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AI, IoT, and Blockchain: Thoughts on Contextual Regulation

Keynote Address: Blockchaingers Legal Deep Dive

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Themes

§ Blockchain (DLT) is a technology, not an industry

§ As a potentially revolutionary technology, it has applications in many industries

§ Impacts on the financial services industry are just one, isolated example

§ Contextual regulation should apply to blockchain and other new technologies

Let's remember what blockchain is

§ A ledger distributed across multiple computers allowing for the digitization of assets

§ Blockchain avoids the "double spend" problem, ensuring provenance: the buyers knows that the seller owns and has sold the digital asset

§ Blockchain has applications for many industries because of asset digitization

What are blockchain tokens?

§ A digital representation of an asset, data, information or other item on a blockchain

§ Any asset can be tokenized, including things we have not traditionally considered to be assets:

- an intangible asset used elsewhere (e.g., share of stock, IP rights)

- a physical asset (e.g., ounce of gold, bushel of wheat)

- an intangible asset that is purely digital (e.g., a cryptocurrency)

§ But it goes beyond assets to provide a convenient way to transfer and trade all sorts of items

Who creates blockchains/tokens and why?

§ Because of their technological flexibility, blockchains are created for many purposes

§ Tokens can exist on the blockchain simply to be traded, but can also drive the system/platform

"Blockchain will change the world"

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§ Hadley Stern, Fidelity Labs: "Blockchain technology will change the world."

§ Don Tapscott, CEO, Tapscott Group: "But to me, the blockchain, the underlying technology [of Bitcoin], is the biggest innovation in computer science—the idea of a distributed database where trust is established through mass collaboration and clever code rather than through a powerful institution that does the authentication and the settlement."

§ Jack Dorsey (Twitter CEO): "There are so many problems we can help solve that are not just related to finance"

§ Sir Richard Branson: "While our hypothesis about Blockchain technology adoption is in its infancy, we are excited to be backing the entrepreneurs behind Blockchain… We've had to change course in many Virgin businesses over the years as industries have evolved. So it is important when making early stage investments to be backing the smartest entrepreneurs, who know how to deal with these changes."

Richard Branson Blockchain Summit 2016

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Quotes from the event

§ Brian Forde, MIT

§ Gabriel Abed, Bitt

§ Marietje Schaake, Member, European Parliament

§ Tomicah Tillemann, Breton Woods II Initiative

§ Bill Tai, Maitai Global

Different industry implementations

§ News reports show a multitude of industries looking at blockchain

§ Examples from our experience

  – Automobiles, self-driving cars and insurance

  – Healthcare delivery and monitoring, health records

  – Control of personal data

  – Financial services

  – Film making

  – Event ticketing

Regulatory focus

§ This area is still in development from a legal or regulatory standpoint

§ The applicable regulatory regime depends on the industry and on the token's features, including the asset(s) for which it is a digital representation

§ Whether a token is a security is just one issue

Contextual Regulation

§ What does "contextual regulation" mean?

– Determining which regulatory regime(s) apply based on the context in which the technology is used. It applies at both industry and country levels.

§ Development of first principles

§ Blockchain can aid regulation and help discover first principles and better ways to regulate

Proposed first principles

§ Context is important

§ Don't commit fraud

§ Favor transparency

§ Global coordination

Thank You