Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

35th SESSION
24 - 26 October 2018
Room XVII, Palais des Nations, Geneva

Wednesday, 24 October 2018
Morning Session

High-Level panel
Key trends in accounting and reporting and their impact on sustainable and inclusive development

Presented by

David Szafran
Attorney
Eubelius, Belgium

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Blockchain

David Szafran

24th October 2018

The author expresses his own views
Workshop Summary

About Blockchain

Concepts

Requirements

Developments
About Blockchain

- Notion: digitized, decentralised, public ledger of encrypted transactions
- Characteristics: integrity, open source,…
- Multiple applications
  - Logistics
  - Healthcare
  - Foodchain
  - Crypto-assets
  - Tokens
  - Audit
  - Smart contracts
  - Property register
Risks & Alerts

ESMA HIGHLIGHTS ICO RISKS FOR INVESTORS AND FIRMS

Source: SMSG Advice - Own Initiative Report on Initial Coin Offerings and Crypto-Assets, ESMA22-106-1338, 19 October 2018
## Risks & Opportunities

<table>
<thead>
<tr>
<th>Risks</th>
<th>Opportunities</th>
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<tbody>
<tr>
<td>Money-laundering</td>
<td>Integrity (through block encryption) &amp; Audit Trail</td>
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<tr>
<td>Financing Terrorism</td>
<td>Multiple sectors (healthcare, food chain, logistics, bonds issuing, payments, property registers,…)</td>
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<td>Volatility</td>
<td>Disentermediation</td>
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<td>Speculation</td>
<td>Efficiencies</td>
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<td>‘Market’ manipulation</td>
<td>Smart contracts (e.g. insurance)</td>
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<td>Scam (alerts from ESMA and national regulators)</td>
<td>Accounting (integration in EPR systems, invoicing,…)</td>
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<td>Thefts (of private cryptographic keys)</td>
<td>Audit (e.g. NGOs use of subsidies; self executing contracts; real time audit;…)</td>
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This is not...

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This is not ... *

- a Payment Instrument?
- a Financial Instrument?
- an Investment Instrument
- an Electronic Currency?

* Questions raised during the ISAR-Workshop Roundtables of 22.10.2018
Requirements*

- Consumer Protection & Business Practices
- Anti-trust
- Anti-Money Laundering & Financing of Terrorism
- Data Protection & Privacy
- Accounting & Tax
- Financial & Investment Instruments
- Licences (payment, exchange,..)
- Prohibition of some derivatives

* Case-by-case analysis, per jurisdiction
Developments

**Accounting**

- IFRS 9 (*cash, financial instruments*) – IAS 32
- IAS 2 (*Inventory*) – cost approach
- IAS 38 (*Intangible Assets*) – cost approach
- *Investments* (commodities, minerals, …)? (e.g. AASB)
- *Fair value* (if « *active market* » under IFRS 13 *Fair Value Measurement*) or *cost value* (or lower disposal value)? Assets & liabilities? (e.g. ASBJ, 14.2.2018)

**Tax**

- CJEU Case C-264/14 22.10.2015 (VAT exemption)
- Tax rulings

**Corporate law**

- Capital
- Governance

**Regulatory**

- Payment services related activities
- ICO/ITO
- Exchange platforms

**AML (5th Directive EU 2018/843, 30.05.2018)**
Thank you!

Contact details:

David Szafran

Avocat

+32 2 543 32 21

david.szafran@eubelius.com