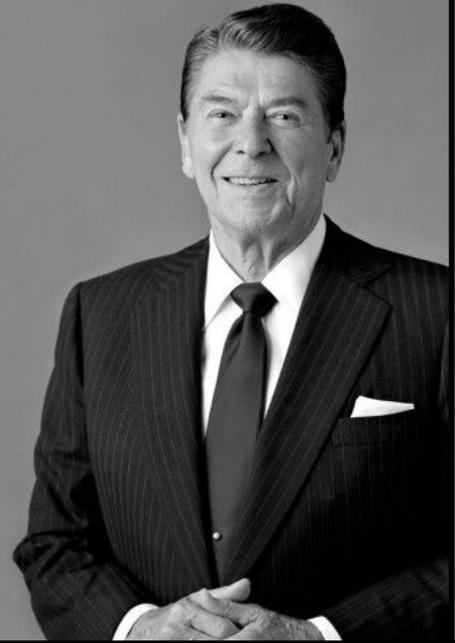




The most terrifying words in the English language are: I'm from the government and I'm here to help.

*Ronald Reagan*



Dear Investors,

Government's around the world are grappling with the emergence of blockchain technology, new forms of money, new payment rails and the potential tokenization of everything. In this news bulletin I focus on what the Australian Government is doing and how Blockchain Assets Pty Ltd is engaging with the Government on these matters.

### **Cooperative Research Centers (CRC)**

In 1990 the Government initiated the creation and funding of industry-led collaborations between industry, researchers and end users. The CRC's cover a wide range of issues ([see list here](#)). Relevant to our Fund, in December 2021 the Digital Finance CRC was established. The funding being AUD 60m with an end date of November 2031. The Government department charged with managing the budget and rollout of the DFCRC is the Department of Industry, Science and Resources.

## Digital Finance CRC (DFCRC)

The DFCRC was funded just over a year ago so there has not been a lot of output. But the ideas and areas of research set out on their website is impressive. Many of the things we have put forward as possible use cases for blockchains and ideas of how the technology will manifest itself in the 'real world' are now areas of research by the DFCRC.

For example, they envisage a world where :

- Distributed global marketplaces operating 24/7 and exchanging digitised assets instantaneously;
- New capital supply chains driving producer's and investor's profits through direct access to new market demand and competitive liquidity;
- Global competition for reliable and trusted investment environments, underpinned by real-time algorithmic compliance and enforcement; and
- Entirely new forms of economic activity and interactions.

The idea of the DFCRC is to '...bring together a unique group of stakeholders in fintech, industry, research, and regulation to develop and capitalise on the huge commercial opportunities arising from the next transformation of the financial markets - the universal digitisation of all assets so they can be traded and exchanged directly and in real-time between any individual or organisation.'

The interesting thing for us here is that all of the above has already been built and is operational. The Ethereum blockchain, the second layer projects, the DeFi projects, the decentralised digital identity projects and many other such things is exactly what has been developed over these past dozen years or so since the invention of Bitcoin.

A question I have is why do we need a Government body like the DFCRC to research what is already built and operational? There are a number of possible answers to that question but at the very least this type of government funded research initiative will inform the

government itself of the potential for this technology. It may also help bring sceptical incumbents into the tent so to speak. But as far as I can tell the main benefit of the DFCRC is researching the implementation of real world use cases for the technology, this is not an insignificant benefit.

## **DFCRC - Research**

There are four initial areas of research :

1. Dynamic registers for instant exchange;
2. Advanced securitisation – turning more things digital;
3. Distributed trading – commoditisation of marketplaces; and
4. RegTech with algorithmic real-time enforcement.

One of the research initiatives - and presumably where part of the funding is spent - is grants for PhD students. As an example, we have two such students at Curtin University.

*Angela Babic* will write her PhD on :

Digital tokenisation of in-ground minerals: An assessment into the legislative framework of legal title to resources in-ground and native title applicable to the mining sector in Western Australia, and what changes, if any, would be needed to support its implementation.

*Jeccer Cusi* will write his PhD on :

Framework for Transforming a Centralised Business Process to Decentralised Process Using DAOs.

The objective of the thesis is to create a framework that would help to transform a centralised business process into a decentralised one. Application of the framework will be wide and general, such as voting for a project for a neighbourhood, employee promotion of a company, decentralising a publishing process via peer-to-peer review by the

community, etc. The goal is to know the best way to adapt to decentralisation, and it could also help the mass in adapting to decentralisation.

## **Central Bank Digital Currency Project**

The first project run by DFCRC is a joint venture with The Reserve Bank of Australia. This project will explore use cases for a central bank digital currency (CBDC). The White Paper was released on 26 September 2022 outlined the objectives and approach of the project and invited industry participants to submit use cases for the CBDC. Blockchain Assets Pty Ltd has submitted a proposal for a use case for a CBDC, we hope to be able to participate in this project.

## **Blockchain Assets Pty Ltd - Engagement with Government**

We have never been of the view that Bitcoin, Ethereum and all these blockchain projects will somehow manifest themselves in the world without eventually having deep engagement, adoption and integration with existing institutional structures, be they private or public. Indeed our whole thesis is that this is exactly what will happen.

We are however very aware that badly intended or designed legislation could hurt the industry. Specifically, we do not want to see the benefits of the technology (transparency, immutability, personal privacy, censorship resistance) stifled in the name of 'consumer protection' or the need for Government control. We are coming close to the time where important philosophical decisions will be made relative to some key aspects of the technology and we want to do our best to make sure permissionless public open blockchains can thrive in the way intended.

We have been providing feedback to various Government enquiries since 2017. Some of our submissions are set out below.

1. The Australian Treasury on the proposed Ban on Cash which came out of the October 2017 Black Economy Task Force Report ;
2. The 2018 Treasury Review into Initial Coin Offerings ;
3. The 2019 Australian Human Rights Commission report on technology ;
4. The 2021 Australian Securities and Investment Commission Discussion Paper 343 on Regulation of Crypto Assets ;
5. The 2022 Australian Treasury - Australian Government - Crypto asset secondary service providers : Licensing and custody requirements ; and
6. The Draft Digital Assets (Market Regulation) Bill 2022 ('the Bill') as proposed by Senator Bragg.

We are currently working our way through the Treasury's Token Mapping Consultation Paper. We will also provide feedback to the Parliamentary Inquiry into ASIC's capacity and capability to respond to reports of alleged misconduct.

Recently I have been meeting with Western Australia Members of the Federal Parliament. Last week we met with Senator Louise Pratt. We have a meeting planned with the Hon Kate Channey MP and requests out for Michaelia Cash and others. Our goal is to inform, educate and offer our support to legislators as policy and proposals for law and regulations are being considered.

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As always, please do not hesitate to contact me on 04 5090 0151 or at [ian@bca.fund](mailto:ian@bca.fund) if you have any questions.

Best Regards



Ian Love  
Founder and CEO  
Blockchain Assets Pty Ltd