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# Beyond Bitcoin:

The Future of Blockchain and Other Decentralized Technologies in the World of Business

August 5, 2015

# Agenda

- **Overview**

Keith Miller, Partner and Jacob Farber, Senior Counsel - Perkins Coie LLP

- Blockchain technology
- Legal areas discussion

- **Panel Discussion:  
Thoughts on the use of blockchain technology**

Moderator: Lowell Ness, Partner, Perkins Coie LLP

Panelists:

- Judd Bagley, Director of Communications, Overstock.com
- Peter Kirby, President, Factom
- Caitlin Long, Managing Director, Morgan Stanley

- **Q&A**

# Introduction

## Perkins Coie: Who We Are

- Our [Decentralized Virtual Currency Industry Group](#)
- Our blog: [virtualcurrencyreport.com](http://virtualcurrencyreport.com)
- Our app: Coinlaw (iOS & Android)

# Introduction

## Overview

- Bitcoin and the evolution of blockchain technologies and distributed ledgers
- Likely use cases, including banking and financial services infrastructure
- The legal and regulatory landscape today (Bitcoin “1.0” monetary uses)
- Legal and regulatory considerations for “2.0” blockchain technology/distributed ledgers

# Bitcoin & Blockchain Technology/Distributed Ledgers

## The beginning: digital money

- Bitcoin was created as digital money; a form of peer-to-peer digital currency
- Existing financial transaction networks depend on a middleman to verify transactions and mediate disputes, which imposes costs, and requires trust
- Bitcoin replaces the middleman with the users of the network and cryptographic proof to verify transactions

# Bitcoin & Blockchain Technology/Distributed Ledgers

## Core technology underlying Bitcoin

- A **peer-to-peer transaction protocol** that decentralizes and distributes transactions
- The public ledger (the “**blockchain**”) maintained by the users of the network and viewable to anyone running the open source software that **time-stamps transactions**
- **Public/private key pair addresses** to publicly identify users/privately sign transactions
- **Cryptographic hashing**
- Network **users verify transactions** by consensus

# Bitcoin & Blockchain Technology/Distributed Ledgers

## Why Bitcoin matters: moving beyond money

- By eliminating intermediaries, Bitcoin makes possible nearly instantaneous transactions and cost-savings
- At Bitcoin's core is the protocol, not the currency that rides on the protocol
- Any digital asset can be issued and transferred on similar protocols/networks to move and track value, information, or property
- Intelligence can be built into the protocol ("Smart Contracting")

# Use Cases for Blockchain Technology/Distributed Ledgers

## Non-monetary financial services uses

- Bank and financial services infrastructure, both intra- and inter-institution
- Financial transaction clearance and settlement
  - Rationalizing foreign exchange
- Securities issuance and trading (Overstock.com, Noble)
  - Eliminating T+3
- Derivatives issuance and trading

...but that's just scratching the surface...



# Use Cases for Blockchain Technology/Distributed Ledgers

## Use cases outside of financial services

- Supply chain management
- Records management and security
- Identity
- Real property transfer
- Intellectual property management
- The Internet of Things

This isn't just about financial institutions, it's about the Fortune 1000

# Legal/Regulatory Landscape Today

## Regulation to date has focused on Bitcoin and its monetary uses

- The principal regulatory framework is federal and state anti-money laundering (AML) law
  - FinCEN March 2013 *Virtual Currency Guidance* held “convertible” virtual currency subject to federal money transmission regulation
  - Most states also regulate money transmission and are working through how their statutes do and do not apply, e.g. NY’s adoption of new “BitLicense” regime

# Legal/Regulatory Landscape Today

## Other potentially applicable regulatory regimes

- **Commodities** – CFTC approved the first Bitcoin/USD swap facility (TeraExchange) in Sep. 2014)
- **Securities** – SEC addressing digital securities
- **Federal tax** – IRS held in March 2014 that Bitcoin is property and users must report gains
- **Consumer protection** – CFPB and FTC watching
- **Law enforcement** – Federal prosecutors very active (esp. SDNY); focus to date has been on bad actors and fraud

# Legal/Regulatory Landscape Today

## Lessons learned from Bitcoin 1.0

- Bitcoin and other digital currencies are “legal”
- There will be a patch-work quilt of sometimes-competing regulatory approaches
- Law is likely to be continue to be made through enforcement
- The technology will be regulated based on what it does, not what it is

# Looking Ahead: Legal/Regulatory Considerations for “2.0” Uses

## Issues that will need to be addressed

- What constitutes a regulated market and regulated market participants will need to be addressed
  - Digital assets cross jurisdictional bounds; tokens for securities, regulated commodity interests, monetary value, property, etc. can be traded over the same network
  - Regulators will need to decide what constitutes a regulated node on transaction networks
- Increased attention will be paid to how markets and exchanges are functioning and preventing market manipulation

# Looking Ahead: Legal/Regulatory Considerations

## Issues, cont.

- Data security and privacy will be a focal point
- Wallets, private keys, and multi-sig will raise questions about what “deposit-taking” means, what level of custody should be regulated, and what does/doesn’t constitute banking
- Questions about identity and how it is verified will need to be addressed (and blockchain technologies might provide the tools to do so)
- Semi-public distributed ledgers raise antitrust, and conflict of interest concerns

# Panel Discussion:

Thoughts on the use of blockchain technology

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# Q&A

Questions??