



The Significance of Digital Assets in the Ukraine Crisis

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As the world abhors the great humanitarian tragedy in Ukraine, cryptocurrency (crypto) and other digital assets are playing a significant role in the crisis. Shortly after the war began, Ukrainian officials posted two crypto wallet addresses on their Twitter accounts. Ukraine is since estimated to have raised more than \$100 million in crypto to cover items for the military, such as bulletproof vests, packed lunches, and medicine.¹ To bolster donations and the use of crypto, on March 16, Ukraine formally passed legislation legalizing and regulating crypto under the National Commission on Securities and Stock Market.²

In addition, non-government entities are active, having formed a decentralized autonomous organization (UkraineDAO),³ in raising money for supplies for the Ukrainian army and transferring crypto to stores to pay for food for the hungry.⁴ Crypto non-governmental organizations (NGOs) are also supporting relief efforts for the millions of displaced Ukrainians who need housing, food, and professional support. For example, Unchain Fund claims to have raised more than \$6.9 million for relocation support, transportation, food, and medicine. The fund also enables conversion of crypto to fiat currency and is developing a crypto ATM card for displaced people.⁵

Non-fungible tokens (NFTs) have also taken on a role in the crisis. NFTs are units of data (such as a picture) stored on blockchain, offering proof of authenticity, as well as ownership, of the token. UkraineDAO, for example, raised \$6 million through the sale of an NFT of

Ukraine's blue-and-yellow flag.⁶ Other artists and organizations are raising money for Ukraine through NFT sales on marketplaces like OpenSea.⁷ Perhaps the most significant use of NFTs in Ukraine, to date, is the sale of an NFT collection by Ukraine itself, the "Meta History Museum of War," announced by Ukraine Deputy Minister of Digital Transformation Alex Bornyakov.⁸ The sale is intended to permanently memorialize the war on blockchain and raise money to support war efforts.⁹

The rise of crypto and NFTs symbolizes much more than the mere transfer of value: it signals the increasingly prominent role that crypto, NFTs, and those that own them will play going forward—globally. In BlackRock Chairman Larry Fink's recent letter to shareholders, he acknowledged how the Ukraine crisis has accelerated the use of digital currencies: "A less discussed aspect of the war is its potential impact on accelerating digital currencies. The war will prompt countries to re-evaluate their currency dependencies. Even before the war, several governments were looking to play a more active role in digital currencies and define the regulatory frameworks under which they operate."¹⁰

Crypto and NFTs have become significant in part because the blockchain technology that powers them features unique attributes that are not offered by traditional fiat currency. Blockchain is immutable, meaning that transactions cannot be reversed. It is also decentralized and freely available around the world, and therefore not subject to certain geopolitical or macroeconomic factors. Blockchain also

has the advantage of being fast, enabling much quicker transactions than the 1-2 days required by traditional payment systems. Finally, blockchain networks are truly global, enabling important cross-border transactions in minutes. The speed of cross-border payments is especially critical in Ukraine, where tragic bombings of institutions, including banks, can quickly render a financial transaction moot.

Another unique attribute of NFTs, in particular, is their ability to offer provenance, meaning that once the NFT is created, every sale is recorded on blockchain, creating a ledger with ownership and price history. Provenance provides contextual and circumstantial evidence for the production or history of an item. In the art world, provenance can establish that a work of art is not a forgery, copy, or stolen. This can make an enormous difference in value. Provenance also makes it easier to own and sell a digital item. So as Ukraine looks to forever record images of the war in a digital museum, intended to “forever preserve the statehood and history of Ukraine,” it seems NFTs may offer the ideal technology for doing so.¹¹

But these are not the only reasons for the global rise of crypto and NFTs. There are other, non-quantifiable features offered by crypto and NFTs that are increasingly important in today's global economy. Crypto and NFTs are utilized by a younger, more technologically savvy population than historical payments systems. And the decentralized nature of the technology supports community involvement in activities. Indeed, bitcoin—the very first cryptocurrency—was originally founded to eliminate the need for a central monetary authority or central bank, instead enabling a peer-to-peer network for transactions. Consistent with this idea, Twitter founder

Jack Dorsey has said that what inspires him most about bitcoin is the community driving it.¹²

Of course, as activity in cryptocurrency and NFTs rises around the globe, there is an increasingly pressing need for appropriate regulation. There have been reported incidents of fraud, not only related to scams falsely claiming to raise money for Ukraine, but also across the decentralized landscape. Importantly, the U.S. Treasury Department is monitoring whether crypto is being used to evade sanctions.¹³ Given this backdrop, it is notable that Ukraine is taking official measures to formalize and regulate crypto. The Ukrainian law aims to create conditions for the launch of a legal market for digital assets in Ukraine. Specifically, the law:¹⁴

- Determines the legal status, classification, and ownership of digital assets;
- Provides a mandate to the market regulators, including the National Bank of Ukraine as well as the National Commission on Securities and Stock Market;
- Creates conditions for further formation of the legal field of digital assets;
- Determines the list of providers of digital assets and conditions for their legal registration;
- Provides for implementation of financial monitoring of digital assets.¹⁵

Under the new law, the National Commission on Securities and Stock Market is given specific authority to form and implement state policy on digital

assets, determine “order of turnover” on digital assets, issue permits to the digital asset service providers, and regulate, supervise, and financially monitor the space. The Ministry of Finance is also working to amend the Tax and Civil Codes of Ukraine as appropriate.¹⁶ Together, these measures will institute a legal and regulatory framework to operationalize the use of crypto in Ukraine.

Clearly, much more work remains to be done on the regulation of crypto and digital assets in the United States and around the globe. Consistent with this, on March 9, President Joseph Biden moved to accelerate crypto policymaking by issuing an Executive Order on Responsible Development of Digital Assets.¹⁷ The Order indicates that digital assets provide an opportunity to reinforce American leadership in the global financial system and at the technological frontier, but it must also mitigate risks to consumers, businesses, the financial system, and the climate. To this end, a whole host of U.S. agencies are now working on digital assets, and the Financial Stability Oversight Council is working with the myriad of federal financial regulatory agencies to develop policies on these issues.¹⁸

A final key point is that as the law for digital assets is developed, the standards that are established must be global in nature. How crypto and NFTs are regulated in the U.S. or Singapore, for example, have a direct impact on the way that they are used in Ukraine and other countries, as well. Without global standards, crime could flourish, and positive uses for the technology may be impeded. With consistent global standards, the international community will better be able to direct the positive impacts of crypto and NFTs to the socially

impactful missions they are intended for.¹⁹ Only then will we realize the true potential of crypto and NFTs to unlock value and power social impact around the world.

Endnotes

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17. See White House, Executive Order on Ensuring Responsible Development of Digital Assets, March 9, 2022, available at <https://www.whitehouse.gov/briefing-room/presidential-actions/2022/03/09/executive-order-on-ensuring-responsible-development-of-digital-assets/>.

18. See Executive Order on Ensuring Responsible Development of Digital Assets.

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