

CRYPTO NEWS

1/8/2018 Edition 2

Introduction from our MD, Lee Byrne

We have been working closely with leading cryptocurrency technology business, Coinfirm Ltd, to provide advisory and training support for cryptobusinesses and ICO's during 2018 and this report represents the first of a series of updates that we will be providing to our clients going forward. We hope that it helps to de-mystify this subject and inform some of the key regulatory developments that we anticipate happening. Enjoy!

International ICO/ Cryptocurrency Regulatory Developments

In this issue we will be highlighting some of the very latest developments, as we continue to monitor wider international adoption, recognition and the regulation of crypto-related activity.

Global Regulatory Developments

FSB report sets out framework to monitor crypto-asset markets

On 16th July 2018, the Financial Standards Board (FSB) published a report delivered to the G20 Finance Ministers and Central Bank Governors on the work of the FSB and standard-setting bodies on crypto-assets.

The FSB has developed a framework, in collaboration with Committee on Payments and Market Infrastructures (CPMI), to monitor the financial stability implications of developments in crypto-asset markets.

While the FSB believes that crypto-assets do not pose a material risk to global financial stability at this time, it recognises the need for vigilant monitoring in light of the speed of market developments.

Great Chatwell Academy of Learning

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Online Certified Learning

The 'Advanced Certificate in Managing Virtual Currency and Financial Crime Risks (2018)' online course is one of the most exciting financial crime courses in our portfolio and aims to demystify the management of virtual currency (VC), also known as cryptography.

Core learning is provided via a detailed course manual, with additional media providing further help and guidance on some of the course's key learning points.

The course is delivered in association with the University of Gloucestershire, and students who are successful will be permitted to use the designation 'AdvCertVC' to confirm their qualification.

<https://www.greatchatwellacademy.com/solutions/solutions-for-you/advanced-certificate-in-managing-virtual-currency-and-financial-crime-risks-2018>

The report also describes the work standard-setting bodies are undertaking in the areas of their respective mandates:

The Committee on Payments and Market Infrastructures has conducted significant work on applications of distributed ledger technology, and is conducting outreach, monitoring, and analysis of payment innovations.

The International Organization of Securities Commissions (IOSCO) has established an initial coin offering (ICO) Consultation Network to discuss experiences and concerns regarding ICOs.

IOSCO is also discussing other issues around crypto-assets, including, for example, regulatory issues around crypto-assets platforms.

The Basel Committee on Banking Supervision (BCBS) is assessing the materiality of banks' direct and indirect exposures to crypto-assets, clarifying the prudential treatment of such exposures, and monitoring developments related to crypto-assets for banks and supervisors.

<http://www.fsb.org/2018/07/fsb-report-sets-out-framework-to-monitor-crypto-asset-markets/>

G20 set October 2018 deadline for global AML standards

G20 member countries are now looking at an October deadline for reviewing a global anti-money laundering (AML) standard on cryptocurrency, a document shows.

The member countries further called on the Financial Action Task Force (FATF) – an intergovernmental body formed to fight money laundering and terrorist financing – to clarify how its existing AML standards can apply to cryptocurrency within three months.

https://g20.org/sites/default/files/media/communication_fmcbg_july.pdf

Iran

Iran has confirmed it will press ahead with creating its own state-issued cryptocurrency to circumvent incoming U.S. sanctions, local media Press TV reported July 25.

Quoted by local news media outlet ISNA and translated by Press TV, Alireza Daliri,

In Focus Latest ICO Developments

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An ICO offer from the SEC that you can't refuse!

The US Securities and Exchange Commission (SEC) has created a fake initial coin offering (ICO) website to help investors identify scam ICOs.

The offer has been created drawing upon known activity and lures from previous illicit ICO fraud activities and even includes a white paper, Twitter testimonials and a list of team members with accompanying photographs.

The ICO is called "Howey-Coin" and offers "an all too good to be true investment opportunity". Users who click on "Buy Coins Now!" are redirected to an SEC page pointing out the signs of fraudulent token sales and showing some of the red flags of which investors should beware.

A warning also awaits users: "If you responded to an investment offer like this you could have been scammed — HoweyCoins are completely fake!".

<https://www.howeycoins.com/index.html>

In Focus Latest ICO Developments



*46% of ICOs Launched in
2018 Have No Business
Plan*

Research conducted by ICO Rating says that \$3.3 billion dollars have been raised so far this year over 412 projects. This figure only counts money raised from completed ICOs (as opposed to pre-sales and unsuccessful/ ongoing projects) and excludes the now-discontinued ICO of Telegram which was worth \$1.7 billion alone. If these are counted the figure stands at over \$6.3 billion.

It says that only half of the completed projects in 2018 raised more than \$100,000, while over \$1 billion was raised by only 20 projects.

According to the report, only 46.6 percent of these fundraising projects amazingly “had no development before their ICO campaign[s]” – meaning that they raised their money on the strength of an idea only.

https://icorating.com/ico_market_research_q1_2018_icorating.pdf

deputy for management and investment at the Directorate for Scientific and Technological Affairs, said plans for the creation of a working digital currency were already on its agenda.

“We are trying to prepare the grounds to use a domestic digital currency in the country,” Daliri told ISNA, continuing:

currency would facilitate the transfer of money (to and from) anywhere in the world. Besides, it can help us at the time of sanctions.”

Technical details about the national cryptocurrency remain unknown, while a national encrypted key for the domestic banking system could see an introduction likely within the next three months following “ironing out” of inconsistencies.

The country’s authorities had previously come out against public cryptocurrencies such as Bitcoin (BTC), in April banning banks from dealing with them altogether.

<https://www.presstv.com/Detail/2018/07/25/569249/Iran-closer-to-own-digital-money-as-sanctions-loom>

Malta

On July 4, 2018 the Maltese Parliament has officially passed 3 bills into law, establishing the first regulatory framework for blockchain, cryptocurrency and DLT (Distributed Ledger Technology).

This makes Malta the first country in the world to provide an official set of regulations for operators in the blockchain, cryptocurrency and DLT space.

“I think that blockchain technology, DLT and cryptocurrency is where innovation is happening right now, and we are very glad that Malta can offer the first jurisdiction in the world to regulate this sector. We are excited about what this will lead to in the future,” Joseph Muscat, Malta’s Prime Minister, told me.

Just last week, the Maltese Parliament voted unanimously to approve 3 cryptocurrency and blockchain bills which were designed to make Malta one of the most desirable locations to set up shop in the blockchain space. As these bills have now been passed into laws, Malta is sure to

become an early pioneer in economic innovation. In turn, this will strengthen the country's economy with the creation of a new economic niche.

<https://www.forbes.com/sites/rachelwolfson/2018/07/05/maltese-parliament-passes-laws-that-set-regulatory-framework-for-blockchain-cryptocurrency-and-dlt/#641f477b49ed>

Jersey

New regulation to protect ICO investors

The Financial regulator of Jersey, one of the Channel Islands, has taken measures to protect investors participating in Initial Coin Offerings (ICOs). In a guidance note released in July, the Jersey Financial Services Commission (JFSC) provides basic definitions of cryptocurrencies, digital tokens, and token sales. It recognizes that their use "has risen dramatically" but also warns about the associated risks like high levels of price volatility, loss of funds through cyber-attacks, the high number of scams and pump-and-dump schemes.

The JFSC state that most ICOs are unlikely to be regulated. Instead, the Commission

places some conditions on the issuers of coins under the Island's statutory instrument governing capital raising, the Control of Borrowing Order.

In granting such consent, regulators say, the JFSC may choose to impose certain conditions on the respective entity. Jersey-based ICO issuers are also required to be incorporated as a Jersey company and administered through a trust and company service provider licensed by the JFSC under the Financial Services Law.

https://www.jerseyfsc.org/media/1999/gn-ico-july-2018.pdf?utm_source=ActiveCampaign&utm_medium=email&utm_content=The+Daily%3A+Report+Sees+UK+as+Crypto+Leader%2C+Jersey+Adopts+ICO+Rules&utm_campaign=July+18%2C+2018+Daily+Newsletter

Abu Dhabi

Abu Dhabi Launches Crypto Regulatory Framework

The financial authority of Abu Dhabi Global Market has launched a regulatory framework for cryptocurrency activities. The framework regulates spot crypto asset activities, including those undertaken by exchanges,

In Focus Latest Crime Update

UK National Crime Agency Report on Organised Crime Threats Relating to Cryptocurrency

In its latest threat assessment of organised crime threats to the UK, the NCA have drawn attention to the very latest threats relating to the misuse of cryptocurrency.

Highlights include the increasing use of cryptocurrency to launder the proceeds of crime by criminals (which is not unexpected) and the emerging threat of crypto mining malware:

"Cryptomining malware, which infects a victim device and surreptitiously mines cryptocurrencies, has increased during this period. According to industry, more than 1.65 million computers worldwide were infected with cryptomining malware during the first nine months of 2017.

We assess it is highly likely (this has) increased even further in the period since October 2017."

<http://www.national-crime-agency.gov.uk/publications/905-national-strategic-assessment-for-soc-2018/file>

And Finally!



Bitcoin and cryptocurrency addicts offered treatment in the UK for the first time

A hospital in Scotland is treating people who are addicted to trading cryptocurrencies such as Bitcoin.

Castle Craig Hospital in Peeblesshire, the Scottish Borders, has created a course of residential treatment for “crypto addicts” to deal with the underlying issues and learn to live without it.

Experts say the trading of digital currencies or assets such as Bitcoin can become a behavioural addiction, similar to online gambling with some users obsessively following minute-by-minute fluctuations in prices.

Chris Burn, a gambling therapist at Castle Craig Hospital, said: “The high risk, fluctuating cryptocurrency market appeals to the problem gambler.”

<https://www.standard.co.uk/news/health/bitcoin-and-cryptocurrency-addicts-are-offered-treatment-in-uk-for-first-time-a3849456.html>

custodians and other intermediaries in Abu Dhabi Global Market (ADGM).

ADGM is the international financial centre in the region and The Financial Services Regulatory Authority (FSRA) is the market’s supervisor. The FSRA have previously stated “virtual currencies, although not legal tender, are gaining interest globally as a medium of exchange for goods and services.”

The guidance clarifies that this framework does not apply to initial coin offerings (ICOs). Guidance for ICO’s was published in October 2017.

<https://www.adgm.com/media/304701/guidance-regulation-of-crypto-asset-activities-in-adgm-25th-june-2018-2.pdf>

Canada

AML law change to include regulation of currency activity

The Canadian Department of Finance has published wide-ranging draft amendments to regulations made under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act 2018

(PCMLTFA) which will affect dealers in virtual currency.

Persons and entities that are “dealing in virtual currency” would be financial entities deemed domestic or foreign MSBs, as the case may be. These “dealing in” activities include virtual currency exchange services and value transfer services. As required of all MSBs, persons and entities dealing in virtual currencies would need to implement a full compliance program and register with FINTRAC. In addition, all reporting entities that receive \$10,000 or more in virtual currency (e.g. deposits, any form of payment) would have record-keeping and reporting obligations.

For this reason, the amendments are targeted at persons or entities engaged in the business of dealing in virtual currencies, and not virtual currencies themselves.

The proposed amendments are subject to a 90-day review period. The final version of the amendments is expected to be published later in 2018, with implementation 12 months later, in 2019.

<http://www.gazette.gc.ca/rp-pr/p1/2018/2018-06-09/html/reg1-eng.html>

Crime Case Study

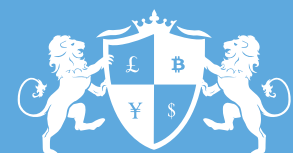
Europol identified more than Euro 2.5 million in money laundering probe

Europol has supported the Spanish Guardia Civil and the National Police of Colombia in dismantling two criminal organisations involved in large-scale money laundering. It is estimated that the EUR 2.5 million have been laundered by using different methods, such as smurfing and cryptocurrency exchanges.

The group used cryptocurrency exchanges to convert large amounts of money from cash into cryptocurrencies, like Bitcoins and Altcoins, and later transferred them to other virtual wallets controlled by the Colombian organisation, which allowed the return of the illicit proceeds to South America, thus hiding the origin of the money.

<https://www.europol.europa.eu/newsroom/news/two-criminal-groups-dismantled-for-laundering-eur-25-million-through-smurfing-and-cryptocurrencies>

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