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Russia Drafting Framework for Legalizing ICOs

Blockchains and cryptocurrencies are a growing subject of interest for the governments of the world. Whether it is the wide-ranging possibilities of blockchain infrastructural alternatives to current systems or the financial use-cases of cryptocurrencies as transactional units of value without counterparty risk, any powerful institution in the world who has not given the subject genuine consideration is already behind the curve.

Much of the news in the blockchain space has been around the rise of a funding mechanism called the initial coin offering (ICO), also referred to as a token sale. This crowdfunding model involves the distribution of tokens to investors in exchange for another currency such as Bitcoin or Ether. These tokens can vary in utility, from shares of a platform to access to an application. The regulatory legitimacy and framework of these crowdsales has been a hotly debated topic in the blockchain community.

When a startup raises $30 million in under thirty seconds (Basic Attention Token) or over $200 million in ten days (Tezos), the regulatory forces of the world pay attention.

While the US has been a bit lethargic in producing any definitive legislation pertaining to cryptocurrencies, other countries have already brought them into the fold. For example, Japan currently views Bitcoin as legal tender, *untaxed*.

Russia has shown an increasing interest in blockchain and cryptocurrency. At the 2017 St. Petersburg International Economic Forum (SPIEF), blockchain was a key topic of a discussion that covered various subjects such as utilizing the technology for financial services and the possibility of Russia’s central bank issuing its own digital currency. During the forum, Vitalik Buterin, inventor of Ethereum and a speaker during the blockchain segment, briefly discussed the possible benefits of Ethereum with Vladimir Putin, who is keen on Russia’s growth in the digital economy.

An interdepartmental group operating under the State Duma is currently drafting a proposal for a regulatory framework around ICOs. In an interview with Forklog, head of the group Elina Sidorenko said the following about the bill’s outline:

“The bill will be a framework. Therein, we define the nature of cryptocurrencies and their status, as well as basic principles for the cryptomarket operation. Other provisions will be mostly referential. We don’t try to create an enormous and viscous law that defines all parameters of a new market right away. Creating such a law would just hinder the market.”

The bill will also lay out proposals for private exchanges where Russian citizens can exchange rubles for cryptocurrencies and vice versa while also requiring the mandatory use of registered wallets and identity verification. Some of these conditions go against the anonymous characteristics of blockchain networks, but this is to be expected when a centralized authority like a nation’s government implements the technology. There is an emphasis for this new regulatory framework to not stifle innovation. Sidorenko states:

“Blockchain is a technology. One can’t regulate a technology. Our task is to define cryptocurrency, introduce it to the legal terrain and outline the basic direction towards legalization of cryptocurrency-related businesses.”

While the exact details are unavailable, the bill is set to be presented sometime in the fall.

If Russia is the first to directly regulate cryptocurrency-related businesses, this could serve as a model for governments all over the world.

[ICOs are just a byproduct of a rapidly developing technological ecosystem]

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