

This document supplements Blockchain Assets Pty Ltd — Submission to Australian Treasury’s Review into Initial Coin Offerings

3.2. What do ICOs offer that existing funding mechanisms do not?

Our original answer to this question was a bit flippant.

We set out below 10 advantages of blockchain technology, there are more. Each of the items needs further explanation which we do not intend to do in this submission, but we would be happy to provide further explanation if requested.

1. Near-0 transaction fees. This should allow for micro payments. For real-time payments between untrusted parties, this can be compelling (e.g. pay per byte of data). This can also reduce administrative costs in the legacy financial system (e.g., T+3 settlement for securities).
2. The ability to collect revenue without setting up a legal entity. This is particularly beneficial for networks like Filecoin, in which it would be counterproductive if consumers needed to set up an LLC to participate.
3. (Pseudo)anonymity. The ability to participate in a network without KYC (know-your-customer) of any form.
4. Regulatory arbitrage. Governments create all kinds of friction around many forms of commerce. For example, prediction markets are illegal in most jurisdictions, despite the fact that there is virtually no evidence that they produce meaningful negative externalities for society.
5. Permissionless. Several billion people around the planet don’t have a bank account. Generating a key pair – and thus the ability to store digital scarcity securely – for a blockchain is free for everyone. That key pair is global and isn’t subject to international transaction fees.

6. Trust minimized. Blockchains allow distrusting parties to transact without trusting any person or institution, rather the parties can transact while only trusting math and game theoretic incentives (e.g., using OX to trade assets).
7. Censorship resistant. This applies to both money and non-money assets.
8. Allow competing front ends that read/write from the same back end. This reduces barriers to entry, creating near-perfect competition for products that in the web2 environment are subject to extremely strong network effects.
9. Eliminating all fraud around asset ownership.
10. Embedding logic in assets themselves, rather than embedding logic in the applications that control assets (e.g. embedding transfer restrictions on concert tickets rather than trying to prevent people from moving their tickets around).

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

In addition to the comments we provided in our original submission we now lodge a document titled [‘The Case for Electronic Cash: Why Private Peer-to-Peer Payments are Essential to an Open Society’](#)

This document by the [Coin Center](#) (a Washington DC research and advocacy center) applies equally to Australia and indeed all free and open societies. In particular we would like to put on record the experience we had of the problem of transferring charitable money to beneficiaries in certain countries (refer to page 6 of the report). In our case, we are a sponsor of anti-child trafficking charity [The Mandalay Projects](#) (full registered charity with tax deductible status granted by the ATO and DEFAT), after attempting to transfer fund to Myanmar. Our account was closed without explanation, or the ability to appeal. Despite complaints to the Chairman of the Commonwealth Bank, they remained tight lipped and steadfast in their action to refuse service to The Mandalay Projects. In the end we (in part) used Bitcoin to transfer funds to Myanmar.

Australian recently made it [an offence to hold more than AUD 10,000 in cash](#), this was because of the Commonwealth Bank money laundering scandal. This in our view was lazy and poorly thought out Government action as a result of the failure of Australia's largest corporation to comply with basic anti money laundering laws. Big corporate non-compliance leads to reduction of liberties for citizens....does this sound like Australia?

Australia is at huge cross road at this point in time and an informed discussion is needed about the importance of cash to freedom and an open society, the role that privacy play in theat freedom and how electronic money can enhance freedom and liberty. I hope that the excellent report by Coin Center can be a part of that discussion.

Also under this heading we refer you to a number of similar reviews being undertaken around the world. Of particular interest is the [US CTFC's request for input into Ethereum](#). The questions and draft answers can be found at this [github link](#).

Another [significant one is Germany](#).

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