



**BELARUS HAS ACCOMPLISHED
THE SECOND STAGE
OF CRYPTOCURRENCY
REGULATION**

November, 2018

Table of contents

THE SUBJECT MATTER OF REGULATION IN BRIEF	4
MAIN PROVISIONS ON THE NEW CRYPTO-REGULATION	4
The developed and adopted documents	5
The professional participants of the relationship in the field of cryptocurrency have been introduced	6
ICO organizer	6
Beneficiary owner	7
Cryptoplatform operator	7
General requirements to be met by the professional participants have been determined	9
Requirements to the personnel	9
Requirements to the beneficiary owners	10
Requirements to the financial stability	10
Requirements to the cybersecurity	11
Requirements to the personal data protection	11
Requirements to the work with clients	13
Requirements to the prevention of money laundering	13
The procedure of admission to the HTP for the purpose of execution of professional activity and the procedure of control of compliance with the requirements have been established	14
COMMENTARIES	
Martin Hess, Dr. iur. Rechtsanwalt Partner Wenger & Vieli AG Specialist in financial services, capital markets law, FinTech and the digitalization of financial services	15
Carlton Greene, Partner, Crowell & Moring and Former Chief Counsel FinCEN, US Financial Crimes Enforcement Network	15
Kirill Kholod, lawyer in the international law firm	16

David Baron, Chairman of the Belarus-US Business Council, partner
at Crowell & Moring LLP, advisor on the proceedings of international organizations 17

9 QUESTIONS ABOUT CRYPTO REGULATION

1. Why do we need crypto regulation? 18
2. What did Belarus offer the crypto world? 18
3. What is the uniqueness of the Belarusian regulation? 19
4. What countries did Belarus focus on when developing regulations
for the cryptosphere? 19
5. Can regulation solve the problem of trust in cryptocurrencies
and blockchain technology? 20
6. How did the adopted regulation affect the HTP residents' activities
for the six months of the work of Decree No. 8? 20
7. Will the adopted regulation affect the IT business as a whole, not only
the HTP crypto residents? 21
8. When was the legal framework for the regulation of the cryptosphere developed? 21
9. How do advanced money laundering laws work in other countries? 22

LINKS TO SOURCES ON THE TOPIC OF CRYPTOCURRENCY REGULATION 23

[On the position of the EU countries regarding the issue and circulation of virtual currencies](#)

[Cryptocurrencies regulation. Study of experience in different countries](#)

[Legal regulation of cryptocurrencies in different countries](#)

[Legal regulation of cryptocurrency business](#)

[On the formation of legal regulation of control over the circulation of cryptocurrency for anti-criminal purposes \(on the example of the European Union\)](#)

[Overview of legislative regulation of cryptocurrencies in individual states](#)

[Cryptocurrency Regulations Around The World](#)

[Regulation of Cryptocurrency in Selected Jurisdictions](#)

THE SUBJECT MATTER OF REGULATION IN BRIEF

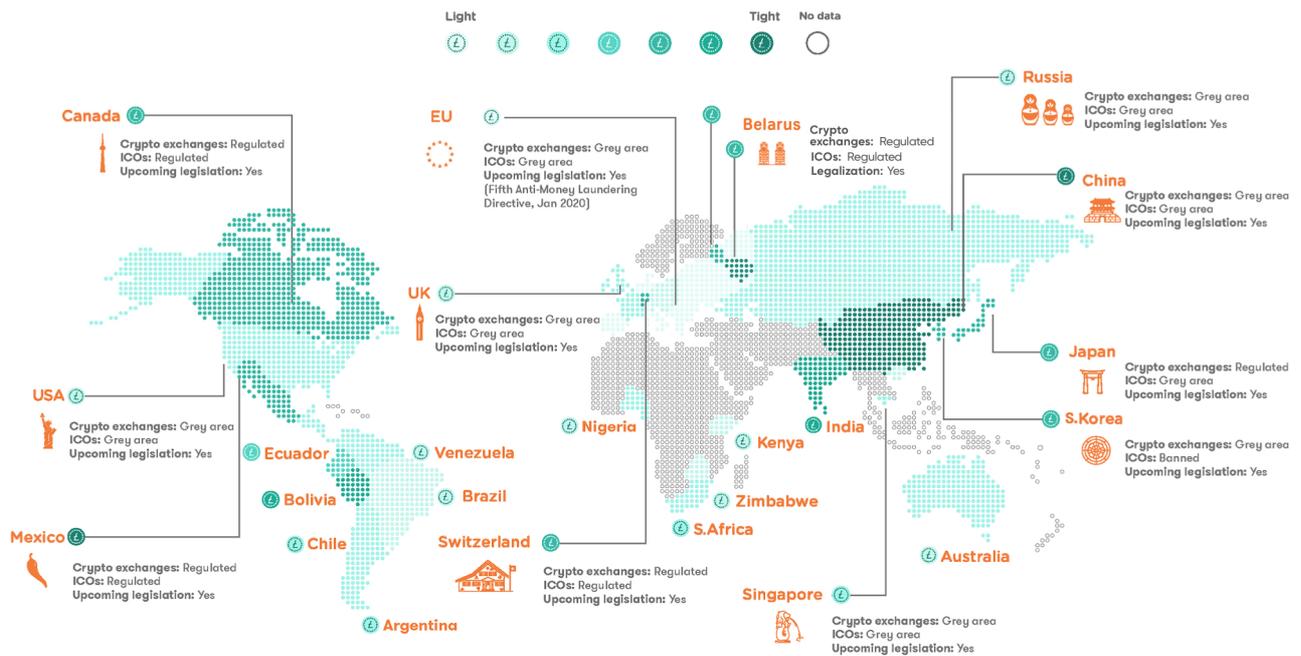
The Decree “On the Development of Digital Economy” was signed on December, 2017 in Belarus. The Decree provides international projects the ability to operate within a clear legal cryptocurrency framework (details are available [here](#)).

For the purposes of implementation of the provisions of this Decree a set of documents was adopted at the end of October 2018 in order to regulate the cryptocurrency-related activity carried out by the HTP residents.

The HTP administration, together with other state bodies and the participation of the international experts in law, finance and blockchain technologies, have developed the regulations on the registration, and the documents regulating their activity, for the HTP

Crypto Regulations by Country

How to different countries around the world approach crypto-regulations?



The light-to-tight regulation scale is based on the following criteria: are Cryptocurrency Exchanges and ICOs banned, regulated or operating in a grey area? Ban = 3 points, regulated = 2 points, grey area = 1 point. Legal Tender? Yes = 1 point, No = 0 points. Is there any planned legislation to increase crypto regulation? Yes = 1 point, No = 0 points. Data collected by CompliAdvantage should be used as a guide and never taken as legal advice.

residents. Namely, the companies planning to work with cryptocurrencies and other tokens.

Infographic: [Crypto-Regulation-Map-Coin.bmp](#)

MAIN PROVISIONS ON THE NEW CRYPTO-REGULATION

The developed and adopted documents

- Regulations on the requirements relating to the internal control rules of the High Technologies Park residents
- Regulations on the requirements to be met by certain applicants for their registration as a resident of the HTP
- Regulations on providing services for digital tokens (tokens) creation and placement and performing of transactions on the creation and placement of own digital tokens (tokens)
- Regulations on the activity of a cryptocurrency exchange office operator
- Regulations on the activity of a cryptoplatform operator

The professional participants of the relationship in the field of cryptocurrency have been introduced

Определены профессиональные участники отношений в сфере криптовалют:

- o a cryptoplatform
- o a cryptocurrency exchange office
- o an ICO operator
- o other professional participants

ICO organizer

An ICO organizer is a HTP resident, with a business project that provides services relating to the creation and placement of tokens including services for token promotion, consulting and other related services.

The main issues subject to the ICO regulations are as follows:

- The audit procedure in order to ensure the security of a smart contract by choosing which tokens will be placed.
- The conditions of the agreement concluded between an ICO customer and an ICO operator.
- The requirement on an ICO organizer relating to the accounting of disposed tokens, as well as the segregation and storage of investments obtained from the disposal of tokens.
- Requirements on the information that needs to be submitted by an ICO organizer to the first owners of tokens. An ICO organizer is also required to disclose the content of the White paper declaration. The company has an obligation to keep the White paper declaration posted on their website until the moment of performance of their liabilities in respect of all placed tokens or unless such liabilities cease to exist.
- Providing services relating to the creation and placement of tokens to those customers who have ensured the information security (cybersecurity) of their activity.

The ICO procedure may be executed both by the HTP resident who was authorized to create and place their own tokens on their own behalf and through an intermediate who is an ICO organizer acting as the HTP resident.

An ICO organizer shall provide the following services:

- creation of tokens upon the customer's request and the placement of such tokens;
- evaluation of a smart contract by choosing which tokens will be created and (or) placed;

- other services relating to the creation and placement of tokens including promotion of tokens, consulting, etc.
- identification of the first owners of tokens (KYC) including upon opening them of the virtual wallets;
- disposal of the tokens being placed by the citizens of the Republic of Belarus who have the status of a qualified investor (an ICO organizer is entitled to determine the criteria to be met by the non-residents of the Republic of Belarus);
- organization of managing the risks;
- control of compliance with the requirements for advertising tokens being placed.

The ICO organizer is required to make audio or video recordings of negotiations with clients (with mandatory prior notification about it) and keep the data as well as all correspondence with clients for at least 5 years.

The Belarusian and foreign legal entities are allowed to act as the ICO customers. The following requirements shall be met by the ICO customers: the presence of key personnel and good business standing of the customer, his founders, director, etc.

Beneficiary owner

A beneficiary owner is a person who directly or indirectly possesses at least 10 percent of shares (stakes) in the charter capital of the company, or which is entitled, directly or indirectly (through other persons) to give mandatory instructions, have an impact on the adoption of its decisions and control the actions of said company.

Cryptoplatform operator

The HTP resident is considered to be a cryptoplatform operator when it executes and provides the ability to execute the following transactions:

- organization of trading in tokens (ensuring the execution and performing of transactions relating to the sale and purchase of tokens for money or electronic money, or exchange of tokens of one type for tokens of another type);
- organization and execution of the transactions aimed at the placement of tokens;
- execution of the transactions with tokens outside its own trading system;

- execution of the transactions with tokens in the clients' interests on the basis of an agency relationship (an agency agreement, a commission agreement, other agreement that does not contradict the legislation);
- execution (organization) of other transactions (operations) with tokens that do not contradict the legislation (e.g. token pledge contract).

Organization of the activity of a cryptoplatform operator includes:

- Adoption of the local acts (definition of practices which specify the procedure of admission of the clients and tokens to trading and others).
- Limitation of suspicious transactions (to adopt measures impeding the access to trading in tokens which have been created, placed or offered to be placed by violating of the law, as well as anonymous tokens).
- Establishing a relationship with the clients (on a contractual basis, establishing the bans in order to prevent the admission to trading of certain categories of citizens (minors, citizens of the states where the transactions with tokens are prohibited and others)) before allowing admission to trading, in order to become convinced that the citizens of the Republic of Belarus possess the sufficient level of knowledge (competence) necessary for performing such transactions).
- Requirements for advertising (it shall be clear, fair and not misleading, it shall include a risk warning and not contain information that suggests that making transactions with tokens is the easy way of getting rich quickly, etc.).

A cryptoplatform operator shall ensure the:

- identification and verification of the clients who execute financial transactions (KYC) for the AML/CFT purposes (in accordance with the FATF requirements);
- segregation of money, electronic money, tokens of a cryptoplatform operator and money, tokens of the clients that are in the possession of such cryptoplatform operator;
- reporting on the amount (balance) of money, amount (balance) of electronic money, tokens of each client, as well as on the execution and non-execution of the clients' orders;
- sending of the report for the storage (deposit) to the organization that renders the respective services;
- control of the tokens transactions in order to identify violations (manipulations of prices for tokens, unauthorized use of insider information, etc.), to eliminate them and prevent their commission in future.

General requirements to be met by the professional participants have been determined

- requirements to the personnel
- requirements to the beneficiary owners
- requirements to the financial stability
- requirements to the cybersecurity
- requirements to the personal data protection
- requirements to the work with clients
- requirements to the prevention of money laundering

Requirements to the personnel

In respect of the director, chief accountant, as well as the persons responsible for the system administration and information security, risk management, compliance with the requirements to the prevention of money laundering, terrorist financing and for the HTP regime compliance:

- These persons shall not have conviction (outstanding or unexpunged) for economic crimes and the crimes against information security.
- During the past two years, there shall not be any facts of dismissal initiated by the employer based on employee's wrongful acts.
- One of the requirements shall require that during the past three years, there were no court decisions establishing the carrying out of wrongful acts that caused the bankruptcy of a legal entity, etc.
- The requirement includes the presence of an AML compliance officer (with corresponding education, professional experience in economic or legal field, AML training).
- The director, chief accountant and a person responsible for the system administration and information security shall also comply with the special requirements to their education.
- The rate of labor payments and remuneration of such persons shall not depend on financial results of the applicant's activity.

- At least once a year the employees are required to be tested in order to assess their compliance with the internal control rules.

Requirements to the beneficiary owners

The beneficiary owners shall comply with the requirements as follows:

- not to have arrears in payments to the budget, state target budgetary and extra-budgetary funds of the Republic of Belarus and states whose residents they are;
- not to have an outstanding or unexpunged conviction for property crime and in economic field, crime against information security;
- not to be recognized (by the court) as a bankrupt and not to be at any stage of consideration of the case of bankruptcy;
- not to be involved in terrorist, extremist activity, the proliferation of weapons or the legalization of proceeds from crime.

Organizations where the applicant's property owner (founder) owns at least 10 percent of the shares (stakes) in the charter capital shall not be subject to sanctions or other coercive measures taken by the UN Security Council.

The applicants are required to disclose information relating to themselves and ensure disclosing by their property owners (founders, shareholders), beneficiary owners the information on the presence and results of judicial (arbitration) proceedings in which they have participated for 3 years preceding the applicant's date of appeal for registration as a HTP resident. The same conditions are also prescribed in respect to the proceedings on administrative violations, as well as of the facts of termination (cancellation) of special permits (licenses) and the reasons which have resulted in such facts.

Requirements to the financial stability

The financial requirements have been adjusted in compliance with the established financial ratios taking into account the world practices. For these purposes, the financial dependence or stability, the ratios of the short-term liquidity, financial stability and borrowed capital concentration shall be taken into account. The charter capital shall be formed of no less than 2 million Belarusian rubles, the ICO operator's charter capital may be formed from 500 thousand Belarusian rubles.

Requirements to the cybersecurity

Requirements to the cybersecurity include a set of provisions that are laid out as follows:

- an officer responsible for the cybersecurity shall be appointed;
- a cybersecurity policy shall be developed;
- a regular monitoring and periodical testing of the cybersecurity system shall be ensured;
- the applicant shall organize the training process and knowledge testing for their employees responsible for the functioning information systems relating to the cybersecurity;
- when entering the information system, the multifactor authentication shall be used.

As a requirement to the software which is used for executing transactions and identification of transfers related to the criminal activity, the HTP residents shall use the software of Elliptic, Chainalysis, Coinfirm and other companies (incorporating all updates to such software). They may also use the software of other legal entity, provided that it has the same or higher level of efficiency as compares to the software of the abovementioned companies.

The legal framework of the Republic of Belarus provides the implementation of the best international measures against money laundering [AML](#) (anti-money-laundering), [KYC](#) (Know Your Customer) and CFT (combating the financing of terrorism). One of such measures provides the monitoring of transactions with tokens, control (verification) of information which is necessary for the client's identification, the principle of making settlements shall not be associated with anonymity of making transactions.

Monitoring of the information security system (cybersecurity) in the companies shall be conducted on a regular basis, and its testing shall be carried out at least once a year.

Requirements to the personal data protection

The requirements to the personal data protection are established on the level provided by the EU General Data Protection Regulation ([GDPR](#)).

Technical, software and organizational measures aimed at protection of the data and tokens which are owned by the applicant, shall be developed in compliance with the

requirements of the data protection legislation, considering the best world practices developed in this area. The following measures shall be also provided for, these include:

- rules for handling personal data of the clients;
- determination of the officer or office in charge of ensuring the security of information;
- application of technical and (or) cryptographic means of protection of information;
- restriction of the circle of persons entitled to enter (have access to) the information system;

The rules for handling personal data of the clients shall include, inter alia, the following principles:

- principle of legality and transparency of handling;
- limiting the purposes of the appeal;
- minimization of personal data;
- accuracy of personal data;
- limiting the period of storage of personal data;
- confidentiality principle;

The procedure for obtaining the client's consent to the handling his personal data for one or several specific purposes, as well as withdrawing such consent shall be applied.

The securing in the contract concluded with the client, his rights relating to his personal data, cases and the procedure for their realization, including the right to establish restrictions on the handling personal data, is required. Among the clients' rights relating to personal data, the right to receive personal data held by the applicant shall be stipulated. He has the right to demand the correction of errors and inaccuracies in personal data, removal of the data and notification of third parties (to whom personal data were transferred) on the facts of correcting their errors (inaccuracies) and the fact of their removal (destruction).

The client also has the right:

- to object to the handling personal data;
- not to be exposed to a decision made solely on the basis of automated handling personal data;
- to receive transparent information on the exercise of the abovementioned rights;

The applicant is required to inform the client on the cases of violation of the law and the rules for handling personal data if there is a high risk that such violations will violate the rights and legitimate interests of this client.

The applicant must keep records of cases of violation of the law and the rules for handling personal data of clients, as well as keep records of cases of violation of the law and the rules for handling personal data of clients.

Requirements to the work with clients

The requirements to the work with clients are based on the MiFIDII experience (the EC Markets in Financial Instruments Directive) and other international laws.

The cryptocurrency companies which operate in Belarus are required to warn their clients on the risks relating to provided services, comply with the requirements to the advertising, disclose any essential information that have an impact on the clients' security, as well as implement the internal control systems in order to manage the risks, cybersecurity and conflicts of interests.

Requirements to the prevention of money laundering

The HTP residents are required to conduct identification and verification checks of the clients which may be executed remotely. For example, by conducting the web-ID which is a form of remote identification through the video communication on the Internet. The data with identification details of the clients (their copies) shall be stored within 5 years.

In order to assess the risk of the work with client, the HTP resident shall use a three-vector model of risk distribution, within which the client's profile risk, geographic region risk and transaction type risk shall be assessed.

The examination of the sources of origin of the crypto assets shall be executed by using the appropriate software which traces the chains of blockchain transactions (Elliptic Enterprises Limited (United Kingdom), Elliptic Vault Limited (United Kingdom), Chainalysis, Inc. (USA), Coinfirm Limited (UK), Neutrino srl (Italy) or other software which has the same or higher level of efficiency as compared to the software of the aforementioned companies).

The residents shall assess the risks of the work with the clients by using the three-vector model within which the client's profile risk, geographic region risk and transaction type risk shall be included.

There are certain circumstances where the HTP residents must refuse the client to execute financial transactions are prescribed. For example, if they intend to execute a financial transaction with the types of tokens which are based on the principle of complete anonymity of transactions with them.

The HTP residents are then required to submit special forms to the financial intelligence unit (when a financial transaction is considered as subject to special control, freezing of the funds or blocking of transactions). The HTP residents are obliged to ensure the technical ability of submission of special forms to the financial intelligent unit in the form of an electronic document.

The procedure of admission to the HTP for the purpose of execution of professional activity and the procedure of control of compliance with the requirements have been established

For the purposes of registration as the HTP resident, the applicants are required to submit a set of documents confirming their compliance with the requirements imposed to their activity.

The compliance with the established requirements and standards shall be confirmed by submitting a report on the issues of compliance with the requirements. This report shall be prepared by auditors which are included in the Big Four of companies providing audit and consulting services (PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young, KPMG).

At least once a year the residents shall be submitted to an audit by one of the organizations of the Big Four in order to confirm their compliance with the requirements. The activity of the HTP resident may be subject to a comprehensive review by the HTP Administration, both on a planned and unscheduled basis.

COMMENTARIES



**Martin Hess, Dr. iur. | Rechtsanwalt | Partner
Wenger & Vieli AG | Specialist in financial
services, capital markets law, FinTech and
the digitalization of financial services**

Martin Hess, Partner, Wenger & Vieli, said “Belarus has drafted a stand-alone, comprehensive regulation for digital assets.

Cryptocurrency regulation is the future, because only regulation provides legal certainty. The distributed consensus provided by algorithms is not sufficient. The Belarus approach has the benefit of speed and simplicity, because it does not require an understanding of the whole Belarusian legislation, court and legal practice in order to start a business. The Belarus approach is different compared to other countries. It remains to be seen how the stand alone Belarus regulations will be interpreted and applied. The Belarus regulations will also be assessed in comparison to the relevant legislation for digital assets in other countries. Today, it’s important to ensure that the Regulations, their application and interpretation as well as their amendments and developments are equivalent to the legislation of other important jurisdictions such as US, China, European Union, Japan, Korea, Singapore and Switzerland.”



**Carlton Greene, Partner, Crowell & Moring
and Former Chief Counsel FinCEN, US
Financial Crimes Enforcement Network**

“The current trend is moving away from virtual currencies and exchanges that allow anonymity in transactions. Government regulators, financial institutions, and others are bringing more transparency and oversight to this area that is leading to greater

acceptance of cryptocurrencies overall. There is also an increasing emphasis by regulators on ensuring safe custody and storage of virtual currencies. Crypto-specific regulations can be a good approach if the baseline regulation is fulsome enough to cover the more complex types of virtual currency-related businesses that parties engage in, and if the rules are enforced clearly and effectively. One issue that may merit further consideration is the apparent requirement of regulated virtual currency businesses both to report suspicious transactions

and to refuse to undertake them. This is different from the U.S. model, which only requires reporting. It may be that some criminal activity is prevented this way. But it also could result in potential litigation and might inadvertently disclose the types of transactions the virtual currency business finds suspicious, allowing criminals to try and circumvent AML protections called for in the rules. As for the future, my advice for the High-Tech Park is to take every opportunity to show that these rules will be enforced consistently, and to provide clear guidance on their meaning to stakeholders.”



Kirill Kholod, lawyer in the international law firm

“More and more countries start to treat cryptocurrencies as a new asset class (or having characteristics of other asset classes) requiring the level of governmental oversight similar to the conventional asset classes, such as currencies, securities and commodities. Belarus not only follows the trend of shaping local cryptocurrency regulations, but sets the trend for others to follow on a global scale – Malta could be a good example. The Belarusian example of creating a comprehensive crypto-specific legal framework – a single body of law governing almost all aspects of the current cryptocurrency industry – could, in theory, successfully overcome legal challenges currently faced in other jurisdictions. The crypto-friendly legal foundation, such as the Decree No. 8, progressive business infrastructure, such as the High Technologies Park and, after all, one of the best IT communities the world can offer – are the important factors for attracting international businesses to Belarus. Looking forward, the HTP and the government could take a number of thoughtful steps to stay ahead of the game: prepare to face stiff competition from other European jurisdictions, issue regular guidance notes on interpretation and clarification of legal provisions, maintain continuous dialog between government and industry participants, and avoid over-regulation, as this may undermine the liberal nature of the crypto industry.”



David Baron, Chairman of the Belarus-US Business Council, partner at Crowell & Moring LLP, advisor on the proceedings of international organizations

“These new regulations implementing Belarus Decree No. 8 on the “Development of a Digital Economy” will encourage U.S. IT companies, and especially those interested in blockchain and cryptocurrency, to consider doing such business in Belarus. Many U.S. IT companies already know Belarus as a place to set up or add depth to their software development divisions, but Decree No. 8 and these new regulations are designed to position Belarus as a top destination for cryptocurrency ventures and value-generating global IT product companies.

And just as American companies will need to familiarize themselves with Decree No. 8 and the new HTP regulations, companies doing business in Belarus that want to do business in the U.S. or with Americans will also need to be aware of applicable U.S. legislation and regulations. Because the U.S. does not have comparable IT and cryptocurrency laws and regulations, if a non-U.S. company is operating a cryptocurrency trading platform that allows U.S. citizens to participate, that company may be required to register in the U.S. as either a money transmitter (if they are trading in currency equivalents) or as an alternative trading system (if they are dealing in securities), or both. It is possible for companies to do very profitable business in this space; they just need to be aware of all of the potentially applicable regimes.”

9 QUESTIONS ABOUT CRYPTO REGULATION

1. Why do we need crypto regulation?

There are two options for crypto regulation: prohibition and support. Consider international initiatives, such as FATF, that is developing financial measures to combat money laundering, who do not recommend banning crypto technologies. Prohibitions give rise to shadow schemes in the depths of the Internet, where they are almost impossible to control.

Despite the FATF warning, the legalization of the cryptosphere and its regulation is a rare phenomenon, one not contained within Europe. Many countries around the world adhere to a radical policy of prohibiting the spread of blockchain technology. It works poorly, the lack of legalization does not solve the problem - every day there are news about crypto scammers. However, there are a number of countries that support cryptocurrencies and blockchain, and make bet on them. Belarus is one of them and the first country in the world, which introduced cryptocurrencies into a clear and transparent legal environment. Regulation makes cryptocurrency transactions transparent, strengthens the market and its reputation, eliminates the illegitimate players and attracts new ones.

2. What did Belarus offer the crypto world?

Performance guarantees on tokens and transparency of transactions are what the crypto business in any country of the world is waiting for. The demand for the legality of working with tokens and the jurisdiction that will provide this is growing in proportion to the number of cases of crypto fraud or the prohibition on crypto activity.

For the work of the cryptosphere, Belarus has provided a **full legal environment**. This regime was introduced in the HTP - a special economic zone established in 2005 with a favorable fiscal and legal system for IT business.

Against the background of European jurisdictions, Belarus is the first country in the world with the legislative regulation of cryptocurrencies to take a comprehensive view of the features of the blockchain and decentralization:

- Made blockchain companies safe for the clients.
- Showed to other countries how to effectively regulate ICOs (a form of investment that arose when cryptocurrencies appeared).
- The first in the world has created its own framework for the cryptosphere - while the rest of the countries fit it into the existing legal structures.

- Has introduced a tax-free regime for crypto transactions and ICOs until 2023 for the HTP residents.
- Did not introduce a condition for registering activities as entrepreneurial for mining by individuals.
- Expanded the activities of the HTP residents to species associated with the creation and circulation of tokens and cryptocurrencies, including their promotion, cryptocurrency exchange and cryptocurrency exchange office, mining, investment funds, etc.
- Introduced smart contracts for the settlement and/or execution of transactions in the legal environment.

3. What is the uniqueness of the Belarusian regulation?

Many countries were ahead of Belarus in relation to the development of businesses based on blockchain technology. But each only in one direction.

For example, Japan legalized Bitcoin. South Korea and China have approved the activity of cryptocurrency exchange. Singapore is the center of the ICO. In the USA, cryptocurrency exchanges have been approved, and several states have legalized smart contracts. Switzerland holds one of the most advanced positions in Europe with regard to cryptocurrency regulation, although there is no direct regulation at the level of the law.

The UK is the leader in cryptocurrency integration and one of the most favorable and convenient jurisdictions for cryptocurrency business. At the same time, transactions with Bitcoins are considered unregulated activity, and cryptocurrencies are considered rather as foreign currency for various purposes.

Having studied the experience of crypto progressive countries, the Belarusian regulator has united it all and created a single crypto-ecosystem, having built legal connections between the classical and digital economies. In fact, **this is the first attempt in the world of full-fledged comprehensive regulation of the crypto industry.**

4. What countries did Belarus focus on when developing regulations for the cryptosphere?

Belarusian legislation development for IT and cryptosphere is a work that takes into account the experience of the USA, Japan, Korea, Gibraltar, Malta, the European Union, Russia, international organizations (FATF and others).

It is important to note that the majority of EU regulators have not yet adopted special rules for the regulation of cryptocurrency activities. Taxation in this area is carried out in accordance with the national legislation of the EU Member States. A digital currency is considered as an intangible asset or commodity, and not as currency or money.

Back in 2016, the European Commission proposed to establish additional regulation for cryptocurrency exchanges and companies in the crypto industry. But while the issue is not fully resolved. Belarus got ahead of the rest of the countries and comprehensively developed the relevant legislation.

5. Can regulation solve the problem of trust in cryptocurrencies and blockchain technology?

Part of the expert community did not consider the idea of making Belarus a European Hong Kong successful. Their arguments were based on the fact that the choice of jurisdiction is important for the crypto business and the trust of people and crypto enthusiasts to state institutions (including the HTP) is low.

Legislative initiatives taken by the Belarusian regulator in October minimize this problem. Regulation makes cryptocurrency transactions transparent, strengthens the market and its reputation, and eliminates illegitimate players.

Belarus was the first to introduce cryptocurrencies in a transparent, understandable legal environment and showed that blockchain companies can be completely safe for the clients, and ICO can be effectively regulated.

6. How did the adopted regulation affect the HTP residents' activities for the six months of the work of Decree No. 8?

The HTP residents received € 1 billion in revenue in 2017, which is 25% more than in 2016. The export of IT in the first half of 2018 increased by more than 40% compared with the same period last year.

In 2018 almost 200 companies were registered in the HTP - more than in its entire history. As of November 2018, there were 388 residents in the Park, against 178 in November 2017.

The Belarusian economy really felt the practicality of the Decree “On the Development of Digital Economy”, which updated the legislative framework of the HTP, freeing IT companies from most of the VAT and income tax for 30 years - until 2049.

As of November 2018, such companies as EPAM, Viber, Masquerade (acquired by Facebook in 2016), developer of World of Tanks Wargaming (over 120 million registered users), MapDate (Belarusian development office Mapbox, which received \$ 164 million investment from SoftBank Vision in 2017), JUNO LAB (developer for Juno), Izovac AR, Banuba Lab and others were among the HTP residents. According to forecasts, in 2018 IT in Belarus will grow by 40% - and this is 500 million dollars, when the whole economy of Belarus grows by 2 billion. Good performance and obvious growth.

7. Will the adopted regulation affect the IT business as a whole, not only the HTP crypto residents?

The adopted regulations and rules, like the Decree, are devoted to the status of the HTP. But experts argue that a significant number of provisions of the Decree compensate for gaps in legislative regulation and already affect the business, which is outside the boundaries of the HTP. Not only IT, but also the business of other sectors of the economy can attract financing through ICO.

The influence of these regulations on the education system is also possible. In particular, the business proposed to lower the barrier to entry into the education market for private initiatives. Some suppose that when tokens and cryptocurrency exchanges appear in Belarus, money for education can be attracted through them.

One of the latest initiatives of the IT community, supported by the President Lukashenko, is to send money that HTP residents pay instead of taxes (1% of revenue in the last year amounted to \$ 15 million) for IT education - including officials.

8. When was the legal framework for the regulation of the cryptosphere developed?

This project was carried out in two stages: first, the Decree “On the Development of Digital Economy” was adopted, then work on a detailed study of the legal environment for activities with cryptocurrencies and blockchain technology began.

Chronologically, it looks like this:

- **In March 2018**, the Decree “On the Development of Digital Economy” signed in December 2017 was implemented. Residents of the Belarusian HTP received tax incentives until 2049, a smart contract, blockchain, mining, tokens, etc. were legalized. All transactions with tokens (mining, storage on accounts, purchase, exchange, will, etc.) do not require business registration and are exempt from income tax and VAT until 2023.
- **In May 2018**, Belarus entered the top 10 list of the friendliest jurisdictions for the cryptocurrency industry according to experts from the BlockShow Europe blockchain conference.
- **In June 2018**, Order No. 239 was signed to bring some legal acts in line with the provisions of this Decree.
- **In October 2018**, legal acts of the HTP Supervisory Board regarding the activities of HTP residents with digital currencies and tokens were adopted in Belarus.

9. How do advanced money laundering laws work in other countries?

The revolutionary decision of the Belarusian authorities to legalize the cryptosphere may draw the attention of certain players to the country, especially during the ICO. Such risks need to be understood and prevented. To this end, Belarus has implemented the best-in-class anti-money laundering measures AML (anti-money-laundering) and KYC (Know Your Customer), positioning the country at the forefront of cryptographic developments.

For example, in **the USA**, AML includes mandatory client verification depending on the transaction price, independent testing (evaluation) of internal control rules, documentation (storage) of information about each financial transaction with tokens. Protection of the rights of clients in the framework of disclosing information about risks and the conditions of transactions with tokens etc. is provided.

In **Japan**, since May 2018, cryptocurrency platforms must meet new criteria established by the Financial Services Agency (FSA). One of the rules is that the exchanges comply with the user identification protocol for large transactions of crypto assets and implement the KYC security procedure.

In **France**, AML rules limit the types of tokens, which are based on the principle of completely anonymizing transactions made with them, for example, Dash.

In **Malta**, cybersecurity is obliged to send reports on the state of information security, plan development of an operational restoration of the applicant's information system work capacity after it has been breached, and the analysis of measures to ensure the applicant's smooth operation to the directors responsible for cybersecurity.

The Isle of Man focuses on evaluating high-risk transactions, methods of checking the clients for the presence of compromising information in publicly available sources, identifying the sources of origin of tokens and the client's funds.

Gibraltar focuses on client's questionnaires generated during identification and verification procedures, information disclosure requirements and requirements for internal procedures (systems) and legal acts.

In **Russia**, the rules provide for the definition of a qualified investor.

Links to sources on the topic of cryptocurrency regulation

[On the position of the EU countries regarding the issue and circulation of virtual currencies](#)

[Cryptocurrencies regulation. Study of experience in different countries](#)

[Legal regulation of cryptocurrencies in different countries](#)

[Legal regulation of cryptocurrency business](#)

[On the formation of legal regulation of control over the circulation of cryptocurrency for anti-criminal purposes \(on the example of the European Union\)](#)

[Overview of legislative regulation of cryptocurrencies in individual states](#)

[Cryptocurrency Regulations Around The World](#)

[Regulation of Cryptocurrency in Selected Jurisdictions](#)