



AGILE
BLOCKCHAIN
QUORUM



Treasury Submission

ICO Issue Paper

What is the clearest way to define ICOs and different categories of tokens?

Initial Coin Offering

1. **An Initial Coin Offering should not impede on existing regulation, specifically *Section 92 of the Corporations Act 2001*.**

Thus, we propose the following definition of an ICO:

(1) Subject to this section, a person conducts an Initial Coin Offering if they:

- (a) Are registered as a legal entity; and
- (b) Create a Utility token; or
- (c) A Currency Token; and
- (d) Sells the token to retail and wholesale participants to raise capital for the entity's operations.

But does not include:

- (e) A security that has the meaning vested by *Section 92 of the Corporations Act 2001*; and
- (f) A derivative pursuant to *Section 761D of the Corporations Act 2001*.

Matrix

2. Table 1 represents a matrix that identifies the core characteristics of each token category. The characteristics are each defined below.
3. **Medium of Exchange**
The subject of question is used as an intermediary to facilitate the trade of goods or services.
4. **Store of Economic Value**
The subject of question can be exchanged at a later date in accordance to its measure of benefit.
5. **Incentive Provision**
The subject of question incentivizes or disincentivizes an owner to complete a specific activity. Examples include, incentivizing a user to use a certain platform; disincentivizes a user from completing a particular task or providing a discounted rate for particular goods or services.
6. **Decentralized**
Users have complete ownership and control over the subject of question. Subject of question is not controlled by a centralized body. The subject cannot be minted or burned by the discretion of any regulating entity. Further minting may be annexed prior to minting but must be predetermined by a autonomous algorithmic system.
7. **Unrestricted Use**
Owners of the subject may use it in any capacity they wish. Subject is not restricted to a specific use.



8. **Specific Use**

Subject has been provided with a specific utility which it can be used for. (Note: the subject may simultaneously contain the unrestricted use and specific use characteristic. If the subject has been created for a specific purpose however it can still be used for differing purposes as the holder of the subject sees fit.)

9. **Digital**

The subject is be available digitally.

10. **Transparent**

The subject provides a transparent ledger that allows for the tracing and viewing of movement.

11. **ICO**

Should the subject be distributed from an ICO or follow future ICO regulation?

Y	N	Y/N	P
Has this characteristic	Missing this characteristic	Both Posses and lacks this characteristic	There is justification, however there may be possible other methods.

	Medium Of Exchange	Store of Economic Value	Incentive Provision	Decentralized	Unrestricted Use	Specific Use	Digital	Transparent	ICO
Utility Token	Y	Y	Y	Y	Y	Y	Y	Y	Y
Currency Token	Y	Y	N	Y	Y	N	Y	Y	Y
Stable Coin	Y	Y	N	N	Y	N	Y/N	Y/N	N
Chattel Token	N	N	N	Y	Y	N	Y	Y	N
Entity Specific Security	Y	Y	Y	N	N	N	Y/N	Y/N	N
Non-entity Security	Y	Y	Y	Y	Y	N	Y	Y	P

(Table1)

Utility Token

12. **We propose the following definition of a Utility Token:**

(1) Subject to this section, A Utility Token Means:

a. A digital representation that:

i. has been created and distributed by a legal entity;



- ii. is built for a specific use;
 - iii. functions as a medium of exchange, store of economic value, or a unit of account;
 - iv. Is not issued by or under the authority of a government body;
 - v. incentivizes use of a particular service or platform;
 - vi. is available to members of the public without any restriction on its use as consideration;
 - vii. is available on a traceable ledger for the public's view.
- b. A token that does not constitute:
- i. A security that has the meaning given to it by Section 92 of the Corporations Act 2001; and
 - ii. A derivative pursuant to Section 761D of the Corporations Act 2001;
 - iii. A Stable Coin.

Currency Token

13. We propose the following definition of a Currency Token:

(1) Subject to this section, A Currency Token Means:

- a. A digital representation that:
 - i. has been created and distributed by a legal entity;
 - ii. functions as a medium of exchange, store of economic value, or a unit of account;
 - iii. Is not issued by or under the authority of a government body;
 - iv. incentivizes use of a particular service or platform;
 - v. is available to members of the public without any restriction on its use as consideration;
 - vi. is available on a traceable ledger for the public's view.
- b. A token that does not constitute:
 - i. A security that has the meaning given to it by Section 92 of the Corporations Act 2001; and
 - ii. A derivative pursuant to Section 761D of the Corporations Act 2001;
 - iii. A Stable Coin.

14. As you can see, there is a single differentiating characteristic between a currency token and a utility token. That being that a utility token's issuing company has envisioned a use case for the token whereas the currency token will basically work as an international currency.

15. We believe there should be a significantly higher threshold for the issuance of Currency Tokens. Currency tokens have no other underlying purpose other than being a currency. This exposes non-sophisticated investors to a higher risk level than a utility token.



16. We do not believe that a Stable Coin can be released under an Initial Coin Offering, however it should be subject to its own regulation. As you can see from the Matrix a Stable Coin does not provide an incentive provision, it is generally not decentralized due to the asset it is being backed by, the asset it is backed by is generally not digital and in some instances the assets backing it is not transparent to the public. Please note, if a token is backed by a particular algorithm it would move into the category of Currency Token. An example of an algorithmic token is DAI.

17. We propose the following definition of a stable coin:

(2) Subject to this section, A Stable Coin means:

- a. A Digital Token that is backed by;
 - i. Government Issued Currency;
 - ii. A commodity; or
 - iii. A non-fractionalized asset, other than a financial product.

But does not include:

- b. A security that has the meaning given to it by *Section 92 of the Corporations Act 2001*; and
- c. A derivative pursuant to *Section 761D of the Corporations Act 2001*;
- d. A Utility Token
- e. A Currency Token.

Chattel Tokens

18. Chattel tokens are non-fungible tokens that usually represent a unique item or piece or virtual personal property. They are not backed by any particular asset but is an asset in itself.

19. Chattel tokens are not prominent at this point in time, however the advancement of virtual reality and online gaming will likely develop chattel tokens popularity. An example may include a piece of clothing for your virtual reality avatar, a virtual car used in your online game or most identifiable a “skin” for an online game.

20. Skins are cosmetic features that may enhance the visual representation of your game in some shape or form.

21. Although intangible we believe these tokens should also be classed as chattel for ease of synchronization into the current legal system as these tokens in themselves should be viewed as property and treated as a chattel accordingly.

Security Tokens

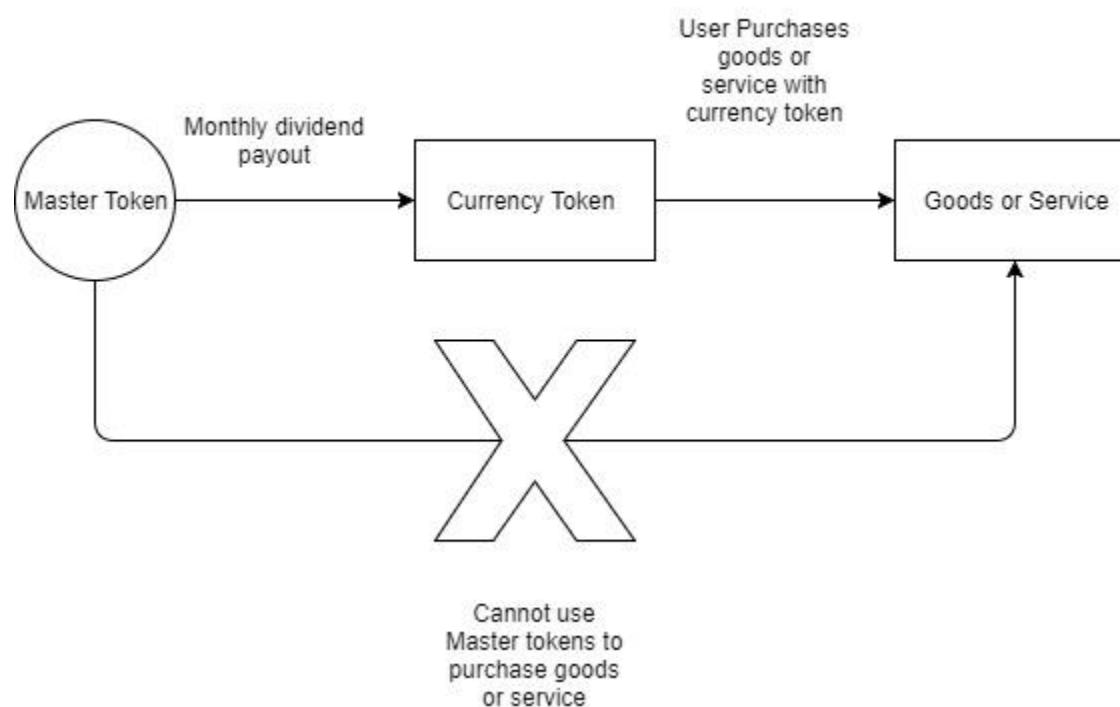
When talking about Security tokens there are two distinct categories entity Specific Securities, non-entity securities.

22. Entity Specific Securities

Entity Specific Securities are simply securities/financial products that engage blockchain technology to enhance the proficiency of the security. For example, allowing for an autonomous registry run on the blockchain or permission-less trading. Thus, we believe in the present time the existing regulations for financial products suffice but can be improved for entity security tokens. In the future, when blockchain technology advances, regulations must be incorporated to encompass the innovations blockchain technology may bring to the registry and independent holding and trading of a financial product.

23. Non-entity Security

Non-entity Securities is a popular token purchase amongst the Initial Coin Offering Participants. This is due to the generation of a passive income. These tokens are similar to a stock as they provide a dividend like reward simply for possessing the master token. This may be done by simply holding a master token in a wallet or holding enough master tokens to control a master node. We have provided a simple process flow of a non-entity security below.



24. The underlying difference between the two security tokens is the non-entity security dividend payouts are governed by an algorithm as opposed to a centralized board. In effect, the master tokens could essentially represent an entitlement to an interest rate payout.

Drivers of the ICO Market

What is the effect and importance of secondary trading in the ICO market?

25. Speculation

We do not believe that digital tokens themselves are speculative. We believe that the secondary market turns a digital token into an instrument of speculation, thus a potential investment endeavor.

26. Innovation

We believe that a digital token secondary market creates a competitive market. A token with superior source code, an exceptional use case and innovative capabilities will generally be reflected on the secondary

market by price and transaction volume. An individual is more inclined to purchase a token that they believe they will profit from. Absent innovation people are less inclined to purchase their token.

27. This almost forces digital tokens to innovate and keep up with competition with risks of becoming obsolete.
28. **Liquidity**
Liquidity is a key feature in any secondary market. A secondary market in the digital token economy will generally allow users to exit when they please. This provides a significant advantage and a more reassuring pathway to initial purchasers of the token, knowing that they are able to exit their position at their discretion.
29. **Ecosystem**
An important mechanism of digital tokens is that there is an ecosystem that has been created, which allow users to trade their token for another token that suits their particular need.
30. For example, USDT may be used as a safe haven for economic value, which may be exchanged for BNB, which is used to receive discounted trading fees on the trading platform.
31. In essence, the secondary market creates the digital token ecosystem. Absent secondary market trading, digital token isolation is created, which in turn significantly curtails digital tokens use case.
32. For example, you can always exchange your XEM for BNB on a secondary market. In essence, your single set of funds allows you to receive discounts on Binance transaction fees, pay for property related expenses on Castle Coin or purchase goods and services with Fiii. This ecosystem can all be accessed and can be created by a single secondary market such as ACX.io.
33. The secondary market is critical to the success of digital tokens. Absent a secondary market, digital tokens would be significantly stunted in terms of use and appeal.

What will be the key drivers of the ICO market going forward?

Key drivers of the ICO market include:

34. **Smart Cities and Smart Ecosystems**
Becoming ever more evident, people are moving to cashless payments due to convenience, speed and innovation. We believe that in the future, there will be a large push for Smart Cities and Smart Ecosystems. These are completely cashless ecosystems that no longer require any form of cash to operate. Initial Coin offerings will substantially contribute to this movement – as it allows for individual ownership and control of a currency, asset, commodity or chattel.
35. **Lower Barrier to Entry for Organizational Fund Raising**
Initial Coin offerings allow organizations to generate funds via selling a product. Initial Coin Offerings currently have a significantly lower barrier to entry (Initial Coin Offerings that fall outside the scope of a Financial Product) than conducting an Initial Public Offering or even raising funds with a prospectus and Australian Financial Services License.
36. Currently, we believe the current regulations do not provide for a safe framework for the release of an Initial Coin Offering which may be a characteristic contributory to the popularity of Initial Coin Offerings. As many would attest to, participating in an Initial Coin Offering is a significant gamble.



37. International Funds

The ability for an Initial Coin Offering to receive funds from international retail investors is highly appealing to those raising capital and sourcing funds. Currently, AUSTRAC does not consider exchanging a digital currency for a digital currency as a designated service and therefore, users are able to receive XEM, BTC or ETH globally without needing to report to AUSTRAC, conduct identity verification or determine the source of funds.

38. However, this also appeals to potential purchasers – purchasers are able to purchase tokens and invest in international projects easily.

39. Ease of Purchase

Generally, participating in an Initial Coin Offering is significantly easier than any procedure established for existing fund-raising activities. In order to participate in an Initial Coin Offering, one will need to send their ETH or BTC to a particular address and that address will send back the subscribed tokens autonomously, and in some cases, instantly.

Opportunities and Risks

How can ICOs contribute to innovation that is socially and economically valuable?

- 40. Similarly, to other western countries, Australia is extremely limited when it comes to early stage capital raising for innovative ventures. Australian investors also tend to invest typically in tangible assets such as real estate and advanced stage businesses with revenue and product market fit.
- 41. ICOs provide an avenue for innovative startup founders to raise money by creating and selling their own virtual currency with no venture capital required and to get a project quickly off the ground. The funds raise via ICO allows innovative startups to spend on early-stage platform or product development and this allows businesses to grow quickly.
- 42. ICOs will encourage entrepreneurs to be innovative. If successful, innovation can improve our standard of living, create jobs and create the conditions for a prosperous society.
- 43. As Australia has a relatively small population and most Australian investors have a risk averse investor mindset, ICOs can be a good avenue for early ventures to get access to capital that is not readily or easily available via conventional means such as IPO or crowdfunding and raise capital from a global pool of investors.
- 44. As ICOs influence capital market development, an ICO-friendly jurisdiction may attract ancillary services and in turn may generate positive flow-on effects for the wider economy.

What do ICOs offer that existing funding mechanisms do not?

45. Liquidity

A common deterrent for people looking for new investment options is lack of liquidity. In many opportunities,



capital is inaccessible for several years. With ICOs, investors have high liquidity and the secondary market means that real-time pricing is based around the current value of the project.

46. Decentralisation

ICOs can be available to everyone, particularly when the ICO accepts cryptocurrencies. The only requirement for most ICOs is that the contributor is able to transfer funds in time to buy.

47. International Funds

ICOs are not limited by a country or a specific region. The ability for an Initial Coin Offering to receive funds from international retail investors is highly appealing to the those sourcing the funds. ICOs are launched for the international market where everyone and anyone can benefit from the project. The associated service is also launched on the global platform.

48. Openness

ICOs allow anyone to invest. This differs from traditional models of funding start-ups, where it is close to impossible to become an early investor unless you are in close contact with open of the founders. Investing early is worthwhile as contributors tend to pay less by avoiding premiums, and in order to become an early investor, contributors just need to pay attention the upcoming ICOs and be ready to purchase tokens soon after the launch.

49. Market Insight

ICOs can generate buyer competition for the token and give entrepreneurs an idea of what consumers are willing to pay for their service. This insight on market demand is valuable because it may increase entrepreneurial returns beyond what can be achieved through traditional equity funding. It is a way to gain insight at a stage where there is still a lot of uncertainty around what the value of a digital platform will be. By issuing a token that starts at zero value, market forces can drive the price up if people are confident about the ability of a specific team to successfully build the platform they are promising to build.

Are there other opportunities for consumers, industry or the economy that ICOs offer?

50. Initial Coin Offering can be directly contributed to the rise in Digital Token Exchanges. Digital Token exchanges, also known as digital currency exchanges and crypto currency exchanges, act as an intermediary for exchange between digital tokens. This enables us to swiftly transfer between goods and services via a barter system potentially stimulating economic growth creating more transaction possibilities in our ecosystem.

51. With the international implications of crypto, Distributed Ledger Technology (DLT) and ICO also provides opportunity for businesses to develop, innovate and incubate local ideas, services, business models and IP with limited access to capital.

How important are ICOs to Australia's capability to be a global leader in FinTech?

52. Digital disruption in financial services is changing the world and it would be ideal that Australia transitions into a global leader or satisfactory if we, at the very least, become a significant hub of the blockchain space. The blockchain technology space is a significant piece of technology as it can be applied to a broad range of



industries with many different uses. Initial Coin Offerings are one of the uses of blockchain technology and has received a significant amount of publicity.

53. To date there are not many countries that have provided a clear framework or guidance for initial coin offerings, and those that have implemented regulations have reaped significant benefits. Countries include Estonia, Singapore, Malta and Switzerland.
54. As previously mentioned, Malta had released their virtual financial asset (VFA) act, regulating the distribution of Initial Coin Offerings. From the release of the VFA, we have seen significant increases in activity surrounding ICO's and blockchain technology in Malta. Malta has attracted powerhouses in the blockchain space including Binance and Bittrex creating significant job opportunities within the country.
55. Initial Coin Offerings will be released, Australian citizens will participate in them, whether they are regulated by another country or not regulated at all. Thus, we believe it would be beneficial to Australia, Australian participants and international participants to be regulated by a sound trustworthy Australian jurisdiction.

Are there other risks associated with ICOs that policymakers and regulators should be aware of?

56. We believe the most significant risks involved with Initial Coin Offerings is Anti-Money laundering and Counter Terrorist Financing regime.
57. Currently, we do not believe that it is required by AUSTRAC to provide a suspicious matter report or a transaction report. This is because digital currency to digital currency is not considered a designated service. Thus, issuers of an Initial Coin Offering are not required to identify the user or their source of funds.
58. For example, a user may purchase an Initial Coin Offering Token with Bitcoin without needing to undergo KYC or verification of funds.
59. We are well aware that identifying the exact source of funds for crypto currency can be a challenging task. However, we believe there are ways to loosely verify source of digital currency funds.
60. Thus, we propose there to be a requirement for Initial Coin Issuers to KYC their participants no matter the country and request particular documentation to verify their source of funds.

Regulatory Frameworks in Australia

Is there ICO activity that may be outside the current regulatory framework for financial products and services that should be brought inside?

61. In relation to financial products and services described in the *Corporations Act 2001*, the distinct outlier is the non-entity security described on page 4 of this document.



62. As previously mentioned a non-entity security does not neatly fit in the definition provided by the *Corporations Act*. Thus, we recommend that the definition of a security should be expanded to distinctly include non-entity securities that is not attached or holds rights in an entity.

Do current regulatory frameworks enable ICOs and the creation of a legitimate ICO market? If not, why and how could the regulatory framework be changed to support the ICO market?

63. There are multiple legal interpretations as to whether the current regulatory framework enables for an Initial Coin Offering and the creating of a Legitimate Initial Coin Offering market.
64. It is our understanding that many Initial Coin Offerings released in the past do constitute a Managed Investment Scheme (in accordance to section 9) or some other form of a financial product. However, we firmly believe that some Initial Coin Offerings are not caught by s92 of the Corporations Act 2001.
65. Whether it is caught by s92 is highly dependent on how an Initial Coin Offering is initially structured and executed.
66. We will not go into extensive detail on the matter, however some key considerations are:
- a. Is the ICO pooling money? Or is the ICO selling goods or services?
 - b. Does the Token pay dividends?
 - c. Does the Token itself establish voting rights in a company?
 - d. Does the Token reference its price from another product, such as a commodity?
 - e. Does the Token give the owner day to day control over it?

What, if any, adjustments to the existing regulatory frameworks would better address the risks posed by ICOs?

67. We would propose a new regulatory framework to regulate Initial Coin Offerings similar to the Virtual Financial Asset Act of Malta. We propose the following:



68. Definition of Initial Coin Offering

The Act will provide a specific description of an initial Coin Offering.

69. Definition of Digital Tokens

Act will define each digital token. It should provide a substantially broad definition allowing the definition to capture tokens that will be released in the future.

There are current definitions of:

- 1. Utility Token;
- 2. Currency Token;
- 3. Stable Token.

70. The act does not need to include the definitions of Chattel Token and Security Token as they should be regulated under the existing framework.

Specific Digital Token Regulation

71. Each category of digital token must have specific regulations, as some digital tokens may possess a higher risk to the non-sophisticated purchaser.

72. A Utility Token would present the lowest risk of those previously mentioned as a platform is developed specifically for its use.

73. A Stable Token will present mid-tier risk provided that the item that it is backed to is fully audited and the token can be exchanged for the asset at relative ease.

74. A Currency Token represents the highest risk as it generally does not possess any inherent use case other than being used as a currency.

75. Token Raise Limits

Each category of token should have a set limit of the total funds that can be raised. As previously seen, many Initial Coin Offerings released in 2017 – 2018 financial period had supposedly raised upwards of 30 million USD. Many of these projects were irresponsible with the funds raised and the funds were squandered on personal use and/or unaccountable spending. One of the main reasons for this is that the funds raised far exceeded the amount required to develop what was set out to achieve.

Thus, we propose the following:

- (1) Issuers of an Initial Coin Offering must not exceed the prescribed raised amount on the Primary Market subject to paragraph 2 and 3:
- (2) The prescribed amount of each digital token is as follows:

Digital Token Class	Prescribed Amount (AUD)
Utility Token	\$10,000,000
Currency Token	\$3,000,000
Stable Token	NA

Stable Tokens do not require a prescribed amount as they will be burned and created as the physical item is withdrawn or deposited.



- (3) An issuer may exceed the prescribed amount if:
- a. There is proper basis to do so;
 - b. Issuer has done everything possible to reduce risk for purchasers;
 - c. The relevant regulating body is sufficiently satisfied that sub-clause a and b has been executed;
 - d. They receive consent by the relevant regulatory body in writing.

The Act requires issuers of an initial coin offering to obtain licensing specific to an Initial Coin Offering.

76. License or Accreditation

1. An issuing company of an Initial Coin Offering should require a person accredited or licensed in running an Initial Coin Offering on their advisory board, who will eventually personally sign off on the Initial Coin Offering. This is very similar to the Virtual Financial Asset Agent described in Malta's Virtual Financial Asset Act.
2. The accredited person/company will be responsible for the following:
 - Ensuring that the Initial Coin Issuer is compliant with regulations;
 - Implementation and suggestions of strategies to reduce risk for potential purchases;
 - Audit for misleading and deceptive conduct in all materials;
 - Proper identification and analysis of Token category;
 - Provision of advice, including prescribed limit amounts; and
 - Provision of legal sign off in different stages including (but not limited to) Product disclosure Statement release and pre-Token Sale.

The accredited person/company will be liable for the following (provided they have signed off on relevant documentation):

- Misleading and deceptive conduct; and
- Breach of regulation.

77. Transparency and Accountability

Many digital token projects released have had or currently have anonymous founders or key persons in the project. A project in particular, Oyster Pearl, had an anonymous founder who was simultaneously the developer of the relevant source code of the project. He unlawfully minted new tokens and sold them on the secondary market without anyone's knowledge, netting an alleged profit of \$300,000 USD. Due to the anonymity surrounding his identity, it was difficult to hold him accountable for his actions. We believe this practice to be of extreme high risk to purchasers of a digital tokens and there should be a section of the act that requires for full transparency of directors, founders and key persons of the platform.

78. Each member must be personally accountable for their actions when breaching their prescribed duties. It should be framed similarly to the director's duties listed in the Corporations Act 2001.

79. Purchase Limit

We believe there should be a differentiating purchase limit between sophisticated and non-sophisticated investors. The reason being is to protect non-sophisticated investors from significant loss.

80. Non-sophisticated investors should be limited to a maximum purchase of \$50,000 AUD.



81. Sophisticated investors should not possess a limit on purchase amount, unless otherwise stated by the Product Disclosure Statement.
82. It may be worth considering the total percentage of tokens sophisticated purchaser may purchase, as this may create a cartel where the sophisticated purchasers acquire majority of tokens where they are able to control and manipulate the price on secondary markets.
83. **Product Disclosure Statement (PDS)**
Generally, Initial Coin Offerings are released with an unregulated Whitepaper. The only requirement is that it does not present any misleading or deceptive content. There currently are no disclosure requirements of particular information.
84. We suggest that the act requires Initial Coin Offering Issuers to release a Product Disclosure Statement (“ICO PDS”). The act will provide a clear, orderly list of the information required in an ICO PDS, similar to the Maltese Virtual Financial Asset Act.
85. **Digital Token Custodian**
Prior to the release of the ICO PDS, the tokens proposed to be released must already be created. We believe it to be high risk for potential purchasers to not have the tokens pre-minted prior to release. The regulatory framework should require Initial Coin Offering issuers to mint their tokens prior to the PDS being released.
86. Tokens minted must be held by a third-party digital token custodian and also released by them. The digital token custodian will also hold on to funds received in digital tokens and liquidate them accordingly.
87. A digital token custodian will be an entity that have proven that they can hold relevant digital tokens safely and securely. It should be considered whether there is a requirement for them to be insured or not.
88. **Digital Token Liquidation**
Digital tokens should be liquidated immediately when received. We suggest that this should be the role of the third-party Digital Token Custodian.
89. Thus, funds should be recorded at liquidation price for taxation purposes and not at the point of digital currency receipt.
90. **Fund Caveat**
We believe a caveat should be placed on the funds raised from an Initial Coin Offering. We hope this caveat will provide extra protection to purchasers of an Initial Coin Offering.
91. The ICO PDS will define goals or benchmarks of the project or platform and how much money is needed to get to that stage. If the benchmark is not met, they will not receive the next installment of funding. This way, purchasers will always get something back if the project fails.
92. As there is likely to be secondary market trading prior to all benchmarks being met, remaining funds will be divided on a pro rata basis and distributed by the relevant custodian to purchasers.
93. **Fiat Custodian**
The fiat custodian will hold funds raised and distribute funds when the Initial Coin Offering issuer meets relevant benchmarks. They will also be in charge of distributing tokens in the event the issuer is unable to continue development.
94. **Token Limits & Algorithmic Burning**
There should be a fixed number of tokens minted or proposed to be minted. We do not believe that it is ethical to allow the issuer of the Initial Coin offering to print tokens at their discretion.



95. If the issuer requires new tokens to be minted or burned, there must be an algorithmic protocol that governs this that does not give the power to the issuer to change.

Tax Treatment of ICOs

Does the current tax treatment pose any impediments for issuers in undertaking capital raising activities through ICOs? If so, how?

96. As most know, Australian taxation of Initial Coin Offerings are quite high thus the incentive to release an Initial Coin Offering is significantly lower than competing countries. To counteract this, we believe Initial Coin Offering Issuers should be entitled to tax concessions for the first few years of introduction as Australia establishes it self as a leader in Blockchain Technology.
97. Secondly, as previously suggested funds generated should only be received when certain benchmarks are met. Thus, taxation should only occur when each tranche of funds is released to the Initial Con Offering Issuer.

Is the tax treatment of tokens appropriate for token holders?

98. Currency Tokens and Utility tokens should be considered a form of currency and not subject to capital gains. We believe digital tokens volatility is only a temporary phenomenon. To be considered a digital currency the tokens must stabilize. Once stabilized we don't believe that these tokens will be seen to be speculative or an investment opportunity. They will be purchased for their purpose.
99. In essence, these tokens are a currency which is intended to purchase a good or service. Similar to purchasing a good or service in Australia with Australian Dollars, goods or services purchased with the token must also be subject to GST.
100. As for stable tokens, they should be taxed in accordance to the asset that they are backed by. For example, if they are backed to USD dollars taxation should occur similar to an AUD to USD transaction. Similarly, if the token is backed to a commodity such as gold the token should be taxed accordingly.



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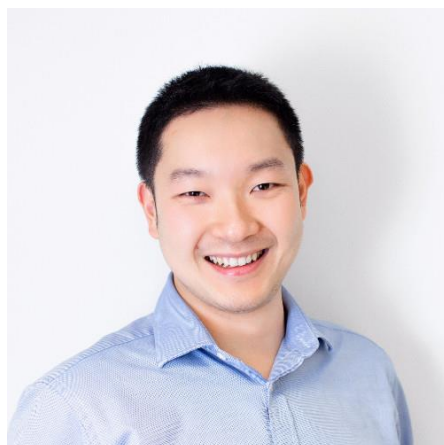
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