

## Long report: Is there a future of investing in cryptocurrencies?

18st of April 2018, Poligon, Ljubljana, Slovenia

A workshop “*Blockchain and cryptocurrencies: Regulation or self-regulation?*” and a round table “*Is there a future of investing in cryptocurrencies?*” were held on 18th of April in Poligon, Ljubljana, Slovenia, jointly organised by European liberal forum (ELF), Zavod 14, Friedrich-Naumann-Stiftung für die Freiheit, Institute Novum and D66.

The event was focused to look for concrete solutions to questions about the future of investment in the field of information technology (IT). Are classic start-ups in decline; what is the role – if any- of business angels? Are cryptocurrencies an ultimate solution with public fundraising and the initial coin offerings (ICOs). What are the views from Slovenian and international representatives, regulatory institutions and the Ministry of Finance and Ministry for Economic Development and Technology on ICOs? Should the state step in and “stimulate” strengthen the “crypto economy”, or should it be cautious and set a clear legal framework and limit the growing business? What about self-regulation? Who protects investors when the “quick earning” option turns into a “nightmare”?

Blockchain and cryptocurrencies are developing much faster than legislation. They have the potential to reshape many business models and we notice a growing interest by companies in the technologies. Many applications are at an early stage, however, and we need already to identify areas where the impact may be most significant and discuss potential challenges with stakeholders. A Special focus should be given to regulation issues. If 2017 was the year of the ICO, it seems as if 2018 is destined to become the year of regulatory reckoning. The discussion at the event also focused on finding solutions to how to address the challenges that would enable further technological development while protecting all stakeholders involved in transactions. The term "smart regulation" has been mentioned several times, the result of a search for a right equilibrium between regulation, which establishes appropriate legal premises and self-regulation, which, in accordance with technology development, fills the content between legal premises.

Darko Butina, BUDS Consulting, Jan Isakovič, Cofound.it, Aleš Butala from the Securities Market Agency, State Secretary at the Ministry of Public Administration dr. Nejc Brezovar, State Secretary at the Treasury Department Tilen Božič, Jakob Gajšek from the ABC Accelerator, and guest from abroad: Jonas Valbjørn Andersen from IT University of Copenhagen and Xander Bouwman from Dutch Liberal Think Tank D66, responded to the round table invitation.

**Aleš Butala from the Securities Market Agency** explained, in the course of the conversation, that SMA is aware that both issuers and investors in the field of issuing the so-called crypto-

tokens face many questions. As a regulator, the SMA carried out a public consultation for this very reason, and collected the responses of the interested public, which they are now analyzing in order to assess the role of the regulator, such as the Agency, in this area as well. He particularly stressed that the stock market or financial instruments market is organized and strictly regulated for the reason that the responsibilities and obligations of the market players are clearly known and understood. The importance of clear legislative regulation is also to protect an investor who needs to have enough information to make the right decision. According to him, many of the issues raised by investors and issuers can also be addressed under the existing legislation, where the definition of a security is functional.

**Dr. Nejc Brezovar, State Secretary at the Ministry of Public Administration**, stressed the responsibility of the state. "All individuals want freedom, as long as it goes well, and as little as possible of the state's restriction. When something goes wrong, however, they look for responsibility and help from the state," he said. According to his judgment, new technologies are often ahead of the law, especially since this means complex issues. He presented the activities of the government, which actively engaged in resolving issues in this field, in dialogue with stakeholders, through the joint think tank, the Blockchain Slovenia initiative. However, he also stressed the importance of adopting legislation, which requires a specific procedure precisely because of the importance of the procedure as such: laws can not be adopted if only one group of people wants it, the procedure should include public consultation, interdepartmental and political coordination. But he does want and has assured, that the country will continue to be in constant contact with the private sector.

**Tilen Božič, State Secretary at the Ministry of Finance**, from the point of view of his field, assessed that Slovenian tax legislation is well established and based on the principles that each individual can be treated appropriately, regardless of their position. He saluted the questions addressed to them by the private sector, and the ministry is trying to clarify as many as possible. According to him, the state primarily pursues the goal for the answers to be systemic and to not affect other areas. "The state has powerful tools, with which it can harm many if it acts too fast and recklessly in the field of taxation. The tax collection system must remain robust, transparent and predictable," he said in the course of the conversation.

**Darko Butina from BUDS Consulting** presented the difference between classical investors and business angels, and the role of the so-called ICO in fundraising. According to him, they have a major influence on the way money is collected, but there is a challenge in how these so called coins appear: currency, utility, or security, i.e. terms of their useful value or as ownership right. Especially tracking is absolutely necessary from the point of view of regulation, and it is still not possible in Slovenia. In his view, some countries have already overtaken us in this regard, both from the point of view of taxation as well as the obligations that issuers of such coins have towards investors.

**Jakob Gajšek from the ABC accelerator** said that the collection of funds with the help of the ICO opened up new opportunities and estimated that, in the case of clearer tax legislation,

hybrid financing models for start-up companies could arise. In particular, he pointed out that individuals working on the development of their entrepreneurial ideas should do something that makes sense to keep up with the trends since these have changed enormously in the last half a year. The choice of how to raise funds is thus secondary.

**Jan Isakovič from Cofound.it** responded to the representatives of the government, both state secretaries, and said that there were no definitive solutions and decisions in many areas. According to him, the state, both the government and the regulators, is otherwise making an effort, as well as communicating with the private sector. He assessed that we are confronted with a kind of development in the field of the issue of crypto-tokens, when from the initial "romance" of the community, when the projects were financed out of the enthusiasm, now many coin issues are happening solely on account of earnings. He believes that the results of companies are much more visible, making investment closer to existing startup financing models. The result, according to him, will be an intersection of the old and new way of financing. In this regard, it is crucial to separate the value of the company from the value of the tokens that are issued so that speculation with "utility" and "security" coins ceases. ICO fundraising means a different way of financing, but with similar conditions, as is the case for start-ups: "The financing mechanism changes, its democratization begins to take place."

Guests from abroad, **Jonas Valbjørn Andersen from IT University in Copenhagen and Xander Bouwman from the Liberal Think Tank D66**, stressed that Slovenia has a lot of progress in this area, especially in terms of successfully funded ICO projects. According to their assessment, all countries face similar challenges in how to achieve regulation in a smart way, while not blocking the innovation and potential of blockchain technology. They agreed that we must learn from each other in the European Union, and welcomed the fact that in Slovenia, such a direct dialogue with government representatives, which co-decide on the European level, is possible. Xander Bouwman also addressed the appeal not to work on ICO projects solely because of the so-called "goldrush" effect, because speculation is unhealthy for the ecosystem and for trust in technology that is still has so much to offer.

The event was also attended by the **Minister of Economic Development and Technology Zdravko Počivalšek**, who pointed out in his address that blockchain is a technology of the future that opens new opportunities, and Slovenia is, because of blockchain, becoming a destination of modern technologies on a European and global scale.

Dr. Aleksander Aristovnik, Zavod 14