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BETTER.

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Cryptocurrency Hacking and the Legal Climate for Blockchain Technology

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Agenda

Types of Blockchain Protocols

Types of Fraud or Loss

How Do You Track the Bad Guys?

Legal Risks

Regulatory Risks

Other

What are Different Types of Blockchain Protocols?

- Bitcoin



- Ethereum &
Ethereum Classic



- Ripple



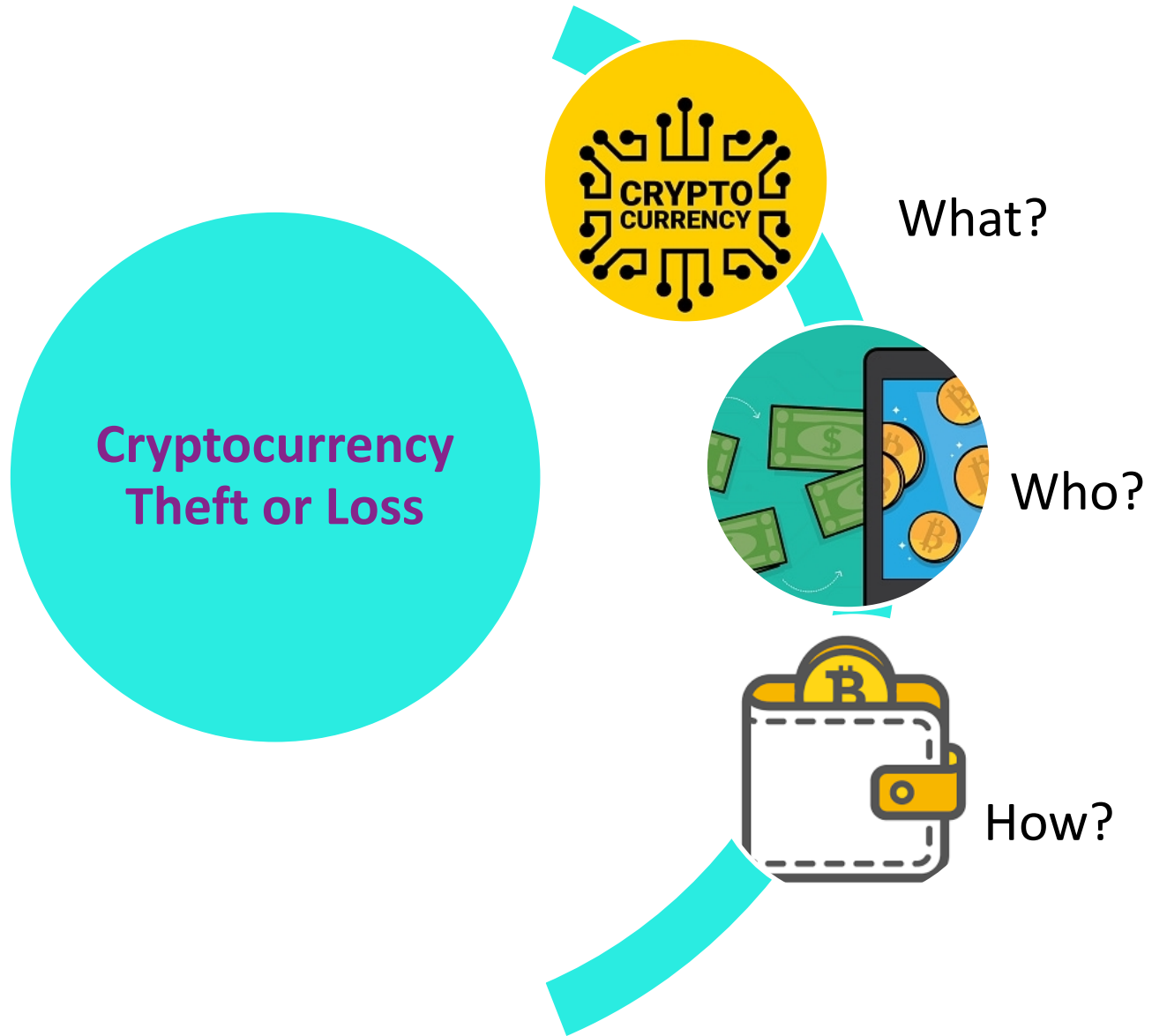
- Hyperledger



- Factom



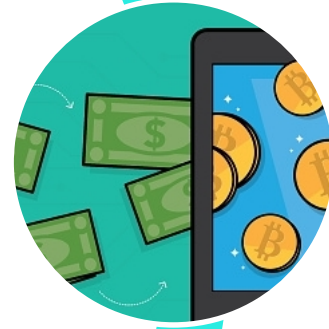
Blockchain infrastructure was built from prior technologies that go back decades...



Fraud and Loss



DAO – Token Sale
(June 2016) (\$60M)

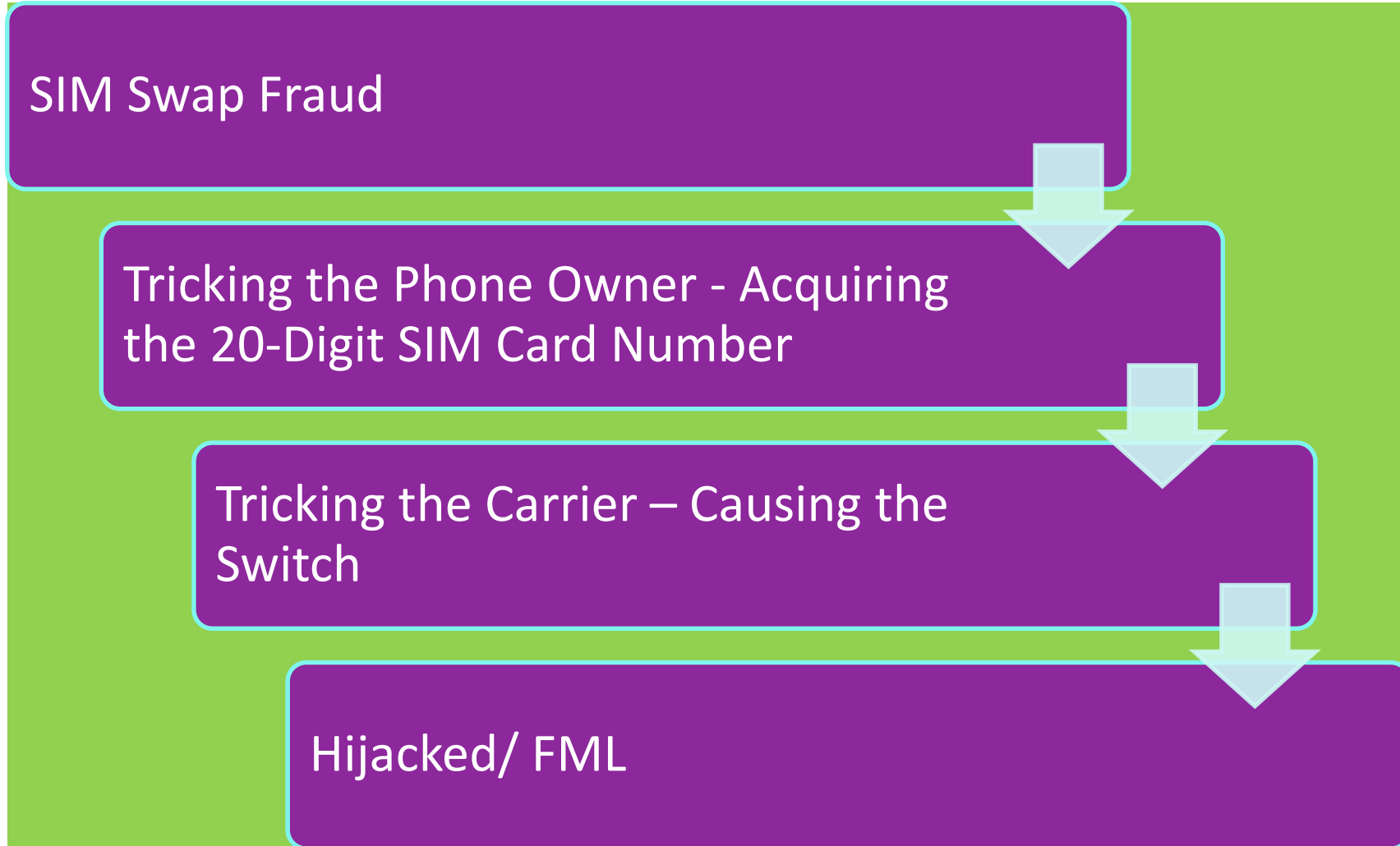


CoinDesk Currency
Exchange- Japan
(January 2018)
(\$530M)



QuadrigaCX
(December 2018)
(\$190M)

Fraud and Loss



How Do You Track the Hackers?



ACCESS AND EGRESS

Points of Contact
Surface Area
Transportation
Smaug
Spending

What Are the Legal Risks?

Anyone

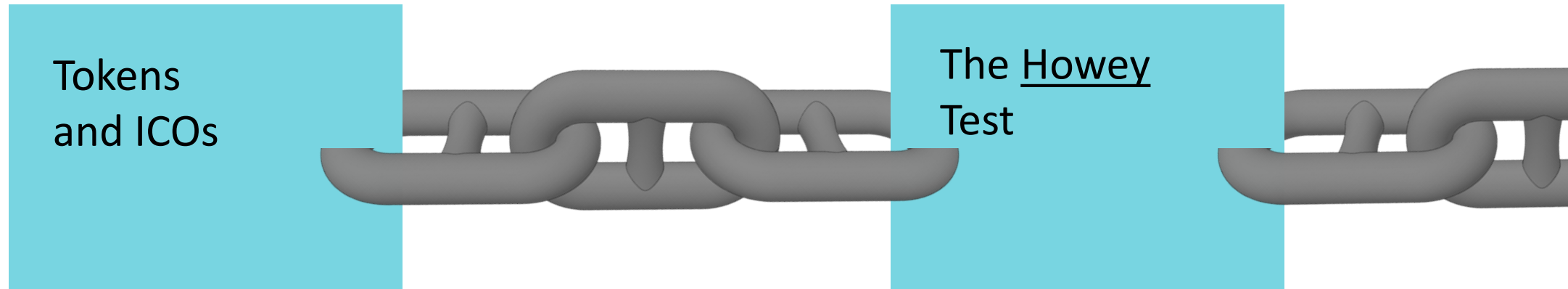
- Bank Fraud
- Wire Fraud
- Money Laundering Statutes
- Computer Fraud and Abuse Act
- State Actors

Exchanges / Bank-Like

- Bank Secrecy Act
- Anti-Money Laundering
- Gramm-Leach Bliley Act
- Emerging Regulations
- Self-Regulation

Blockchain, ICOs and the Securities Laws

A World of Pain



Regulatory Compliance Where Everything is Written in Ink

- California Consumer Privacy Act of 2018 includes mandatory opt-out and deletion if requested by a consumer. These cannot be reconciled with Blockchain.
- European Union General Data Protection Regulation (GDPR) has similar requirements and the “right to be forgotten”.
- State-by-State Pile-On
 - Vermont - On June 6, 2016, then Governor Peter Shumlin signed into law House Bill 868, which included a section entitled “Blockchain Enabling.” This bill made news across the country as Vermont became the first state to legislate the admissibility of blockchain records in court.
 - Arizona and Nevada also took steps toward embracing blockchain records in March and June 2017, respectively, by conferring legally binding status to blockchain records, including smart contracts: “if a law requires a record to be in writing, submission of a blockchain which electronically contains the record satisfies the law” (<http://lawcast.com/2018/01/02/statedistributed-ledger-technology-and-blockchain-regulations/>).
 - But See: Washington, Oregon, New Jersey, etc.

Summary

Types of Blockchain Protocols✓

Types of Fraud or Loss✓

How Do You Track the Bad Guys?✓

Legal Risks✓

Regulatory Risks✓

Other✓

Apply What You Have Learned Today

- First, take a deep breath and hold onto your digital wallets.
- Understand different blockchain protocols that exist and how they differ.
- Define situations of hacking and/or financial loss and be able to prevent similar incidents.
- If launching an ICO, understand key laws in today's financial climate.
- If implementing blockchain technology, be able to discuss regulatory compliance with product management.

Thank You

Questions?

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Don't Worry, I'll Find **You**...

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