its reputation as an internationally trusted business environment, while giving our businesses the best possible advantages to benefit from blockchain's global opportunities.

3. REGULATE

(if required)

What: If required as the technology matures, create smart, targeted regulation that takes into account technology evolutions in blockchain. (An example of bespoke regulation developed for a new asset class is the regime developed for carbon emissions units.)

Why: To ensure NZ retains its reputation as an internationally trusted business environment, while giving our businesses the best possible advantages to benefit from blockchain's global opportunities.

Suggested Actions for Specific Stakeholders

FMA

- Issues guidance which adopts a three-way classification system for blockchain tokens as currencies, securities or assets. A token is classified according to its function or economic substance, and this clarifies how it will be regulated.

- Given the importance that asset tokens will play in emerging blockchain projects, it is important that the FMA Guidance draws a line between asset tokens and security tokens to provide clarity for project developers and investors.***(1)***

- The FMA should consider these *three axioms of blockchain technology regulation*:
    - An asset token is not a 'security' (or a 'currency') because it has genuine consumptive value in its network, and its function and economic substance is not a financial investment, nor a means of managing a financial risk.
    - The existence of a secondary market for asset tokens, which may result in the token's value appreciating outside of its network, does not automatically make that token a security, just as the existence of a secondary market for physical commodities (and many other assets) does not make them securities. Importantly, the secondary market does not alter the function of the token, which is pre-determined by the bundle of rights encoded in the smart contract.
    - There is no policy rationale for regulating asset tokens differently from other commodities, taking a technology-neutral and principles-based approach.

- Consequently, the FMA should clarify that an increase in a token's *utility* value inside its network does not provide a *financial* benefit for securities law purposes solely because it increases market demand for the token outside the network (and so appreciates its secondary market price).

- The FMA Guidance could summarise the relevant features and functions of each blockchain token class and clarify the regulatory consequences, along the following lines:

Classification	Description	Features	Regulatory response
Currency token	A **currency token** is any token (or coin) which: • represents value and which can be digitally traded by agreement within a community of users; and • functions as a medium of exchange, and/or a unit of account and/or a store of value. (NB: Currency tokens are not digital representations of fiat currency)	• Digital representation of value • Functions as a medium of exchange and/or as a store of value and/or unit of account in its community of users • No legal tender status • No intrinsic utility or value • Decentralised supply with no central authority	• Not directly regulated as a financial product or security • However, activities related to the currency tokens will be regulated – for example, by anti-money laundering laws
Security token	A **security token** is any token that meets the definition of a "financial product" in the Financial Markets Conduct Act 2013. In summary, this means that the token must give the holder a right or entitlement: • to financial payment (of interest, to be repaid, to profits); • to an ownership stake in a central entity; • to receive financial benefits generated by the network or a central entity; • to an option to acquire the above (or otherwise meet the definition of a 'derivative'. The FMA has the power to designate securities and financial products. In the case of tokens which meet the broader definition of a 'security', but not a 'financial product', the FMA will consult with industry before exercising their designative power and will consult as to the appropriate exemption framework.	• Digital representation of rights which meet the "financial product" definition in the FMC Act • Functions as a financial investment or as a means of managing a financial risk • Counterparty	• Existing securities and anti-money laundering laws apply. • FMA has the ability to designate a class of tokens which meet the "security" definition – because they are in-substance securities – as "financial products" following consultation. The designation power cannot be exercised retrospectively.
Asset token	An **asset token** is a token which confers types of ownership or usage rights. Asset tokens include: • identity tokens (encrypted digital representations of personal identity records); • property tokens (encrypted digital representations of an ownership rights to property, such as a land or gold); and • utility tokens (tokenised representations of rights to access, govern, operate, use and/or control a platform or other property). Other sub-classes may be identified as blockchain technology evolves.	• Digital representation of rights to use, own or control a platform or other property. • Native currency of a decentralised blockchain with no central authority • Has an associated software protocol that sets and enforces the network rules • Intrinsic utility or other value which does not amount to a "financial benefit" for FMC Act purposes, even where increased demand for the utility value drives financial appreciation in the secondary market. • No counterparty	• Existing market conduct and consumer protection laws will apply to regulate participants and remedy harm • In addition to guidance which clarifies that a commodity token is distinct from a security token, the FMA could exercise its designation power to designate commodity tokens outside the scope of a 'security' to provide further comfort. (NB: Derivative instruments that reference currency tokens or digital commodity tokens will be regulated as security tokens).

- The FMA can state that a token's economic substance or functionality genuinely covers more than one class (e.g. if it has features of both a security token and an asset token) then it should be subject to regulations applicable to each relevant class

- Commits to continuing to take a collaborative approach with project founders and their advisers and to updating its guidance over time as the market and technology develops

- Supports the industry to develop and publish guidelines for high quality token issues similar to those developed by Hong Kong (see "Other Jurisdictions")

- Be enthusiastic and welcoming in tone when communicating policy movements to the international blockchain community

- Provides guidance to consumers (in partnership with the Commerce Commission) which decodes blockchain jargon, and explains the risks of token investment

IRD

The IRD's role is to create tax certainty for token issuers, users and holders.

- Clarify that:
    - in an ICO/TGE of a 'pure' security token, and a hybrid asset/security token, the proceeds are treated as returns of capital, not taxable income, by the issuer
    - in an ICO/TGE of a 'pure' asset token, the proceeds are revenue in advance and can be recognised on a spread basis and offset using R&D credits as the platform is further developed post-issue
- Clarify how the holders will be taxed on their token (either as above; as a currency; or as a non-currency asset)
- To avoid distortions, compliance costs and possible double taxation, cryptocurrency should be treated in the same way as money or precious metals for GST purposes;
    - This is consistent with the Australian definition coming into force March 2018 (see "Other Jurisdictions", below)
- Expand the definition of "financial services" in the GST legislation to include cryptocurrency activities
- The IRD can provide this clarification by issuing an 'interpretation statement' or other public guidance (no law change required)

RBNZ

Local banks have been resistant to providing NZ blockchain businesses with transactional accounts. In some cases this relates to the AML and FATCA 'de-risking' policies of their US correspondent banks. Relevantly, the IMF has recently endorsed the need for policy action to address a broad de-risking approach

- Play a leadership role in helping local banks find a solution, as the RBNZ did in the NZ-Pacific Remittance Project
- Give local banks clarity as to when they can confidently onboard a legitimate blockchain business:
    a. specifically, that the RBNZ is supportive of NZ banks onboarding blockchain businesses assuming those businesses are following a reasonable risk-based approach;
    b. note that KYC standards for token based businesses can be made very high, and endorse local blockchain businesses that meet these standards. Examples that can be used as precedent include Centrality KYC/AML policies *(2)*
    c. note that refusing to bank blockchain businesses already operating in jurisdictions with similar AML/CFT regulations is setting an arbitrarily high bar, and hinders development of the NZ blockchain industry
    d. proactively message this to banks;
    e. communicate this through to bank examiners.
- Specifically involve key individuals to ensure consistency of messaging from a policy perspective;
    a. Richard Dean, AML Team Manager and coordinating with the Ministry of Justice;
    b. Erin Lubowicz, Chief Advisor Criminal Justice;
    c. Others as necessary to achieve consistency
- Educate RBNZ staff and stakeholders on blockchain opportunity and policy
- Be enthusiastic and welcoming in tone when communicating policy movements to the international blockchain community

MBIE

- Provide feedback on these recommendations, and consider their implications for policy advice to Cabinet
- Confirm the stated goals are consistent with MBIE's goals, including
    - business growth and internationalisation agenda
    - Improvement of early-stage capital markets
- Name an MBIE person (either directly or via Callaghan Innovation) as a communication point for blockchain innovation, and supporting an open playing field for new innovation
- Issue guidance confirming that distributed ledger/blockchain technology meets the minimum standards for "electronic transactions" for the purposes of the electronic transactions

laws in the Contract and Commercial Law Act 2017, to reduce legal uncertainty for participants.
- Collaborate and reach agreement with the FMA on its guidance regarding policy issues
- Support the industry to develop and publish guidelines for high quality token issues similar to those developed by Hong Kong (see "Other Jurisdictions")
- Educate MBIE staff and stakeholders on blockchain opportunity and policy
- Be enthusiastic and welcoming in tone when communicating policy movements to the international blockchain community

Ministry of Justice

- Assist to define a legal structure that supports decentralised ownership, that NZ-based blockchain projects can utilise.
    - An express trust is a preferred option, but its viability will be restricted by the proposed Trusts Bill, in its current form.
    - If the Trusts Bill is to proceed, the carve-out for 'specified commercial trusts' should be revisited. MOJ and MBIE could collaborate with the local blockchain community to develop an appropriately flexible addition.

- Support the RBNZ's policy recommendation
    - Co-sign the RBNZ's recommendation encouraging local banks to provide transactional facilities to credible blockchain projects

Commerce Commission

- Provides guidance to consumers (in partnership with the FMA) which decodes blockchain jargon, and explains the risks of token investment

Business case

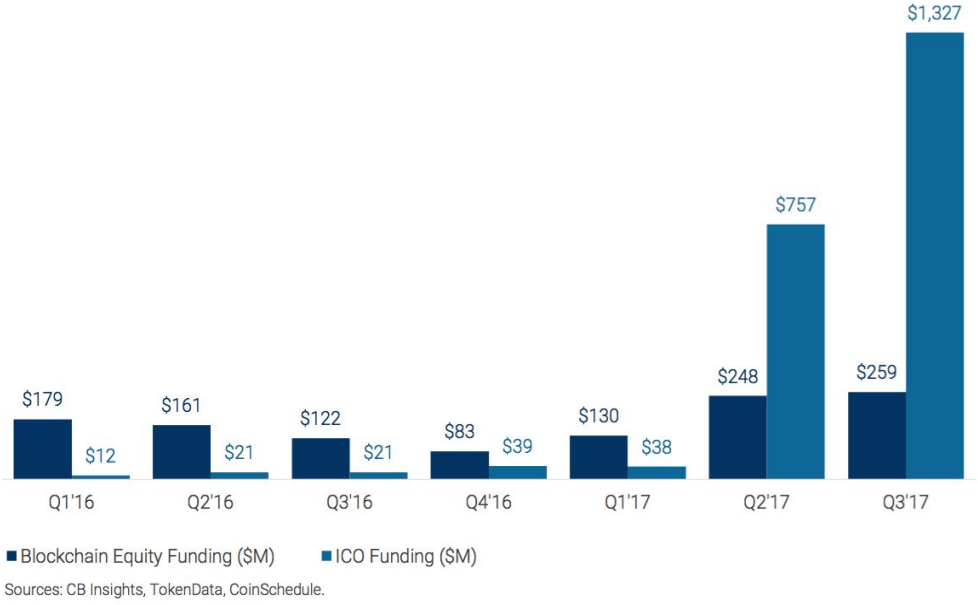
There are large potential benefits for NZ from a blockchain-supportive regulatory environment. The early benefits will be economic. As the technology matures, it will yield social benefits through new methods of interaction between people, government, and organisations.

Total investment is growing quickly in ICO; steadily in equity

Global investment in blockchain based businesses is projected to reach over $2B in 2017. While the fastest growth in capital raising has been via ICO ($1.4B at Nov 17), importantly, the Equity investment segment has continued to grow strongly.

Equity investment represents expert investment into blockchain. It's continued growth indicates global acceptance of blockchain as a core technology. We can expect total fundraising to increase again in 2018.

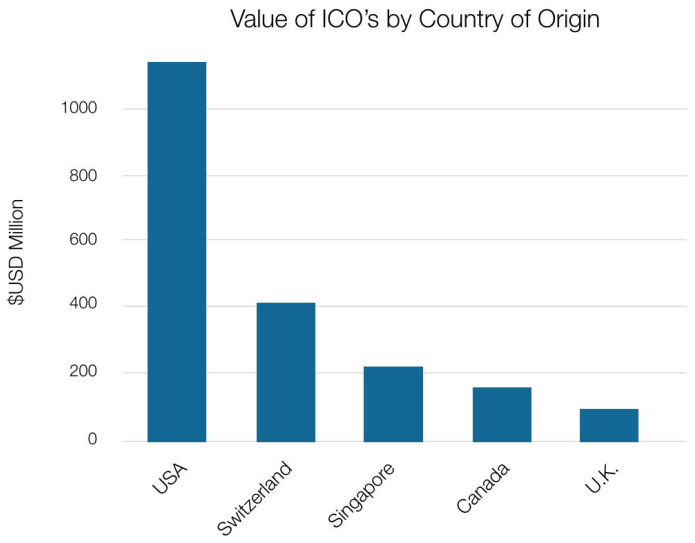
NZ's economy would benefit from international blockchain businesses basing themselves here, as a result of progressive regulation. This would generate employment and create new capital flows.

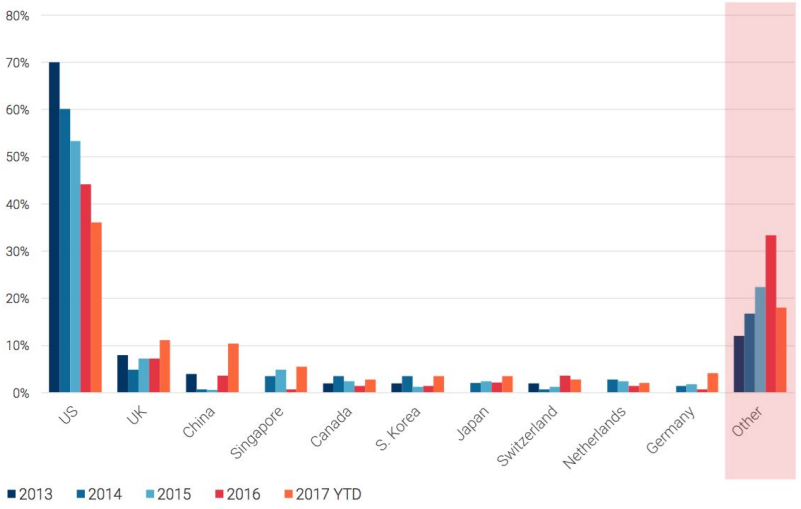


Sources: CB Insights, TokenData, CoinSchedule.

ICO’s have been clustered in few countries; there is potential for new entrants

Currently, the majority of ICO’s are headquartered in the USA (52%). The next four most active jurisdictions are Switzerland, Singapore, Canada and the UK.





However, as an inherently borderless technology, blockchain businesses will move to supportive regions.

This is evidenced by the changing distribution in equity financing to blockchain. Every market other than the USA is growing in share, and the “Other” category (countries outside the top 10, highlighted) is growing fastest, evidence of the atypical mobility of these projects.

These trends indicate that a progressive regulatory environment would attract blockchain based businesses to NZ, where they can operate in a trusted and secure business environment. NZ’s distance is not a barrier to operation for these businesses, and it’s reputation is an attraction.

Approaches by Other Jurisdictions

Australia

- The Turnbull Government has made blockchain investment a key strategic priority as part of its commitment to innovation and entrepreneurship.
- The Prime Minister has set up a FinTech advisory group to guide policy development.
- The Australian Government lobbied successfully to have Australia lead the International Organisation for Standardisation (ISO) to develop new international standards on blockchain and other DLT in 2017.
- On 24 October 2017, the Government proposed regulations ('AFSL Exemption Regulations') to:
    - expand ASIC's powers to exempt blockchain/token businesses (among other 'FinTech' providers) from licensing obligations for up to 24 months in relation to both retail and wholesale offerings
    - Apply exposure limits for retail clients
    - Enable Sandbox providers to develop additional exempt offerings as their business grows, or have several attempts at developing one offering.
- The Australia Tax Office has issued three iterations of guidance on taxation of Bitcoin.
- From 1 July 2018, cryptocurrency will be treated in the same way as money for GST purposes – this reverses the previous position that cryptocurrency transactions were potentially subject to Australian GST.

United States

- The Securities and Exchange Commission (SEC, the federal securities regulator) took action against one particular case which was clearly a security - the DAO. In this report, they use the SEC's 4 part Howey Test to outline what *is* a security. However, they offer little clarity on what properties a blockchain token would need to have to *not be classed* a security. As a result, there is uncertainty amongst US entrepreneurs, who are taking many different approaches, including:
    - Going to other jurisdictions like Switzerland or the Cayman Islands
    - Trying to explicitly structure their token sale as a security at the beginning but then hoping it will not be deemed a security when live. This is the approach of Filecoin, a token for a decentralized file storage network, which raised over $250m USD and a fundraising platform specifically structured this way called CoinList. The upsides of this approach are (1) the initial token sale potentially fits within existing securities laws and (2) the sale may be safer because it only is available to accredited investors. The downsides

are (1) it is less democratic as only the wealthy can participate, (2) non-investor users of the application cannot purchase tokens if not accredited, and (3) it feels like swimming against the inevitable, as token sales can be done (and are) on the blockchain without specific jurisdictional permission.

- The SEC also released a general consumer advisory on token sales.
- An industry group of Coinbase, USV, Coin Center, and Consensus published a points-based token framework interpreting what has been said by the SEC to try and reduce ambiguity for entrepreneurs.
- The IRS, the tax authority of the US, currently views cryptocurrency as property that is subject to capital gains with no de minimis exemption. This makes cryptocurrency more burdensome to use as a practical means of payment.
- FinCEN, a division of the US Treasury focused on money laundering, issued guidance which says (1) if you're issuing a centralized virtual currency you are regulated as a money transmitter, (2) if you are providing a service which takes control of the digital currency of customers you are regulated, (3) if you are a generic user of digital currency or a miner you are not regulated, (4) if you create a decentralized digital currency which you do not control you are not regulated. For digital currency businesses in (1) and (2) you are expected to follow the same money laundering standards as other regulated money service businesses with an eye towards the increased risk of your business. This first occurred in 2013 with revisions over time.
- The Commodities and Futures Exchange Commission (CFTC) has said that centralized platforms which offer derivative products are under their purview.
- State banking regulators, most notably the New York Department of Financial Services, have also regulated businesses which are money transmitters as mentioned above in the FinCEN section. This has been painful for companies, as they need to get a new license to operate in each state and adds lots of overhead and regulators which the companies must manage. This cost Coinbase ~$5m USD and 3 years to get up and running. It now has 50 different regulators that it needs to interface with on an ongoing basis.
- As with many pieces of US financial regulation, pieces of this have been copied by regulators in other nations.

Zug Canton, Switzerland

- Most token sales have set up a foundation in Zug, a canton of Switzerland, for a combination of legal and tax reasons. As a result, Zug has become known as "Crypto Valley".
- Legally, this has involved Switzerland reviewing token sales on a one off basis and granting individual approvals. However, there is little overall clarity or transparency for new entrepreneurs.
- From a tax perspective, it is advantageous because Zug only takes a small percentage of the proceeds of a token

sale, as opposed to what looks like a revenue event or capital gains in the US.
- Value added tax (VAT) does not apply
- Regular money laundering rules apply for businesses which hold or trade cryptocurrency as a service directly for users.

Singapore

- Singapore is courting blockchain based businesses, and seeking to create a blockchain-friendly jurisdiction
- In November 2016, the Monetary Authority of Singapore (MAS) announced a partnership with R3 and a consortium of financial institutions to develop a POC for blockchain-based inter-bank payments
- In March 2017, MAS announced Project Ubin, an effort to migrate the SGD (Singapore Dollar) onto a distributed ledger. This is the most significant project of its type by a sovereign nation.
- As of its August 2017 announcement, MAS will regulate the issuing of digital tokens if they fall under the current definition of products regulated under the country's Securities and Futures Act. It has clarified that not all tokens will be securities (1)
- Further guidance from MAS indicates that virtual currencies themselves will not be regulated if they do not constitute securities, but that intermediaries in virtual currency transactions will be regulated for AML/CFT purposes.
- Has up a fintech sandbox, but it has done little to attract token projects. It remains unclear what the rules around tokens are and what happens if your project is successful and outgrows the sandbox guidelines.

Hong Kong

- The Hong Kong SFC has released guidance (www.sfc.hk/web/EN/news-and-announcements/policy-statements-and-announcements/statement-on-initial-coin-offerings.html) stating that "a virtual commodity itself is not a security" (5 Sept 2017).
- The Hong Kong Fintech Association (a not-for-profit NGO) has released industry-developed best practice guidelines for token sales http://hkfintech.org/wp-content/uploads/2017/12/FTAHK-Best-Practices-for-Token-Sales-December-2017-final.pdf

Others

- For a complete list, see here

Footnotes:

1. This position has some international precedent. In August 2017, The Monetary Authority of Singapore issued guidance confirming, by way of example, that an asset token would not be a security under Singaporean law. In the United States, the Commodity Futures Trading Commission has confirmed that some tokens are assets (commodities).
2. Centrality's 'Blockhaus' system offers a locally created example of very strong KYC/AML Buyer and Distributor validation.
    a. It uses a hybrid of blockchain and traditional technology to validate a user, and link that user to a blockchain account which they can transact from.
    b. Collected and validated information includes name and address, DOB, email, blockchain wallet address, nationality, government ID, blacklists and sanction lists.
    c. Visual dashboards are available to token issuers, showing a risk score for customers based on "follow the money" links, blacklisted wallets anywhere within a transaction chain, insurance and debt blacklists, and other fraud indicators.