



Report on Malaysian Blockchain Regulatory Report Launch and Forum

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Forum Report

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This report is based on the proceedings of the Malaysian Blockchain Regulatory Report Launch and Forum held in Kuala Lumpur, and the accompanying panel discussions. The Forum marked the first official report on the regulatory treatment of blockchain technology in Malaysia. The research report provides input and recommendations that are geared towards establishing a compliant blockchain ecosystem in Malaysia. The forum themed “Tailoring Malaysian Blockchain Regulations for the New Digital Economy” was a deep dive into regulatory prospects and challenges faced by the blockchain space in Malaysia. The views expressed in this report reflect the author’s personal opinions and do not necessarily reflect the policies or views of the Centre for Banking & Finance Law.

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Report on Blockchain Regulatory Report Launch and Forum

Dominika Nestarcova

Abstract

This report is based on the proceedings of the Malaysian Blockchain Regulatory Report Launch and Forum held in Kuala Lumpur and the accompanying panel discussions. The Forum marked the first official report by University of Malaya on the regulatory treatment of blockchain technology in Malaysia. The research report provides input and recommendations that are geared towards establishing a compliant blockchain ecosystem in Malaysia. The forum themed “Tailoring Malaysian Blockchain Regulations for the New Digital Economy” was a deep dive into regulatory prospects and challenges faced by the blockchain space in Malaysia. The University of Malaya produced a Blockchain Regulatory Report with the objective of encouraging economic development in Malaysia without stifling innovation or compromising consumer protection.¹ The present paper outlines the regulatory treatment of Initial Coin Offerings and digital currency exchanges in Malaysia. The observations made are based on the forum’s proceedings and the panel ‘Initial Coin Offering (ICOs) Viability in the Long Run & Approaches to Keeping Currency Exchanges in Check’.

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Introduction

This report looks at the state of regulation of initial coin offerings (ICOs) and digital currency exchanges in Malaysia and is based on the proceedings of the Malaysian Blockchain Regulatory Report Launch and Forum 2018. The forum included panel discussions on blockchain technologies, regulation, use cases and ICOs by more than 100 South-East Asian attendees at the forum. The forum panels made it repeatedly clear that data privacy, regulation of digital currency exchanges and ICOs are high on the agenda in Malaysia. For Singapore, as the leading South-East Asian jurisdiction for hosting the crypto-economy, regulatory developments in the region are significant.

¹ University of Malaya Malaysian Centre for Regulatory Studies, *Malaysian Blockchain Regulatory Report: A Research Report Prepared by the University of Malaya* (May 2018)

THE RISE OF BLOCKCHAIN TECHNOLOGIES AND CRYPTOCURRENCIES

The 21st century has witnessed the emergence of a number of disruptive technologies, including blockchain technology which has created an ecosystem in which cryptocurrencies and ICOs can flourish. Blockchain technology is built upon a set of technological solutions, which enable a single, sequenced, cryptographically-secured and distributed record of any specific activity to be held among a network of participants.²

Malaysia is open to various use-cases that blockchain technologies may offer and the Malaysian Industry-Government Group for High Technology (MIGHT) has announced the adoption of blockchain by 2025.³ Blockchain technologies promise a paradigm shift away from centralized bodies and embrace efficiency and transparency. Chapter 2 'Prospects and Challenges' of the Malaysian Blockchain Regulatory Research Report (the Malaysian Report) outlines the use cases for the blockchain technologies in Malaysia and the accompanying risks.⁴ With the future prospect of blockchain technologies being incorporated into Malaysia's economy, an official formulation of a regulatory response in Malaysia is warranted if Malaysia is to leverage on this digital opportunity, for example to attract ICOs and promote money services business, while safeguarding the public interest, data protection and consumer protection. In the Malaysian government's Vision 2020, regulation was identified as an essential part of governance, and limited regulation was preferred to overregulation, which may hinder social objectives.⁵

Regulation of Money Services Business in Malaysia

MONEY SERVICES BUSINESS

Cryptocurrency is a digital or virtual currency that is decentralized and convertible, while protected by cryptography. In Malaysia, the preferred terminology is 'virtual currency', whereby 'cryptocurrency' is a subgroup of virtual currency. The Financial Action Task Force (FATF) defined a virtual currency as:

"a digital representation of value that can be digitally traded and functions as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status ... in any jurisdiction. It is not issued nor guaranteed by any jurisdiction, and fulfils the above function only through agreement with the community of users of the virtual currency".⁶

For the purposes of exploring the regulatory treatment of money services business in Malaysia, the regulators refer to crypto-exchanges as 'digital currency exchanges', whereby digital currency is convertible, meaning that it has an equivalent value in fiat money and can be exchanged with it. FATF defines digital currency as a digital representation of virtual currency.⁷

Malaysia has witnessed a rise in businesses that enable the exchange of cryptocurrency to legal tender, to other cryptocurrency, or the remittance of legal tender through a blockchain platform. These businesses are akin to 'money services businesses', which is a statutory term used in Malaysia to describe businesses that transfer money or convert one currency into another. Section 2 of the Money Services Business Act 2011 (MSBA 2011)

² Presently, there is no consensus on the definition of 'blockchain', given that blockchain technologies may differ in the protocol and cryptography used. For general descriptions, see:

ASTRI (commissioned by the Hong Kong Monetary Authority), *Whitepaper on the Distributed Ledger Technology* (Whitepaper, 2016) para 2.1 or Accenture, *Blockchain-Enabled Distributed Ledgers: Are Investment Banks Ready?* (Capital Markets Report, 2016) Available at: < https://www.accenture.com/t20160203T200922_w_us-en_acnmedia/PDF-6/Accenture-Blockchain-Enabled-Distributed-Ledgers.pdf%20-%20zoom=50> accessed 10 February 2018

³ MIMOS Berhad, "Blockchain: 5 Things We Know So Far," October 6, 2017, available at: <http://www.mimos.my/paper/blockchain-5-things-we-know-so-far>

⁴ University of Malaya Malaysian Centre for Regulatory Studies, *Malaysian Blockchain Regulatory Report: A Research Report Prepared by the University of Malaya* (May 2018) 29 - 55

⁵ OECD, *Implementing Good Regulatory Practice in Malaysia* (Paris: OECD Publishing, 2015) 30

⁶ FATF, *Virtual Currencies - Key Definitions and Potential AML/CFT Risks*, (Paris: Financial Action Task Force, 2014) 4

⁷ The panel referred to digital currency as an equivalent to convertible virtual currency. See FATF, *Virtual Currencies - Key Definitions and Potential AML/CFT Risks*, (Paris: Financial Action Task Force, 2014)

defines money services business as businesses that (i) enter into an exchange transaction, (ii) that transfer funds or facilitate the transfer of funds on behalf of an originator person in or outside of Malaysia for a beneficiary and (iii) that buy or sell foreign currency with an authorized dealer or a licensee.⁸ These businesses fall under the purview of Malaysia's central bank – Bank Negara Malaysia (BNM) and require a license to operate.⁹ The treatment of exchanges that transfer legal tender through a platform that is based on a blockchain technology is straight-forward as it is required to be licensed under the MSBA 2011. The difficulty arises in establishing the purview of MSBA 2011 over digital currency exchanges. The panel on 'Initial Coin Offering (ICOs) Viability in the Long Run & Approaches to Keeping Currency Exchanges in Check' considered digital currency exchanges not to be under the purview of the MSBA 2011, as section 2 of the MSBA 2011 refers merely to activities that deal with 'ringgit', 'foreign currency' and 'funds' and does not refer to cryptocurrencies, since they are not recognized to be legal tender in Malaysia.

Notwithstanding the regulatory vacuum of digital currency exchanges, BNM has issued policy documents to address risks associated with digital currency exchanges for the purposes of striking a balance between the integrity of its financial system and public interest. BNM has issued the "Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) – Digital Currencies (Sector 6)" ("Policy Document on Digital Currencies").¹⁰ Under the Policy Document on Digital Currencies, digital currency exchanges are considered to be 'reporting institutions' for the purposes of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA).¹¹ As a reporting institution, a digital currency exchange must, among other requirements, have a compliance officer, keep records of customers and transactions, carry out AML self-monitoring, risk management of AML/CFT and carry out a Customer Due diligence (CDD). The Policy Document on Digital Currencies is extra-territorial in its effect. The Policy Document is not intended to be read as establishing a registration or licensing regime and BNM does not require the registration of exchanges ex-ante.

The digital currency exchanges must be incorporated or registered under the provisions of the Companies Act 2016 and the exchanges are subject to tax law.¹² As to whether traders of cryptocurrencies are under an obligation to pay income tax, is unclear. The forum made it repeatedly clear that the term 'cryptocurrency' for the purposes of the Income Tax Act 1967 would have to be defined in order for the Act's provisions to apply.

⁸ Section 2 MSBA 2011:

(a) money-changing business:

(i) the business of entering into an exchange transaction at a rate of exchange; (ii) the business of buying or selling travellers' cheques, on behalf of an issuer of travellers' cheques, at a rate of exchange; and (iii) such other business as the Bank may prescribe,

Exchange transaction means an exchange of one foreign currency with ringgit or with another foreign currency.

Foreign currency means currency notes or coins which are legal tender in any country, territory or place outside Malaysia, and includes any right to receive foreign currency in such form as the Bank may prescribe, but excludes such foreign currency as the Bank may prescribe.

(b) remittance business:

the business of transferring funds or facilitating the transfer of funds, whether in any form or by any means or whether there is any movement of funds or not, on behalf of an originator person in or outside Malaysia, with a view to making the funds available to a beneficiary person in or outside Malaysia and the originator person and the beneficiary person may be the same person, but excludes such other businesses, activities, systems or arrangements as the Bank may prescribe.

(c) wholesale currency business:

the business of — (i) buying or selling foreign currency with an authorized dealer, a licensee or any person outside Malaysia, as the case may be; (ii) importing foreign currency notes from, or exporting foreign currency notes to, any person outside Malaysia; or (iii) such other business as the Bank may prescribe.

⁹ Sections 4, 5, and 6 of the MSBA 2011

¹⁰ BNM, 'Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) – Digital Currencies (Sector 6)' Available at: <http://www.bnm.gov.my/index.php?ch=57&pg=538&ac=680&bb=file>.

¹¹ The Policy Document on Digital Currencies defines digital currencies as a digital representation of value that functions as a medium of exchange and is interchangeable with any money (para 6.2).

¹² Under Section 3 of the Income Tax Act 1967, "a tax to be known as income tax shall be charged for each year of assessment upon the income of any person accruing in or derived from Malaysia".

ASSESSMENT OF THE DIGITAL CURRENCY EXCHANGE REGULATORY REGIME

Malaysia's Policy Document on Digital Currencies addresses risks associated with AML and terrorism financing by placing emphasis on collection and disclosure of data, while the digital currency exchanges fall under the category of self-regulated bodies with no oversight from an external governing body. The Policy Document does not impose requirements relating to consumer complaints resolution, disclosure of risks and cyber security. For comparative purposes, Japan is an example of a jurisdiction where virtual currency exchanges have been subjected to a thoroughly architected regulatory regime, which was developed in response to both consumer protection and financial stability considerations. Japan's Financial Services Agency (JFSA) requires digital currency exchanges to be licensed and in addition to the requirements imposed by BNM, the exchanges need to disclose risks, have a consumer complaint resolution mechanism and a cyber security program.¹³

Malaysia's Policy Document sets out substantial and specific requirements, with an emphasis on risk management and customer due diligence. The primary objective here is to target money laundering and other illicit activities by enforcing a framework based on transparency and disclosure. At a more fundamental level, BNM is concerned with capital controls – knowing how much money is coming in and out of the country. BNM's role is to promote monetary and financial system stability. The digital currency exchanges enable trading of cryptocurrencies that may potentially in future have sufficient adoption and recognition to compete with legal tender. As for now, the regulatory concern is with financial stability and market health. If that is the case, the regulators may well be advised to focus on secondary market participants in addition to the existing AML/KYC requirements. Digital currency exchanges vary in the services they offer, but in most cases these include: trading, custodial and clearing and settlement services. The disintermediation of third parties such as brokers, dealers or clearing houses, which are subject to regulation, means that the age-old principal-agent problems arise, including poor practices in custodial functions, imposition of high fees, insider trading or market manipulation. Therefore, the regulatory focus should cover these market aspects and impose requisite fiduciary duties, robust custodial duties, and duties to ensure that the trading environments are managed in a way that is orderly and fair.¹⁴ As to whether the regulators should move from a reporting requirement to a registration/licensing regime, the present author considers that with ex-ante registration, the regulators are in a better position to protect consumers, instead of having to continuously monitor the exchanges' performance. A registration/licensing regime ensures transparency and may be revocable if the exchanges fall below the expected standards.

The forum's panel on '*Initial Coin Offering (ICOs) Viability in the Long Run & Approaches to Keeping Currency Exchanges in Check*' submitted a recommendation that the digital currency exchanges should fall under the purview of a designated regulator, and suggested that the Securities Commission Malaysia is most suitable as it will have to consider the role of ICOs in the capital markets. It is perhaps convenient to assign this role to the Securities Commission which under the Capital Markets and Services Act 2007 oversees the regulation of traditional exchanges. Nevertheless, the first step should be to identify whether the regulators are concerned with the financial stability of the market, investor protection or monetary policy implications, and then allocate the supervision to the relevant authority accordingly.

Future regulatory developments should incorporate a consumer complaint mechanism and a cyber security program as pre-requisites for any digital currency exchange operating in Malaysia. Digital currency exchanges should at all times maintain a dispute resolution mechanism that is available to the users and that allocates risks fairly. If indeed BNM's mission statement is to safeguard public interest and the integrity of its financial system, as made clear by the forum, consumer protection and a dispute resolution mechanism are necessary. Whether a

¹³ See <http://www.mondovisione.com/media-and-resources/news/japans-financial-services-agency-update-on-progress-toward-further-efficiency/> and Financial Services Authority of Japan, "Virtual Currency Exchange Agency Registration List" April 20, 2018 Available at: <https://www.fsa.go.jp/menkyo/menkyoj/kasoutuka.pdf>

¹⁴ In Singapore, recognized market operators under section 16 of the Securities and Futures Act are required to comply with a list of obligations, including:

- (i) as far as is reasonably practicable, operate a fair, orderly and transparent market
- (ii) manage any risks associated with its business and operations prudently
- (iii) in discharging its obligations under this Act, not act contrary to the interests of the public, having particular regard to the interests of the investing public
- (iv) provide adequate security arrangements
- (v) obliged to ensure that access to participation in its market is based on criteria that are not unnecessarily restrictive

dispute resolution mechanism is implemented by statute or in contract, it should ensure that neither party will act arbitrarily or unilaterally in resolving the disputes. Indeed, a transparent dispute resolution mechanism proved to be missing in the only case in Singapore in relation to a digital currency exchange. In *B2C2 Ltd v Quoine Pte Ltd*, a dispute arose after a technical glitch in the trading platform's cryptocurrency quoter stopped functioning and B2C2 executed several trades at an exchange rate nearly 250 times the normal exchange rate. The exchange unilaterally reversed the trades and the plaintiff alleged a breach of contract and breach of trust.¹⁵ Without a fully transparent dispute resolution mechanism, the consumer may indeed be at a loss and left with legal action as the only recourse.

Another crucial element of consumer protection is a requirement to have a cyber security program that may be incorporated under a registration/licensing framework that allows for registration/licence revocation if the exchange falls below the standards. In Japan, following the 2018 theft of US\$500 million worth of cryptocurrency from the Japanese digital currency exchange Coincheck Inc, the JFSA requested that Coincheck Inc improve its cyber-security, otherwise it will lose its license to operate.¹⁶ Digital currency exchanges attract malicious cyber-attacks that most commonly exploit weak asset management and custodial practices, making a robust cyber security program a requirement that should be prioritized by the regulators. As to whether the digital currency exchanges should go as far as disclosing risks to traders will depend on the extent to which regulators are willing to take a paternalistic approach and intervene in the way retail investors dispose of their finances.

One of the last questions raised by the panel on ICOs was whether traders are subject to tax law. Indeed, a clarification on tax treatment is needed. The first step is to consider whether cryptocurrencies constitute 'currency', 'money' or 'goods' for the purposes of establishing a taxation regime. Secondly, clarification will be needed on what constitutes a taxable event, and whether the revenue authority will draw a line between investing and trading in cryptocurrencies, as is the case in Singapore.

Initial Coin Offerings in Malaysia

INITIAL COIN OFFERINGS

An ICO is a new funding model for start-up technology projects, which displays elements resembling an IPO (selling of tokens for cryptocurrency instead of fiat currency) and an open crowdfunding. ICOs – also referred to as 'token sales' or 'initial token offerings' can be viewed as a creation of blockchain technology coupled with crowdfunding by cryptocurrency investors looking for new financing models in the technology sector. ICOs are fully digitalized, using a distributed ledger technology (for example blockchain) and the tokens released for public offering are sold either for cryptocurrency or fiat currency. Each issue of tokens is characterized by specific conditions, which dictate what sort of rights, return or utility the investors can derive from the purchased tokens. The tokens themselves may grant the investor: a right to use a product or service being developed, the right to sell the token on secondary markets, voting rights or the right to receive a share of the company's future. Investors will have different objectives in purchasing the tokens, such as to support the ICO project, to become involved in the management of the project or to receive a return on the rising price of the tokens through a resale in the secondary market.

¹⁵ *B2C2 Ltd v Quoine Pte Ltd* [2018] SGHC(I) 4

¹⁶ "Coincheck Begins Allowing Yen Withdrawals Ahead of FSA Deadline," The Star, February 13, 2018 Available at: <https://www.thestar.com.my/business/business-news/2018/02/13/coincheckbegins-allowing-yen-withdrawals-ahead-of-fsa-deadline/>

REGULATION OF ICOs IN MALAYSIA

As of July 2018, ICOs in Malaysia fall into the category of self-regulated activities, as the process of carrying out an ICO is governed by the ICO issuer's own rules and there is no oversight from an external governing body. Nevertheless, digital tokens that may fall under the definition of 'securities' for the purposes of the Capital Market and Services Act 2007 (CMSA 2007) need to comply with its approval process and disclosure requirements. The characterization of digital tokens will depend on whether their characteristics meet the definition of any capital market products as regulated by the Securities Commission. The types of Capital Market Product under the CMSA 2007 include (a) securities; (b) derivatives; (c) a private retirement scheme; (d) a unit trust scheme; (e) any product or arrangement which is based on securities or derivatives, or any combination thereof; and (f) any other product which the Minister may prescribe as a capital market product. The Securities Commission is closely monitoring the ICO activity within its jurisdiction and has issued a cease and desist order, ordering CopyCash Foundation to immediately cease and desist all its proposed activities including a purported plan to launch an Initial Coin Offering (ICO) on 10 January 2018 in Malaysia.¹⁷ The Securities Commission issued the order under a suspicion that the proposed ICO would contravene the Malaysian securities laws. The presenters on the panel on 'Initial Coin Offering (ICOs) Viability in the Long Run & Approaches to Keeping Currency Exchanges in Check' have expressed a view that despite the libertarian ideology that is implicit to ICOs, a fully self-regulated market is undesirable in view of market failures in the securities market, where regulation is needed to address information asymmetry and principle-agent conflicts.

Husna Zakaria in her article 'Initial Coin Offerings' in the Malaysian Blockchain Regulatory Research Report proposes a number of recommendations for the regulatory framework on ICOs, including:¹⁸

- (i) Clarity and certainty on the legal status of ICO tokens that would be regulated under the securities regulations.
- (ii) Requirement of a fast-track pre-offering approval by the SC with three assessment components in mind: value of the project underlying the ICO, capacity of the issuer and the effects of the ICO and the project.
- (iii) Imposition of a disclosure regime on ICOs by adopting the Prospectus Guidelines with appropriate modifications.
- (iv) Interim regulatory response by implementing several stop-gap measures such as a mechanism to limit the size of Malaysian investor's portfolio holdings of ICO tokens.

ASSESSMENT OF THE REGULATION OF ICOs

This response is drawn up in view of the Malaysian securities regulatory framework, which is primarily based on the twin pillars of investor protection and market efficiency. Any future developments in regulating ICOs can be expected to respond to these pillars, while conducive to Malaysia's aspiration in leveraging on blockchain technologies.

The first of Zakaria's above recommendations, is that regulators should provide legal clarity as to the characterization of digital tokens as securities. There is a lack of common agreement among both practitioners and academics in the crypto-space on when a digital token amounts to a security. At first glance, tokens distributed in an ICO resemble a cross-over between a share and currency. However, a detailed analysis reveals that tokens represent a variety of assets, which take a variety of forms. In basic terms, a token is a digital representation of a value that is tradable on secondary markets and functions as a token-holder's right to receive or benefit from the ICO issuer's future product or service. Each token is specific to the ICO project and will have its own characteristics. Based on their function, tokens can be generally characterized as either utility tokens or investment tokens. Investment tokens are more likely to qualify as securities than utility tokens but there is a fine line between their characterization. A buyer invests in a utility token with a belief that there is a value in the issuer's product. For example, following the product-development, a utility token may be used by the investor to access the start-ups product or to actively use it. A start-up offering a decentralized storage network, which uses available storage space on computers among the network participants will allow token

¹⁷ See https://www.sc.com.my/post_archive/sc-issues-cess-and-desist-order-to-copycash-foundation/

¹⁸ University of Malaya Malaysian Centre for Regulatory Studies, *Malaysian Blockchain Regulatory Report: A Research Report Prepared by the University of Malaya* (May 2018) 117 - 125

holders to spend the purchased tokens for storing or receiving data. Despite being tradable on a secondary market, utility tokens are integral to the functioning of the ICO project and are not designed as investments. In contrast, investment tokens assign economic rights to their holders. There is a strong investment component in investment tokens. De facto, an ICO issuer will issue a token as a utility token. However, its inherent characteristics and the rights it confers, may convert a utility token into a security-like structure. Since tokens can serve a number of utilities, their multifaceted nature makes it difficult for both investors and regulators to categorise them. What complicates the distinction further is the fact that all utility tokens can be traded on secondary markets and sold for profit. Some may argue that even with the purchase of utility tokens, an investor could have an expectation of profit despite the primary design of a token to confer a pure utility. How, then, can we with certainty distinguish between a utility token and a security-like token, bearing in mind that the latter displays characteristics of a financial instrument and is more likely to fall under existing regulation? In an ICO, the issuer is offering a product or service, which is prima facie not a financial instrument. However, it is the process of tokenizing the product/service, and the offering of tokens, which makes the token exhibit characteristics of a security due to the fact that tokens can increase in value and the economic purpose of holding a token is an investment, with an expectation of deriving a capital gain.

The second recommendation proposes a fast-track approval process for ICOs. From a practical point of view, the digital nature of ICOs goes against any concerted effort on the part of regulators to ensure that all ICOs offering digital tokens to Malaysian citizens are pre-approved. Similarly, the third recommendation, for a disclosure regime emulating the prospectus guidelines is problematic. In the majority of ICOs, the sale is concerned with developing experimental, often early-stage technologies that may not materialize or achieve their goals as initially stated in the whitepaper. Similarly, the field of blockchain technology and cryptography is constantly evolving and the ICO issuers are not in a position to warrant the use of the tokens. There is nothing inherently wrong with this position, as an ICO is a different beast compared to an IPO that has to comply with disclosure requirements and reporting. Zakaria substantiated her recommendation, arguing that a disclosure regime would mitigate the pump and dump activities in the crypto-space. This argument may not be entirely relevant, given that pump and dump schemes are not due to a lack of retail investor's understanding of risk. Prima facie not considered to be illegal, speculative behaviour can be labelled as abusive and in the case of ICOs, speculating on token valuation can lead to increased volatility and de facto market abuse. Nevertheless, the cause for pump and dump schemes and their impact on volatility is due to pre-ICO investors selling their tokens after an ICO by leveraging on their preferential discount. Preferential discounts are legal and resemble practices during the IPO bonanza in the 1990s, where preferred investors would resell their shares for large profits.¹⁹ Pre-sale investors are driven by short-term profits and cash-out immediately after the ICO, when tokens become liquid.

The fourth recommendation concerns the imposition of interim measures, including a mechanism to limit the size of Malaysian investors' portfolio holding of cryptocurrencies. This is a form of deep market intervention and its merit will depend on the extent to which Malaysia is willing to take a paternalistic approach and intervene in the way retail investors dispose of their finances. A similar approach is being pursued in Russia, where the Ministry of Finance plans to introduce a federal law, which will include limitations on the maximum amount an ICO can raise and an investment limit for unqualified investors.²⁰

Conclusion

Blockchain technology was lauded by the forum's participants as an important technological breakthrough in the age of the "Fourth Industrial Revolution". Blockchain being a relatively new technology, Malaysia is taking a wait-and-see approach and has taken interim steps to target money laundering and other illicit activities-related

¹⁹ Olga Kharif, 'Hedge Funds Flip ICOs, Leaving Other Investors Holding the Bag' (Bloomberg, 3 October 2017) Available at: <<https://www.bloomberg.com/news/articles/2017-10-03/hedge-funds-flip-icos-leaving-other-investors-holding-the-bag>> accessed 16 February 2018

²⁰ MINFIN, 'Draft federal law "On digital financial assets"' (MINFIN, 25 January 2018) Available at: <https://www.minfin.ru/ru/document/?id_4=121810&order_4=P_DATE&dir_4=DESC&is_new_4=1&page_4=1&area_id=4&page_id=2104&popup=Y> accessed 10 February 2018

risks by introducing AML/CDD requirements for digital currency exchanges. The Policy Document on Digital Currencies adheres to a do-no-harm approach by introducing policy-based guidelines in fear of stifling the potential for the development of blockchain technology. The Blockchain Regulatory Report Launch and Forum in Kuala Lumpur was one of the first blockchain-themed forums in Malaysia that focused on regulation and should be praised as the right step in engaging market participants, academia and regulators alike in shaping the future regulatory developments.