



## **Economic Development, Science and Innovation Committee hearing on the Ministry of Business, Innovation and Employment Long-term Insights Briefing**

### **Response to in-hearing request for further information**

#### **Background**

On 10 February 2023, the Economic Development, Science and Innovation Select Committee (the Committee) held a hearing on the Ministry of Business, Innovation and Employment's (MBIE) Long-term Insights Briefing:

*The future of business for Aotearoa New Zealand: An exploration of two trends influencing productivity and wellbeing – purpose-led business and use of blockchain technology*

#### **About the request**

This response document provides the Committee with further information about the following point of discussion during the hearing:

Melissa Lee: *I might just add to the question that was actually just answered. I guess the whole issue that you also have is what do you do when illegal activities actually happens through the usage of blockchain technology as well, and how do government monitor and actually regulate—well, not just put in regulation but prosecute? I would've imagined that would be rather difficult.*

Carolyn Tremain: *I think it is. I really don't have a clear answer for you Ms Lee. It is going to be a challenge, and if I think about my previous role at New Zealand Customs and the growth of illicit markets, drugs, and whatever, having blockchain technology that shuts governments out, it's going to one of those things where you're almost wanting to assess the value of any parallel economic activity that's alongside legitimate economic activity. I don't know, Donna, if this has come up in any of the discussions that you've had with some of your international economics contacts at all? Maybe not.*

Donna Purdue: *Not in terms of the prosecution side of things. But, I mean, we can look into it, definitely, and come back to you if there's material that we can share. Absolutely happy to do that.*



## **MBIE's response**

The below response provides the Committee with:

- relevant international work we drew on to develop our insights in the Briefing
- key points about the policing and prevention of criminal activity on systems like blockchain from the Briefing.

### *Relevant international work we drew on to develop our insights in the Briefing*

We drew on the international examples below in developing our insights in the Briefing and they provide some possible future avenues to explore, for strengthening consumer protections and protecting against unlawful activities on blockchains and similar technologies.

We have consulted with our relevant MBIE colleagues and are not aware of any current MBIE work aligned with the below international examples. However, it may be of interest to the Committee that Kaunihera Kaiwhakarite Ahumoni – Council of Financial Regulators (the Council) are monitoring international developments in the regulation of cryptoassets. The Council released a one-page statement<sup>1</sup> in September 2022, discussing consumer safety, risks and opportunities, and the need for continued monitoring of international developments in the cryptoassets and fintech sectors to assess our collective response.

Examples of relevant international work:

- The OECD developed guidance for policy on blockchain<sup>2</sup>. The guidance asks policymakers to consider both opportunities and risks, and enable participation for multiple stakeholders (including users and citizens). The work identified the role of test environments (eg regulatory sandboxes) to facilitate regulatory development that takes account consumer protection and opportunities for innovation.
- A March 2022 US executive order<sup>3</sup> to develop policy on digital assets (including blockchain based, eg cryptocurrency) and their underlying technology includes consumer and investor protection as one of its six priorities. The other priorities are:
  - promoting financial stability
  - countering illicit finance
  - U.S. leadership in the global financial system and economic competitiveness
  - financial inclusion
  - responsible innovation.

Policy initiatives were also announced in September 2022, to strengthen consumer protection. The aim of the initiatives was for relevant agencies to provide more enforcement against unlawful practices, public awareness, and collaborate to clarify rules and address consumer risks.

---

<sup>1</sup> Kaunihera Kaiwhakarite Ahumoni – Council of Financial Regulators. 2022. Cryptoassets: a statement from the Council of Financial Regulators – September 2022. Retrieved from <https://www.cofr.govt.nz/news-and-publications/cryptoassets-statement.html>

<sup>2</sup> OECD. (2019). The Policy Environment for Blockchain Innovation and Adoption. Retrieved from <https://www.oecd.org/finance/2019-OECD-Global-Blockchain-Policy-Forum-Summary-Report.pdf>

<sup>3</sup> US White House, 2022. Fact Sheet: Framework for Responsible Development of Digital Assets  
FACT SHEET: White House Releases First-Ever Comprehensive Framework for Responsible Development of Digital Assets - The White House

- A World Economic Forum study of the macroeconomic impacts of regulatory possibilities for cryptocurrency<sup>4</sup> identified that “allowing cryptocurrency to play a regulated role in the economy” would bring the highest net benefit to society (compared with other scenarios of “let present trends continue”, “ban the use of cryptocurrency”, and “make legal tender”). This assessment found that regulatory certainty could enable innovation through the broader uses of blockchain as well as protect against illicit activity.

*Key points about the policing and prevention of criminal activity on systems like blockchain from the Briefing*

- On page 35 of the Long-term Insights Briefing, we note that:

*distributed data systems such as blockchain can inhibit the policing and prevention of criminal activities such as money laundering (although, it can also be easier to track criminal usage of cryptocurrencies than it is to track usage in banking systems).*

- We found that the “challenges and opportunities are driving countries to develop governance approaches for blockchain applications” (page 40) and that “governance and regulation will need to address risks and opportunities in an integrated, adaptive and socially connected way” (page 2).

---

<sup>4</sup> World Economic Forum. (2022). White Paper: The Macroeconomic Impact of Cryptocurrency and Stablecoins. Retrieved from [The Macroeconomic Impact of Cryptocurrency and Stablecoins | World Economic Forum \(weforum.org\)](https://www.weforum.org/publications/white-paper-the-macroeconomic-impact-of-cryptocurrency-and-stablecoins/)