



**Cassels**

# Blockchain

USES FOR LAW AND  
BUSINESS

Alison Manzer

# What I Do Not Need to Know

- Coding
- Cryptocurrency
- Mining
- The Lingo



# What This Talk Is Not About

- Tokens
- Coins
- Trading Digital Assets
- Disruption of Anything



# Why Are We Talking About Blockchain

- It is an Effective Delivery Method
- Efficiency for Financial Services
- Integration With Support Services Adds Value
- Mainly Non-regulated



# How Is It Evolving

- Private v. Public
- Permissioned v. Open
- Governance Protocols Evolving
- Peers and Sponsors Adding Validity
- Centralized Platforms Improving Performance
- The Cloud is Adapting



# What Will It Do

- Integrate Compliance Support
- Speed, Efficiency
- Wheel and Spoke NOT Linear
- Trust, Verification
- Transparency



# What Do I Need to Know

- Regulatory Compliance — AML, KYC, Privacy
- Cybersecurity
- Documents Process and Delivery
- How Does Crypto Fit
- Smart Contracts — What and How
- Embedded Contracts
- Governance Agreements
- Using “Apps” — Regulatory and Others



# How Do We Document

- Governance Agreement
- Usual Way Usual Contracts
- Smart Contracts
- Interface with Code





# Starting Point

- Understand the Network
- Set Up the Peers
- Chart and Facilitate the Flow
- Sharing Protocols for Data
- Know Your Relationships
- Embed needed Services



# Professionalism Issues





CAN LAWYERS ACCEPT AND USE  
CRYPTOCURRENCY FOR PAYMENT  
OF THEIR FEES?

The best answer is – not yet

# Cryptocurrency for Payment?

- There is currently little ethical guidance on the use of cryptocurrency for legal fee payment
- There is still a need to coordinate with fiat currency, the lawyer's expenses will generally remain in fiat currency, there are few established on a off ramps for the conversion of cryptocurrency to fiat and vice versa, there is a conversion risk that could adversely affect financial viability
- The ethical question becomes is it a business transaction as a consequence of the conversion issues and volatility of the cryptocurrency or is it simply payment – this affects the ethical considerations



# Cryptocurrency for Payment?

- Volatility – this is both a risk and an issue of taking advantage over a client, it has ethical impact
- There is a requirement to inform the client of the possibility of an advantage being taken as a consequence of upward volatility of the cryptocurrency paid





CAN A LAWYER HOLD  
CRYPTOCURRENCY IN ESCROW?

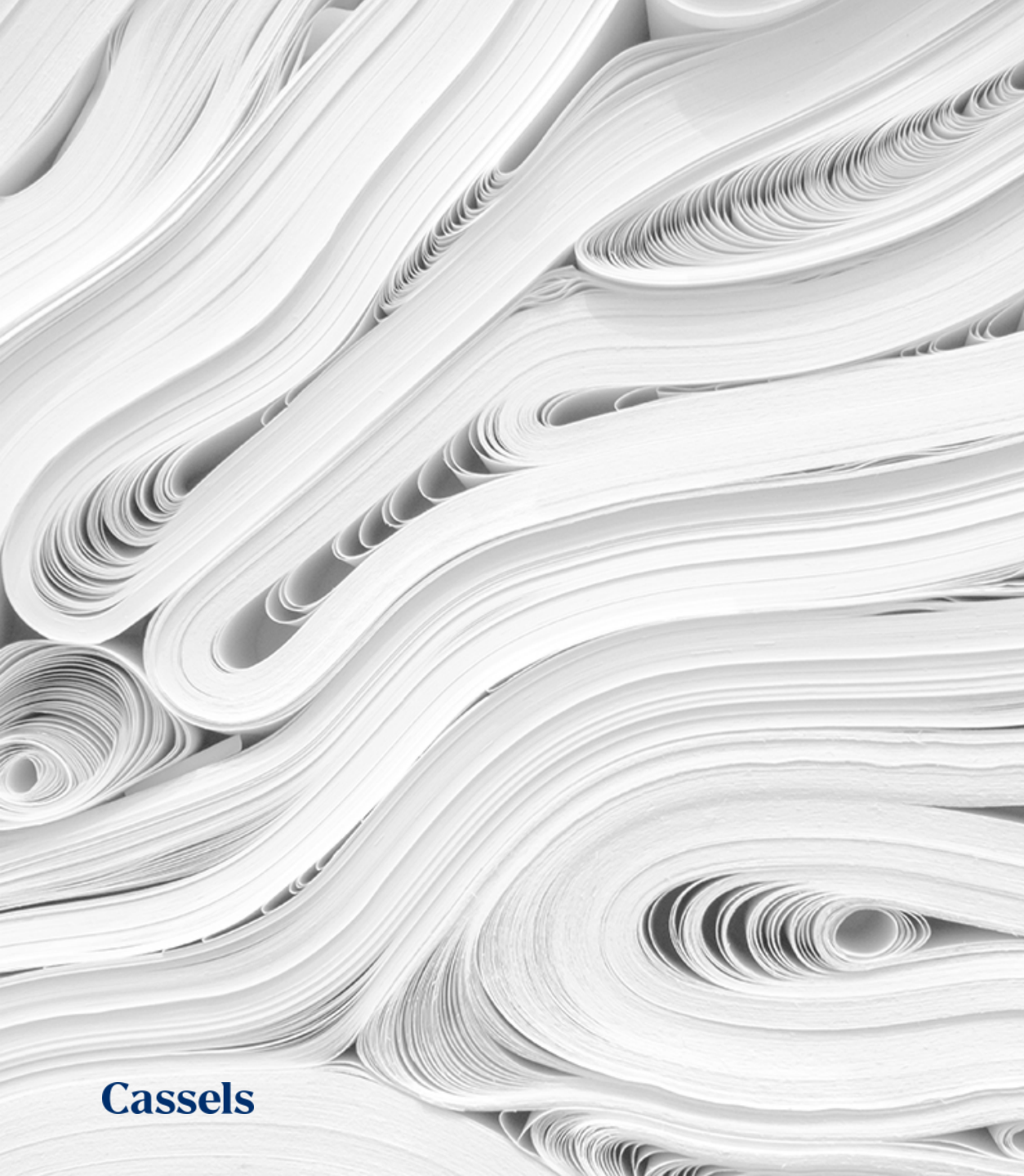
It is risky and it is unlikely that the lawyer, law firm or professional standards are ready

# Cryptocurrency in Escrow?

- There are custodial issues – this is not unique to a lawyer holding an escrow but does relate to all trust based holding of cryptocurrency
- There is a need for appropriate security, protection including protection from cyber attacks
- Fiat conversion remains an issue, if cryptocurrency is being held there needs to be an on/off ramp or there needs to be a cryptocurrency to same cryptocurrency, or a cryptocurrency to cryptocurrency conversion
- What do you hold – the characterization of what is being held can give rise to securities issues that would implicate the lawyer holding the cryptocurrency in escrow







DOES A LAWYER DEALING WITH  
CRYPTOCURRENCY HAVE  
INCREASED RISK AND  
RESPONSIBILITY FOR MONEY  
LAUNDERING?

The lawyer does face the risk of  
potentially being drawn in



# Money Laundering Risk?

- Is the cryptocurrency a currency, the most common view is that cryptocurrency is a currency and will be regulated in the same manner as any other currency held for anti-money laundering purposes – this is the case in Canada and most countries
- There are separate considerations as to involvement in money laundering with regard to cryptocurrency for the lawyer and for the client – these need to be clearly understood and explained
- Most money laundering regulatory systems now include all types of virtual or digital currency, including what would be known as cryptocurrency – this will require compliance that may need to be enhanced as a consequence of enhanced requirements for digital assets



# Money Laundering Risk?

- There are technical challenges – the source and tracing of the source of funds is more difficult, this can increase the possibility of the lawyer being drawn into money laundering
- There will be a need to counsel for compliance if accepting and working with cryptocurrency
- The lawyer will need to ensure that they have appropriate and approved protocols for identity verification, this will vary with jurisdiction





## Alison R. Manzer, Partner

416 869 5469 | [amanzer@casselsbrock.com](mailto:amanzer@casselsbrock.com)

Alison Manzer is a partner in the Banking & Specialty Finance Group at Cassels. Alison has developed expertise in a wide range of practice areas combining skills to work effectively in most corporate/ commercial practice areas, with a focus on financial services and structured transactions. Her recent experience includes block chain and fintech applications. Her cross-border expertise has lead to several leadership roles in the leading United States business law organizations such as the American College of Commercial Finance Lawyers and the American Bar Association. Alison has written many books on legal topics, primarily in areas of banking and specialized finance, and routinely lectures and speaks on a wide range of topics. She has been practicing in the field of commercial law since 1979.



A stylized map of Canada is shown in the background, overlaid with numerous small triangles. Some triangles are white with a grey outline, while others are solid orange. The map is rendered in a light, textured style.

# Cassels

---

Suite 2100, Scotia Plaza  
40 King Street West  
TORONTO, ON  
M5H 3C2 Canada

**t:** 416 869 5300  
**f:** 416 350 8877

---

Suite 2200, HSBC Building  
885 West Georgia Street  
VANCOUVER, BC  
V6C 3E8 Canada

**t:** 604 691 6100  
**f:** 604 691 6120

---

Suite 3810, Bankers Hall West  
888 3rd Street SW  
CALGARY, AB  
T2P 5C5 Canada

**t:** 403 351 2920  
**f:** 403 648 1151

© 2020 Cassels Brock & Blackwell LLP. All rights reserved.

This document and the information in it is for illustration only and does not constitute legal advice. The information is subject to changes in the law and the interpretation thereof.  
This document is not a substitute for legal or other professional advice. Users should consult legal counsel for advice regarding the matters discussed herein.