



UNIVERSITY *of* NICOSIA

Session 7

E-commerce and Consumer Protection

BLOC 513: Law and Regulation in Blockchain

Session objectives

- Recognizing consumer protection legislation in the US & the EU.
- Examining the interplay between crypto transactions and blockchain contracts.
- Ethical considerations.
- Familiarization with cross-border e-commerce & consumer protection.

Session outline

1. Consumer protection in the US & the EU.
2. Crypto transactions and blockchain contracts.
3. Ethical considerations.
4. Cross-border e-commerce & consumer protection.

Consumer protection in the US & the EU.

Consumer protection provisions in the E.U

- Compensation if a trader doesn't deliver
 - Get-out clause in favour of the trader
 - One-sided compensation for cancellation
 - Excessive compensation
 - One-sided cancellation
 - Cancellation at short notice
 - Automatic extensions of fixed duration contracts
 - Hidden terms
 - One-sided changes to the contract
 - One-sided changes to the product or service
 - Price variations
 - One-sided interpretation of the contract
 - Not honouring statements made by the trader's staff
 - One-sided compliance with obligations
 - Transfers of contracts to other traders under less favourable conditions
 - Limited rights to legal action
- ***‘consumer’ means any natural person who, in contracts covered by this Directive, is acting for purposes which are outside his trade, business or profession***
 - ***Contract terms that are unfair under EU law have no legal or binding force on consumers. As long as the unfair term is not an essential element of the contract, the rest of your contract (but not the unfair term) remains valid. This means, for example, that you won't have to give up your gym membership just because one clause in the contract is unfair.***



Consumer protection provisions related to e-commerce in the E.U

- Before concluding a contract, traders must provide to consumers, in clear, understandable language, information, such as:
 - their identity and contact details,
 - the product's main characteristics, and
 - the conditions that apply, including payment terms, delivery time, performance and duration of the contract and termination conditions.
 - Information requirements, particularly on the right of withdrawal, are more detailed for postal, telephone or online contracts and off-premises purchases (where a trader visits a consumer's home).
- Right of withdrawal
 - Consumers can withdraw from distance and off-premises contracts within 14 days of the goods' delivery or conclusion of the service contract, subject to certain exceptions, without any explanation or cost. A standard withdrawal form provided by the seller suffices. If the consumer is not made aware of their rights, the withdrawal period is extended by 12 months.



Key U.S Financial Consumer Protection Laws

- Federal Securities Act

- One of the most important consumer protections in finance is the Securities Act of 1933, which was enacted during the Great Depression. The act strictly limits the sale of investment contracts ("securities") and requires issuers to disclose the details of their financing and business plans.
- The act also established the Securities and Exchange Commission, which enforces securities laws and punishes violations.



Via Investopedia (2021)

- Federal Trade Commission Act

- Created the Federal Trade Commission
- The FTC protects consumers by stopping unfair, deceptive or fraudulent practices in the marketplace.
- It conducts investigations, sues companies and people that violate the law, it develops rules to ensure a fair market for all.



Crypto transactions and blockchain contracts.

Identifying Competency

- United States of America:
 - Commodity Futures Trading Commission
 - Securities and Exchange Commission
 - Consumer Financial Protection Bureau
 - Federal Trade Commission
- European Union
 - European Banking Authority
 - European Securities and Markets Authority
- United Kingdom
 - Financial Conduct Authority



Identifying Issues

- Financial regulation:
 - Most of the the current use cases of blockchain technology relate to cryptocurrencies and token sales. Financial and securities regulators will continue to keep a close eye on this
 - *The FCA in the UK has thus far said that such transactions will have to be assessed on a case-by-case basis to determine whether the activity is a 'regulated activity' or not, and is keeping an open mind about blockchain to avoid hampering its growth and innovation by tying it up in regulatory red-tape.*
 - *Legal status of decentralised autonomous organisations (DAOs), which will likely require either legislative or common law clarification*
- Consumer protection:
 - E.U consumers have the right to a 14 day cooling off period, which will require some careful negotiation/coding where consumer contracts are implemented using blockchain technology.
 - It may have to be dealt with in 'real world' contracts governing any smart contracts used, imposing contractual obligations on members in a blockchain network to authorise hard forks where a consumer wants to exercise their statutory rights under consumer protection legislation.

Ethical considerations.

Ethical Considerations



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Ethical Considerations

- Cryptocurrency Price Manipulation
- Inelastic supply
- Lack of Regulation in a number of jurisdictions
- Cryptocurrencies are suitable financial assets to be used for speculative purposes

Required Reading

Required Reading

- Consumer Protection Considerations and Guidelines ? Chamber of Digital Commerce
 - <https://digitalchamber.org/wpcontent/uploads/2019/08/Consumer-Protection.pdf>

Further reading

Further reading

- BLOCKCHAIN OBSERVATORY & FORUM Workshop Report
 - Digital Assets pg. 9-10
 - https://www.eublockchainforum.eu/sites/default/files/reports/workshop_10_report_-_digital_assets.pdf



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Questions?

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