

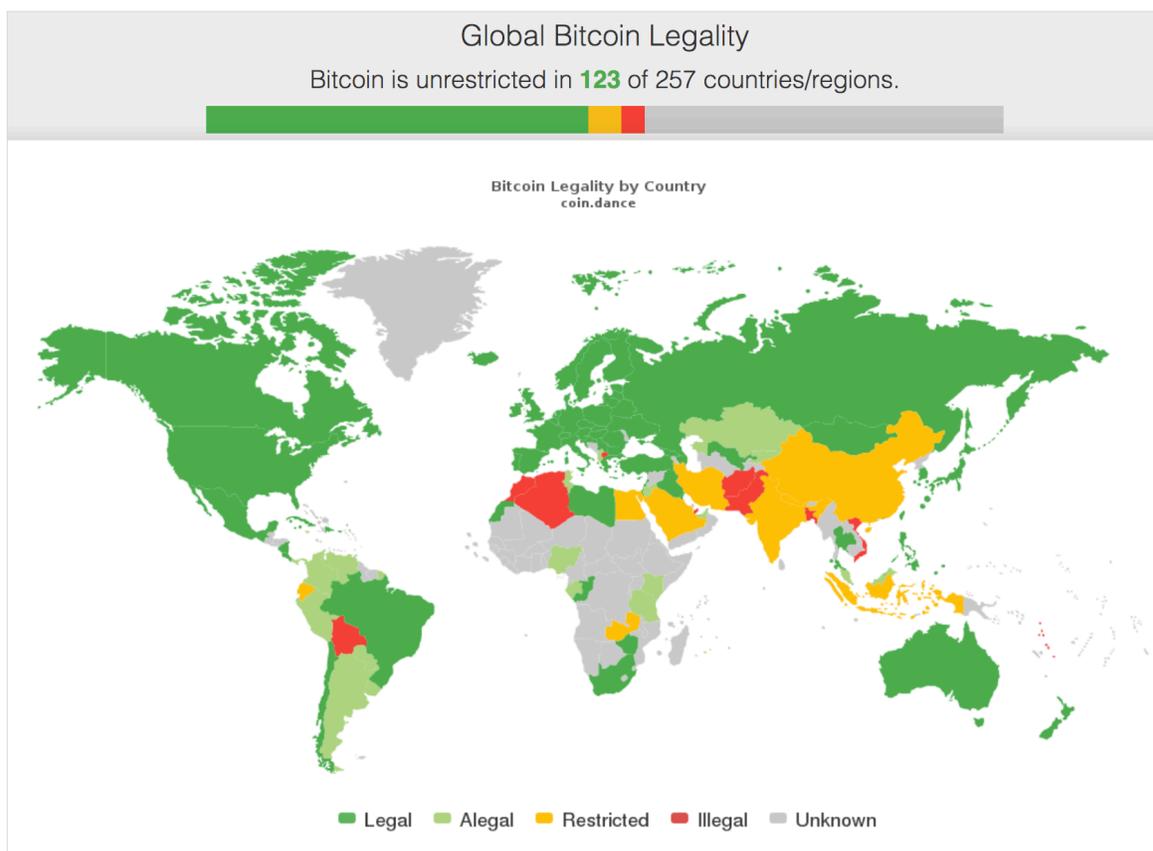
PRESS STATEMENT BY THE BLOCKCHAIN ASSOCIATION OF UGANDA

The Blockchain Association of Uganda has taken note of the public statement on cryptocurrencies by the Ministry of Finance. We believe the statement is an important step in the direction of creating a progressive policy framework for crypto assets in Uganda.

The Association is delighted to share its industry perspective on the Minister’s statement. The Blockchain Association of Uganda is an umbrella body of technology, legal, academic and industry experts working with blockchain technology and its applications like cryptocurrencies, who are committed to setting correct industry standards, to ensure that Uganda is not left behind, but can take a lead role in yet another global technology wave.

We thank the Ministry of Finance for mainstreaming this conversation, and look forward to further dialogue, with the aim of sharing industry expertise to ensure that Uganda can redeem the opportunity at hand, and urgently put in place well considered policy frameworks for blockchain technology and crypto assets, while in turn, correctly mitigating the due risk.

The map shows the legality of Cryptocurrencies around the world as of September 2019



Source: Coin Dance Global Bitcoin Political Support & Public Opinion

FINANCE MINISTER'S STATEMENT	INDUSTRY VIEWS OF BLOCKCHAIN ASSOCIATION
<p>(1) The government of Uganda has noted the emergence of the practice of using, holding and trading crypto-currencies in Uganda.</p>	<ul style="list-style-type: none"> • This is correct. The use, trade and holding of cryptocurrencies is actively taking place in Uganda, as it is in many other countries around the world. • Governments world over have taken keen interest in crypto assets, and are putting in place appropriate policy frameworks to both foster for innovation with crypto assets, while in turn mitigating due risks.
<p>(2) Crypto-currencies are digital assets that are designed to effect electronic payments without the participation of a central authority or intermediary such as a Central Bank or licensed financial institution.</p>	<ul style="list-style-type: none"> • It is correct that cryptocurrencies do not have a central mode of governance. This should however not be misconstrued to imply that they aren't governed. • Governance of crypto assets is decentralized, which means that it is not done by a central authority, but rather by all parties involved in a transaction, which makes transactions secure, trusted and transparent. • Cryptocurrencies are built using a distributed ledger technology (DLT) called blockchain, where by the function of trust, which has traditionally been held by central authorities, is distributed and decentralized amongst network participants. • This governance is enforced by mathematics and code rather than human beings.
<p>(2) .. continued.. Crypto-currencies may therefore be used to effect anonymous electronic payments or bought and held for speculative purposes in the expectation that their value will rise at a future time, where upon they could be sold for a profit</p>	<ul style="list-style-type: none"> • It is not correct that cryptocurrencies effect anonymous payments. • Cryptocurrencies are pseudonymous, and not anonymous, which is a big distinction. This means that cryptocurrency transactions have an identity that represents the true identity just like a phone number or National ID represents a full name. • Furthermore, all major cryptocurrency exchanges perform high bank grade KYC (Know Your Customer) and AML (Anti-Money Laundering) restrictions on cryptocurrency users. • Speculation on the other hand is a core trait of a market, we speculate with shares/stocks, land, commodities, metals and forex. This is normal for any healthy market, and is one of the features which any trader would optimize in order to make profit.

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<p>(3) Hundreds of crypto-currencies have been designed and launched around the world, and the most well-known examples include Bitcoin and Ethereum. Such crypto-currencies are not issued or regulated by a government or central bank.</p>	<ul style="list-style-type: none"> • There are over 1,000 cryptocurrencies today. These cryptocurrencies can be issued by: (i) individuals, or (ii) organizations (as have been issued by JPMorgan Bank and Facebook), or even (iii) governments. • Several governments and central banks around the world are today issuing what are known as CBDCs (Central Bank Digital Currencies). The central banks of Sweden and China have been active on this, and more recently the Central Bank of Rwanda issued a statement indicating interest in a CBDC. The Central Bank of Kenya also received a recommendation to issue a national digital currency, in the report of the National Taskforce on Blockchain and Artificial Intelligence, set up by President Uhuru Kenyatta. • Regarding regulation, cryptocurrencies are regulated in all the major markets e.g. US, EU, Asia, while other countries are studying them to come up with their own positions.
<p>3(a) The government of Uganda does not recognize any crypto-currency as legal tender in Uganda.</p>	<ul style="list-style-type: none"> • Yes, this is correct. A crypto currency would only be considered legal tender if issued by the Central Bank. • However, because of the opportunity that these cryptocurrencies present for central banks, many central banks around the world are today keenly looking into issuing their own crypto currencies, as detailed in response to (3) above.
<p>3(b) The government of Uganda has not licensed any organization in Uganda to sell crypto-currencies or to facilitate the trade in crypto-currencies and so these organizations are not regulated by the Government or any of its agencies.</p>	<ul style="list-style-type: none"> • This is true, because licensing will assume there is regulation (which there isn't). • The reason why these organizations are not regulated is because Uganda does not yet have regulation in place for crypto assets. • Capital Markets Authority has issued draft regulations for crypto assets, and various consultative sessions have been ongoing in government, including Bank of Uganda, on regulations of crypto assets. • No regulation however does not mean it is illegal. Mobile money operated for a long time before it was regulated, and it was not illegal. This is the story of innovation anywhere in the world; Innovation leads and regulation follows.

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<p>(4) As such, unlike other owners of financial assets who are protected by Government regulation, holders of crypto-currencies in Uganda do not enjoy any consumer protection should they lose the value assigned to their holdings of crypto-currencies, or should organization facilitating the use, holding or trading of crypto-currencies fail for whatever reason to deliver the services or value they have promised.</p>	<ul style="list-style-type: none"> • Customer protection is adhered to by all major cryptocurrency exchanges around the world, and they have clear detailed mechanisms of protecting their customers, including funds' safety programs to protect their client's holdings. • This is also a requirement that should feature in Uganda's regulation when it is put in place. • It is however worth noting that governments do not and cannot protect holders of assets against the devaluation of the asset's value. e.g. If the value of gold fell today, Uganda government or any other government would not protect anyone from losing the value. • Finally, many governments have commissioned studies into adoption and use of cryptocurrencies in their countries in order to better understand the ecosystem and benefits so as to create inclusive growth. • Some of these include Malawi and South Africa, Uganda should not be left behind.
<p>4(a) Most crypto-currencies such as Bitcoin and Ethereum are not backed by assets or government guarantees, therefore holders of these crypto-currencies are fully exposed to the risk of loss or diminishing value as the issuers are not obliged to exchange them for legal currency or other value.</p>	<ul style="list-style-type: none"> • This is an expectation of a fiat currency, (ordinary money). Any cryptocurrency that is designed to replace a fiat currency, such as a Central Bank Digital Currency (CBDC) will by default have these features. • Cryptocurrencies are however uniquely designed for specific use cases, some of them are designed for trading, others for building software applications, and others for bank settlements, and they can be tailored to suit the interest of different parties. • There are also cryptocurrencies that are ideal for carrying out transactions. These are backed by assets, or are tethered to fiat currencies, and are known as stable coins; there are many of them in use around the world, and they derive their value from the underlying asset to which they are pegged, whether gold, commodities, or a fiat currency.

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<p>4(b) Crypto-currencies tend to change value rapidly over time. While holders of crypto-currencies may make profits when their value rises, they will be exposed to losses when their value falls</p>	<ul style="list-style-type: none"> • Different cryptocurrencies are tailored to suit different purposes, and hence exhibit different characteristics. • Yes, in the short term, some cryptocurrencies are volatile given the infancy of their economic model however taking bitcoin as an example, over its 10-year history, it has gained significant value in its lifetime making it a good store of value. • Secondly, the principle of making profits while rising and losses while falling is what EVERY market does. Stock markets, metal markets, commodity markets, forex markets...participants in all these markets lose money when the underlying assets devalue. The key thing here is to gain information before participating. This is the same advice given whether in stocks trading, forex trading or crypto trading.
<p>4(c) The nature of crypto-currencies make them attractive for use in criminal transactions such as money laundering, sale of prohibited goods and services, and fraudulent venture such as Ponzi and pyramid schemes</p>	<ul style="list-style-type: none"> • This is one of the key misconceptions about cryptocurrencies. • Money laundering with cash outpaces money laundering crypto by 800:1, and so although cash is still king, even in laundering, we do not ban cash. • Ponzi schemes have been in existence since the early 1920' when a man called Charles Ponzi, performed the first scheme, this was long before crypto. • Ponzi schemes are a result of criminal minds that prey on the ill-informed for fraudulent gain. The tools may change but the intent is the same. When ponzi schemes use cash, we do not fault the cash, we fault the schemers. The same way we deal with ponzi schemes who use cash, is the same way we should deal with ponzi schemes who use crypto, we equip the public with information.