



ASIC
Australian Securities &
Investments Commission

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Thursday 20 September 2018

18-274MR ASIC acts against misleading Initial Coin Offerings and crypto-asset funds targeted at retail investors

ASIC has taken action to stop several proposed initial coin offerings or token-generation events (together, **ICOs**), targeting retail investors.

As well, ASIC recently stopped the issue of a Product Disclosure Statement for a crypto-asset managed investment scheme.

Consistent problems identified by ASIC are:

- the use of misleading or deceptive statements in sales and marketing materials;
- operating an illegal unregistered managed investment scheme (**MIS**);
- not holding an Australian financial services licence.

Such problematic offers involve significant risks for investors.

ASIC Commissioner John Price said, 'If you raise money from the public, you have important legal obligations. It is the legal substance of your offer - not what it is called - that matters. You should not simply assume that using an ICO structure allows you to ignore key protections there for the investing public and you should always ensure disclosure about your offer is complete and accurate.'

Recent activity by ASIC

In five other separate matters since April 2018, ASIC successfully acted to prevent ICOs raising capital without the appropriate investor protections. These ICOs have been put on hold and some will be restructured to comply with the applicable legal requirements.

ASIC is taking further action in respect of one completed ICO.

On 13 September 2018, ASIC issued a final stop order on a Product Disclosure Statement issued by Investors Exchange Limited (IEL) for units in the New Dawn Fund (Fund). The Fund was proposing to invest in a range of cryptocurrency assets. Following ASIC raising concerns about the PDS, IEL consented to a final stop order so that no units could be obtained under the PDS. ASIC acknowledges the co-operative approach taken by IEL in responding to ASIC's concerns.

Investor warning

As outlined on MoneySmart, ICOs are highly speculative investments that are mostly unregulated, and while there are genuine businesses using this structure many have turned out to be scams. ASIC suggests that investors consult the information on [Moneysmart](#) before deciding to invest.

Additional resources

ASIC has updated [Information Sheet 225: Initial coin offerings and crypto-currency](#).

ASIC Moneysmart page – [Investor warnings on Initial Coin Offerings\(ICOs\) and cryptocurrencies](#).

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