



Introduction to Blockchain and Cryptoassets

Cryptoassets are different from conventional financial assets in that they can exist without a bank or custodian. Cryptoassets are held on blockchains, which allow them to be stored and transferred independently of centralised institutions such as banks. This is because blockchains are not operated by a single “centralised” institution, but rather by a group of computing rigs which may be located around the world. Those who log the transactions (sometimes called “miners”) are typically rewarded with cryptoassets. In some blockchains such as bitcoin any person can log transactions (“unpermissioned ledgers”), whereas in others such as Facebook’s forthcoming cryptocurrency Libra, only select parties are able to do so (“permissioned ledgers”).

Clients may issue their own cryptoassets, typically called “tokens”. Rather than build their own blockchain, clients will typically “piggy back” onto existing blockchains such as Ethereum. Tokens may have some kind of utility – for example to access the services of a business – or they may be backed by “real world” assets such as real estate or financial assets.

Key Legal Considerations

- **Regulation:** are the assets securities and, if so, are the token issuers properly regulated? The nascent nature of the market means that token issuers take different approaches to regulation.
- **Legal status:** cryptoassets may be as diverse as a US dollar-backed token, a speculative asset like bitcoin, a real estate interest, or a derivative contract.
- **Privacy:** blockchains are usually publicly viewable, but it is not possible to identify from a blockchain who is behind a transaction. The anonymity features of cryptoassets require careful risk assessment from both a practical and reputational perspective.

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- **Tax:** what are the tax implications for any UK resident employees who may be given a right to acquire tokens.
- What is the most tax efficient corporate structure to use for the project?
- How should the relationship between the founder of the business be regulated.

How Forsters can help

Forsters have numerous years' experience advising on cryptoassets, with a broad range of clients from the sector. We have acted on numerous high profile token issues, as well as advising wealthy investors and fiduciaries and dealing with early stage structuring of blockchain related projects for founders and others. Forsters have deep expertise across our Private Client, Corporate and Tax teams and were one of the first London law firms to develop practical expertise advising on cryptoassets.

Key contacts



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