

Independent Reserve  
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**Manager - Black Economy Division**

Langton Cres

Parkes ACT 2600

Dear Manager, Black Economy Division,

**RE: CURRENCY (RESTRICTIONS ON THE USE OF CASH) BILL 2019 – Digital Currency as “Cash”**

Thank you for the invitation to attend the roundtable meeting at your Market street offices in Sydney. Independent Reserve welcomes any regulatory changes that helps bring cryptocurrency into the mainstream and provides greater protection for consumers and industry members alike; and we are pleased to be given the opportunity to provide input into this Bill.

We submit that while Digital Currencies and Cash do share some properties, they differ in some significant areas; and for these reasons, cryptocurrencies should be exempted from this Bill indefinitely.

**Significant differences between Digital Currencies and Cash**

**1. Digital Currencies as Investments:**

Bitcoin and other digital currencies are used around the globe as an alternative investment class. Customers and institutions purchase digital currencies in the hope that they increase in value and the holder makes a capital gain.

Cash is not used for this purpose, nor is there an expectation of an investment return from holding cash. Customers and institutions do not buy and hold physical cash expecting a capital gain. Cash is generally used as a portable means to exchange for something of value at a time in the future. There is no expectation that acquiring cash will deliver a capital gain.

If customers are using cryptocurrency as an investment, there is a reasonable expectation that transactions greater than AUD\$10,000 will occur frequently to suit the customers' need. Transferring the purchased asset to a wallet for safe-keeping would be prohibited under this law.

## **2. Traceability of Digital Currencies:**

Contrary to what is often published in the mainstream media that Bitcoin and other major digital currencies are anonymous, every transaction of digital currency is recorded on the public blockchain record. The number of coins owned at any and every address is available to any person with internet access.

Cash does not share this property. Cash can be transported and exchanged between individuals without any record being kept; and the location and quantum of cash held by any individual at any given time is not known.

There are certain limitations with the identification of the owners of digital currency addresses; this issue is being tackled on a global scale by the most recent FATF Recommendations.

<https://www.fatf-gafi.org/publications/fatfrecommendations/documents/guidance-rba-virtual-assets.html>

There is no mechanism whereby cash could be tracked and traced in the way that FATF is describing in their recommendations. The records left behind on the publicly viewable blockchain by digital currencies and the ability to view the balances held on each wallet address separate digital currencies significantly from cash.

Appropriate licensing structures and regulatory frameworks that support digital currency industry participants and customers are, in our view, a more appropriate method to gain oversight and transparency on the activities occurring in the digital currency space.

## **3. Limited use of Digital Currencies as an Exchange for Goods and Services**

Cash is currently accepted at every Australian business and it is, in general, the only form of legal tender used in Australia. As mentioned in the Exposure draft – explanatory memorandum, payments and debts can be made by alternative payment methods by mutual contractual agreement.

At this point in time in Australia, the ability to pay for goods and services using digital currency is extremely limited. The installation of infrastructure to accept digital currencies as a means of payment is at the choice of individual service-providers. This situation may change over time, however at this point in time, owners and users of digital currencies do not accumulate holdings widely for the purposes of future consumption of goods and services. There are so few vendors who accept the digital currencies as payment; and to point 4 below, determining the appropriate price is often difficult.

It is our view that digital currency and cash are not interchangeable in Australia as a means of payment and therefore digital currencies should not be included as part of the 'cash economy'.

## **4. No Universally Accepted Value of 1 Unit of Digital Currency:**

Perhaps the starkest difference between physical cash and digital currencies is the concept of universal acceptance of value.

Every person in Australia accepts that one Australian dollar of physical currency is worth one Australian dollar; and that the dollar is worth a dollar in every retailer and service provider in Australia.

For digital currencies, there is no such universally understood value. The value of a particular digital currency is the price at which each currency can be converted back into Australian dollars. This price varies from exchange to exchange and provider to provider; and that exchange back into Australian dollars typically involves some latency.

The price discovery through open markets is more akin to a financial asset, as per point 1 of this document, than a universally accepted unit of cash, where the value is understood and accepted by everyone. This lack of understood price also contributes to its limited use as a means of exchange for goods and services.

To close out our submission, we note the following paragraph from the “EXPOSURE DRAFT EXPLANATORY MATERIALS” document:

“Digital currency is a new and developing area in the Australian economy. Unlike physical currency, it does not have a firmly established regulatory framework or industry structure. This makes it difficult to apply the cash payment limit in a way that would not largely prevent the use of digital currency in Australia or significantly stifle innovation in the sector. At the same time, there is little current evidence that digital currency is presently being used in Australia to facilitate black economy activities.”

From an industry perspective, we agree that including digital currency as cash for the purposes of this legislation would have a significant stifling effect on the emerging digital currency industry in Australia. We also agree that there is limited evidence that digital currency is being used in the black economy. This is in part due to the AUSTRAC acceptance of digital currency exchanges as reporting entities. A change we worked closely with AUSTRAC on; and enthusiastically registered on the first day at the first opportunity.

Any change to the Australian regulatory environment that affords customers additional protection and simultaneously allows the industry service providers to thrive is welcomed by us. We continue to have constructive working relationships with the RBA, ASIC and the ATO; and continue to lobby these government agencies and regulators for constructive amendments to the Australian regulatory environment.

We understand the concern of Treasury around the use of digital currency in the Australian economy, however we believe that by including digital currencies in this legislation would have the effect of pushing digital currency use and trading underground, or off-shore to less-secure jurisdictions.



Our firm view is that by putting in place a licensing and regulatory regime that allows service providers and customers to freely engage with the digital currency industry, while allowing the various regulators to gain the oversight and transparency they require is the best way forward. We have been actively engaged with regulators and government agencies for a number of years; and will continue to make ourselves available for consultation on potential policy and legislative changes.

We again thank you for the opportunity to provide a submission for the “Currency (restrictions on the use of cash) Bill 2019 and look forward to a constructive and positive relationship with Treasury as the industry continues to grow.

Warm regards,

**Adrian Przelozny**  
**Chief Executive Officer**

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