Virtual Currencies and The Commonwealth

1 June 2016

The Commonwealth

The Commonwealth Cybercrime Initiative

Mission

- CCI aims to provide coherent, comprehensive and sustainable assistance to member states to build capacity to combat cybercrime

Methodology

- CCI works with a range of international partners to provide support to member states with appropriate legal frameworks as well as investigative, technical, enforcement and criminal justice capabilities

How is CCI Leading to Real Change?

Recent highlights:

- Completed 5 Needs Assessments in the Caribbean (Trinidad and Tobago, Barbados, Grenada, Antigua & Barbuda, Dominica)

- Developed a comprehensive Cyber Crime / Cyber Security Needs Assessment Toolkit

- Created a Criminal Justice Network for the Pacific to facilitate sharing of intelligence and a hub for regional cooperation

- Hosted a Caribbean Cyber Crime / Cyber Security Stakeholders Meeting – March 2016, St.Lucia, which developed an Action Plan for the region to combat cybercrime

- Assisted with review of Cybercrime, evidence, and data retention legislation and policy in a number of African jurisdictions

- Establishment of networks on international cooperation, child online protection, and university partnerships in Eastern Africa.

- Through an informal Working Group, produced a report on virtual currencies to increase awareness of trends in member states.

- Review of the Harare Scheme and Commonwealth Model Law in light of reliance on traditional formal means of cooperation, such as mutual legal assistance

Coming up in 2016

- Implement the Caribbean Action Plan agreed to by Ministers and International Partners at the St.Lucia Stakeholders meeting in March.

- Parliamentary Awareness Raising Initiative – we are hosting workshops in collaboration with the OAS and UK CPA in the Pacific, Caribbean and Africa, and will also produce a toolkit on effective Cybercrime/Cyber Security Practices for parliamentarians.

- Complete the review of the Cybercrime Model Law and Mutual Legal Assistance

- We are developing a Cyber Security Strategy toolkit in collaboration with the ITU and other international partners

- Develop a Crypto Currencies Guidance Handbook following our Working Group report on Virtual Currencies.

2016

Virtual Currencies Roundtable

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Virtual Currencies Roundtable

- 11 member countries met in February 2015

- Primarily awareness raising exercise

- Noted lack of awareness of risks and benefits and the need to be better informed

- Therefore requested:
    - Information on the impact and prevalence of virtual currencies in the Commonwealth; and
    - Technical guidance to assist member countries in making policy

Virtual Currencies Working Group

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Virtual Currencies Working Group Report

- Working Group met in August 2015 and produced its report in early 2016

- Work included public hearings, surveys of member states and in-depth research report published February 2016

Conclusions

- Virtual currencies are prevalent in almost every member country and within every region of the Commonwealth;

- Virtual currencies have the potential to benefit member countries and to drive development – but they also involve risks, particularly as regards their use by criminals for money laundering, terrorist financing and cyber and cyber-enabled crime;

- With the exception of one member country, in which virtual currencies have been declared unlawful, the majority of member countries have recognised their advantages and treat their use as lawful;

- Prohibition of virtual currencies is unlikely to be effective. In some member countries in which regulation has been adopted, it has been limited, uncoordinated and fragmentary. There remain significant areas in which regulation is required;

- Although the Financial Action Task Force (FATF) Recommendations and Guidance on virtual currencies have provided a global response, they are limited to AML/CFT.

Recommendations

- Legality

- Awareness

- Legal Frameworks
  - Taxation
  - Proceeds of Crime
  - Consumer protection

- FATF guidance and recommendations

- Law enforcement

- Co-operation

Key Caribbean Trends

- **High levels of participation relative to population**
  - High numbers of core Bitcoin downloads e.g. Dominica 348 per 100,000 internet users

- **Existence of local exchanges**
  - For example BITT in Barbados

- **Benefits already accruing**
  - Jamaican Olympics team crowd funded via Dogecoin
  - Significant examples of local vendors accepting virtual currencies as payment in diverse sectors e.g. real estate, healthcare and retail.

- **Negatives**
  - Regional governments and public services being subjected to ransomware attacks which demand payment in virtual currencies
  - Illicit goods and services supplied in return for virtual currencies are available in the region
  - Region descriptive terms are used to promote the sale of some of these illicit goods and services e.g. Jamaican hash

Central Bank Governors

The Commonwealth

Central Bank Governors

- Met in Lima in October 2015

- Led by Economic Policy Division

- Presentation on work of VCWG and Garrick Hileman from LSE

- Particular focus on possible roles in remittances

- Governors noted lack of awareness of risks

Next Steps – Technical Guidance

- Common definitions and terms;

- Official guidance;

- Money Laundering and Terrorism Financing;

- Proceeds of Crime;

- International Regulatory Recognition;

- Taxation;

- Consumer Protection;

- Criminal justice and investigations; and

- Underlying technology.

What we're doing:

- Pacific Cybercrime Training, Tonga, February 2016

- Caribbean Stakeholders Meeting II, St. Lucia, March 2016

- Awareness Raising in Barbados, June 2016

- Parliamentary Awareness Raising – 3 Regional Meetings, 2016

- "Project Blue", 2016

Thank You

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