



Blockchain Industry Compliance & Regulation Association

Abstract:

The Blockchain Industry Compliance and Regulation Association (BICRA) aims to ensure trust in the blockchain marketplace. Like a Better Business Bureau for blockchain projects, BICRA seeks to create and uphold the standard for ethical business practices. In an industry rife with scams, money laundering, regulatory ambiguity, and extreme political philosophies, establishing public trust is of paramount importance. BICRA will build this trust through a public education program guiding the public and blockchain companies through the safe growth of our industry, accreditation and oversight services to ensure legal and ethical practices, and a member network to share resources and collaborate in navigating this unformed and changing environment.

Introduction: Why Does Blockchain Need Compliance and Self-Regulation?

Blockchain technology has the potential to create a more trustworthy, safe, and transparent world. In the coming decade, we will hopefully see blockchain simplify and decentralize the financial industry, expand and make the global economy more inclusive, strengthen democracy, guide the safe growth of artificial intelligence and the internet of things, and efficiently establish the truth and security of media data, food inspection certificates, land deeds, and health records.

Still, the blockchain industry deserves the public distrust and scrutiny it has received as a young, disruptive, and lucrative technology. It has been risky, if not dangerous to use. Only the most privileged and tech-savvy have been able to navigate the volatility and insecurity of the cryptocurrency world and the overwhelming complexity of blockchain ledgers and smart contracts. In the last couple years, Initial Coin Offering scams and money laundering operations intensified a public perception that the blockchain community is untrustworthy or that it's technology for criminals. Europol estimates that between \$4.2 and \$5.6 billion are laundered through cryptocurrency annually in Europe alone,¹ and over 80% of all ICO projects were identified as scams by the ICO advisory firm Satis Group.²

In this wild west of new, exciting technology, lawmakers and regulators have a duty to protect the public from danger and hold accountable those that are misusing their power. Still, the blockchain industry has been extraordinarily difficult to regulate. Between advanced cryptographic mechanisms, decentralized organizational structures, transnational commerce and international communities, regulators are mostly operating in new, dark territory. Depending on a state's regulatory philosophy, some lawmakers adopt a hands off wait-and-see approach. Others ban technologies they don't understand in fear it will be used for illegal purposes or for the sake of greater state control. The former increases the prevalence of fraudulent practices, while the latter stifles innovation and slows technological diffusion.

Proactive compliance practices are a key to avoiding these tragic outcomes and soothing the well-founded sentiments about our industry's safety and ethical stature. While nobody understands blockchain's potential for increasing safety and liberty better than the blockchain industry itself, much of the community has been ambivalent at best and hostile at worst to compliance with regulatory oversight. On the one hand, many players in the space view the blockchain as a technology that will liberate us from the need for intermediaries like centralized banks, regulatory agencies, and big data businesses. Some in our community are explicitly motivated to develop blockchain technology in order to surmount the established governmental and financial paradigms. Others simply feel that comprehensive compliance protocols are impediments to the work of building decentralized and permissionless networks.

By joining together and defining the practices of an ethical blockchain company, our industry can help set the standard for how blockchain companies are regulated. Despite the

¹ <https://www.economist.com/finance-and-economics/2018/04/26/crypto-money-laundering>

² https://research.bloomberg.com/pub/res/d28giW28tf6G7T_Wr77aU0gDgFQ

charged political philosophy surrounding regulation, the simple truth is that the blockchain industry must implement effective compliance protocols and demonstrate their ethical stature to the public, or it will encounter a heavy, restrictive, or even destructive regulatory environment and poor consumer trust. It is because we believe in the potential for blockchain to create social good that we must become compliant to sensible governmental mandates, starting with Anti-Fraud, Know Your Customer, and Anti-Money Laundering policies. Likewise, our industry must show responsibility and moral consideration with our political, economic, and technological power.

Through these initiatives, we can start to change the narrative of blockchain being a technology used to evade the law to a reality where blockchain technology is used to protect the democratic process, better enforce just laws, and fulfill its many applications for social good. Blockchain is a technology of trust; it should be seen as trustworthy.

Introducing BICRA: The Blockchain Industry Compliance and Regulation Association

The Blockchain Industry Compliance and Regulation Association (BICRA) was founded in 2018 by blockchain innovators and privacy regulation professionals. As a not-for-profit organization, our goal is to help establish trust in the blockchain industry by educating our community and the public, advising and accrediting organizations on best practices, and creating a platform for collaboration and networking to navigate this dynamic environment. Considering the gravity of blockchain's potential to transform our economic, social, and political realities, we aim to be a lighthouse for the ethical growth of our industry.

Although a main priority of BICRA is to assist our members and clients to become and stay compliant with state regulation, we believe that proactive self-regulation is key for establishing trust in the blockchain industry. To clarify our standards for self-regulation, we have developed a Code of Conduct that we present to our community for perfection. Furthermore, alongside the initiatives in education, accreditation, and collaboration, we will act as a watchdog for our community, through a secure reporting channel, independent investigations, and active outreach for rehabilitation. In this regard, BICRA considers itself to be something like the Better Business Bureau for the blockchain industry, upholding a safe environment for users. Through these programs, we believe that we can help shape our industry's reception by lawmakers, organizations and communities that might value blockchain technology, and the public at large.

No other entity in the blockchain space is focusing on building marketplace trust. While we appreciate our community's lobbying, research, and educational initiatives, they fail to understand the importance of well-spirited compliance with local legislation and the necessity of self-regulation beyond the oversight of lawmakers and regulators. This ideal of an ethically directed industry runs through our work in education, advising and accreditation, and community organizing.

BICRA Education

Governments across the world have not yet recognized the worth of blockchain, which can resolve chronic problems in administration, regulation, and governance. While the first case studies of NGOs and intragovernmental agencies using blockchain are starting to roll out, we see a future where blockchain and blockchain-like technologies are the foundation of a more transparent and trustworthy society. Educating lawmakers and governmental agencies on the uses of blockchain technology for their own purposes should be a priority of the blockchain community, but this is first dependent upon building mutual understanding and trust. As a transparently-run not-for-profit governed by a self-administered Code of Ethics, we believe BICRA will become the trusted source of information for the blockchain industry, strengthen dialogue and goodwill with government officials, and lift popular esteem in blockchain technology.

BICRA will have both public and private education platforms. Internally, we will focus on helping our community at large understand the importance of cooperating with regulators and assisting our member organizations to become and stay compliant. Beyond that, we hope to lead conversation and cooperation around ethical practices, our responsibility to our users, and our relationship to the public at large. In this regard, we consider community-building and culture-shaping a portion of our mission, emphasizing cooperation and ethics as an integral part of the blockchain movement. This spirit of our work will run throughout the organization and will provide the standpoint from which we can provide a clear vision for the regulation of our industry.

Through objective and humanistic coverage of the blockchain industry, we hope to give the public at large a clear and trustworthy view into the potentials of blockchain, guidance in how to safely navigate an undefined market, and education for beginning to use blockchains in their businesses and communities. Towards this end, we will create a Wiki for the public at large and publish much of our internal, collaborative work as a call to action for the blockchain community. We will also create a regular podcast, BlockTalk to interview blockchain leaders and prominent thinkers, as well as lawmakers and regulators.

In this regard, we hope to be a presence on the cutting edge of political thought and the creation of ethical industries. This entails substantial introspection and ethical foresight in understanding the potential power of the technology we're bringing to communities all over the world. In taking this self-regulatory approach and integrating a systems--wide lens in thinking through our industry, we hope to shape the political and cultural climate outside of blockchain technology as well.

Advisory and Accreditation

In order to normalize the use of blockchain technology in our everyday lives, BICRA is dedicated to creating and enforcing an ethical standard for our industry. At the center of this ethical standard is our Seal of Accreditation. Blockchain companies who have earned the BICRA Seal, embody our values of ETHICS, INTEGRITY, COMPLIANCE, SECURITY, and TRANSPARENCY.

At BICRA, ethical practices go beyond public relations. Although we think the demonstration of moral stature will help develop trust in the blockchain marketplace, we are primarily motivated by seeing the long-term, worldwide benefit of blockchain technology. Ethics goes beyond compliance with government regulation. Initially, though, we see Ethics beginning with a proper relationship to our users and regulation protecting the collective industry. BICRA works with our members to create an ethical framework and holds the industry accountable to these standards.

Integrity is the internal correlate to public trust in the blockchain marketplace. BICRA aims to generate a sound response to the sentiments that the blockchain community is filled with money-hungry scammers and that we generate a lot of hype without following through. By focusing our attention on the positive potentials of blockchain and enacting our word, we hope to build trust in our burgeoning community.

Compliance is a prerequisite to success for any business, regardless of its industry. In the blockchain world, compliance begins with effective KYC procedures. Towards this end, BICRA's KYC experts on our Board of Directors will work with our founding members to develop a robust KYC standard, encompassing internal procedures and software to streamline the process. More broadly, BICRA ensures that companies' individual compliance protocols effectively protect themselves from their specific industry risks.

Security and trust are inseparable concepts in the blockchain space. As blockchain companies handle and require a substantial amount of personal data, we must show high standards for security. This includes clear disclosures of how customers data will be used and implementing cold-storage solutions when necessary. As our Board of Directors features a number of cybersecurity experts, we believe we can be leaders in helping our technology of trust become safe.

By serving as a self-regulatory body for the blockchain industry, BICRA is able to improve transparency of organizations, business transactions, and increase trust between consumers and blockchain projects. Through accreditation, blockchain companies are able to signal to the business community, consumers, and governments that they embody the aforementioned values and are dedicated to an ethical standard.

Applying for and earning a BICRA Seal of Accreditation is a thorough but straightforward process. The first step is applying on BICRA's website (BICRA.org). After that, companies will receive an application to fill out via email. Upon verification of the

information provided in the application, BICRA will ensure that the respective business model of the applicant is consistent with our values. If so, then BICRA administers our remote financial and technical audit. The financial audit verifies that the company is maintaining accurate books and isn't engaging in fraudulent activity. The technical audit ensures that companies have proper cyber security measures in place to protect user data and verify transparency by making sure the blockchain service does what the company advertises.

Additionally, BICRA reviews the compliance protocols that companies implement to deal with their specific regulatory risks. If a company doesn't meet BICRA's standards in the financial audit, technical audit, or compliance protocol review, then BICRA works with the company to make the necessary changes and remedy the companies problem areas. If the company meets our standards, then we give them the BICRA seal to display on their website and grant access to the BICRA portal. We believe that in time, our BICRA seal will be a widely-known indicator of trustworthiness.

BICRA is aware that the blockchain industry is always evolving. Technological innovation will create new ethical dilemmas for the industry to grapple with. In anticipation of this, BICRA's Accreditation standards are subject to change by BICRA's members. This means that once you are an accredited company, you can decide through a democratic voting process what the ethical standards of the industry should be. In this sense, BICRA will facilitate the self-regulation of the blockchain industry. BICRA does not simply award a Seal of Accreditation and then stop with our oversight. Accountability to the BICRA Manifesto and our Code of Conduct is a constant requirement for our members. If you see the seal, you know the company operates the right way.

Proper self-regulation also entails holding ourselves out to the public as a place to report ethical abuses by members of the blockchain community. Upon receiving a report accusing a company or individual of malpractice, BICRA will conduct due diligence to investigate, provide guidance in rehabilitation, and if necessary, blacklist the perpetrator and assist in bringing them to justice.

In addition to our Accreditation and self-regulatory processes, BICRA offers consultancy services to both members and non-members. The opaque legal environment in the blockchain space leads much uncertainty for companies. To aid in strategic positioning in anticipation of future legislative actions, BICRA will leverage our industry contacts and expert experience to aid companies in gaining clarity on all relevant legislation. To begin, we will offer KYC and AML consultancy and advisory. Beyond that, BICRA's mentors and consultants are equipped to take on all compliance, custody, and business issues that a blockchain business may face.

Collaboration

BICRA provides a space for blockchain companies to come together, discuss the direction of our industry, and produce useful and powerful guidance for our community. While this will begin with the technical, legal aspects of compliance protocols and governmental regulation, it will extend to ethical business practices, market standards and consumer and investor protections. All of this will be centered around self-regulation and BICRA's Code of Conduct.

BICRA's member portal will be a trustworthy space to explore the issues blockchain businesses are facing. Members will be able to share resources and inform each other and collaborate in seeking solutions for industry-wide problems. Our forums will allow members to discuss pending legislation, strategies for navigating existing regulations, and the political and social consequences of our industry.

Our BICRA Portal forums require full transparency of our members. BICRA's community is based on trust, and if any member is found to have deceptive practices, we will not hesitate to protect our members, their data, and the blockchain industry as a whole. Ethics bring trust to the blockchain; our members must be dedicated to this core principle.

Members will have to access collaborative tools available exclusively through BICRA Portal. *AppearinBICRA*, our conference call tool, will provide a secure, encrypted space for members to meet. This tool is meant to streamline collaboration between blockchain businesses and break down the barriers of distance and time. BICRA will organize educational sessions from members around the world on regulation, legislation, use cases, new tools, and protocols. Our community is designed for growth. In time, we see ourselves educating more and more blockchain businesses on ethical and compliant business practices to bring trust and transparency to the blockchain industry.

BICRA was founded by cyber security, privacy, financial technology, banking, and blockchain experts in August of 2018. The Chair of BICRA's Board of Directors, Florian Seroussi is an entrepreneur with a portfolio of over 30 companies and the co-author of *KYC & AML in the New World*. Board member Simon Cocking was ranked as a top member of the 'People of Blockchain' and has acted as an advisor and mentor to 135+ successful ICOs. Thomas Power is the author of *Tokenomics* and is ranked in the top ten of the 100 "Best in Blockchain & Cryptocurrency" by RiseGlobal.

Although our Board's experience is indispensable in guiding the blockchain industry and educating everyday consumers, we are dependent upon our members to see BICRA's vision come true.

Organizational Structure

BICRA will be an exemplar for blockchain capabilities by implementing non-profit governance onto blockchain technology. By upholding our values and making best use of the blockchain for transparency and trust, we will set the tone for our members.

BICRA is currently using Aragon, an Ethereum-based platform for decentralized organizations. Aragon allows organizations to create and distribute tokens which serve as voting rights in conducting the internal affairs of the organization. BICRA is a not for profit and does not have owners nor does it issue equity, although we do issue BICRACoin: BICRA mints tokens on the Aragon platform. BICRACoin will not be publicly sold--it is solely a tool to distribute voting rights to our governing members. Tokens are non-transferable, able to be revoked, and are solely used for BICRA's governance voting infrastructure structure. As opposed to non-profits run exclusively by a board of directors or operational managers, our governing members will be able to dictate the direction of our shared energy. Collectively, these mechanisms will help us democratically establish and perfect the best practices for our industry (through our Code of Ethics and Accreditation Standards), decide the content of our educational platform, and focus our shared resources in our broader initiatives.

As it stands, we are intending on granting voting rights to our board of directors, organizations that go through our accreditation process, our sponsoring organizations and regional ambassadors. In turn, BICRA's operating staff are held directly accountable to the board, as our finances can only be directed by vote. This entire process, from our distribution of tokens to the use of the Aragon platform, is an experiment in organizing nonprofits on the blockchain. We hope it will bring greater transparency, accountability, and involvement in our organization, providing an exemplary use case for a new mode of operation for other nonprofits. If it becomes clear that some part of it is not working, we will find or develop our own alternatives.

Our Portal provides information for a substantive discussion tied to standards and accreditation. Our member community and governance model are huge attributes of BICRA that differentiates us from our competitors in the space. We utilize blockchain technology to govern our organization's decision making and verify our members' compliance to our Code of Conduct and legal compliance measures, as well as software audits.

BICRA offers three different kinds of membership: individual members, accredited organizations, and sponsoring organizations. All members have access to our main portal, which functions similar to a discussion board, as well as resources shared by BICRA researchers. Accredited and Sponsoring organizations have access to their own corporate portals, where companies can discuss market trends securely with industry leaders and review premium content tailored to our members needs.

BICRA will be guiding blockchain business standards on a global scale, through the use of 6 Regional Counsels. The Counsels consist of Asia-Middle East, North Africa, South Africa, EU-Russia, North America, and South America. Counsel members will be elected or nominated dependent on the approval of BICRA's Board of Directors. Regional Counsels consist of local experts to ensure understanding of local legislation and business practices. By having a local body in different jurisdictions, BICRA solidifies its global positioning.

Road Map

1. White Paper Peer Review - November 30th
2. BICRA Manifesto/Code of Conduct Release - January 30th, 2019
 - 2.1. Board approval
 - 2.2. ByLaws
 - 2.3. Board of Directors approval
3. Content Release Memos, Research, Articles... - February 1st, 2019
4. BlockTalk Release - February 2nd, 2019
5. BICRA Portal Release - March 15th, 2019
6. BICRAchain Tests - April 1st, 2019
7. Integrate BICRAchain - April 20th, 2019
8. BICRAchain Whitepaper Release - June 1st, 2019
9. BICRA Summit - TBD
10. BICRA Ambassadors - Rolling Applications