



Capital Markets Authority-CMA Board Releases

Title: Announcement from the Capital Market Authority (CMA) regarding the Investment in Digital Currencies and Initial Offerings of Digital Assets

Date Publish 23 July 2018

The Capital Market Authority (CMA) would like to draw the attention of investors to be very cautious about investing and dealing with digital assets, such as investing in digital currencies and cryptocurrency or participating in initial coin offerings (ICO) and its associated dealings. The initial coin offering is a process of collecting money from investors using cryptocurrency/digital assets through a certain digital mechanism, whereby the issuer of such offerings issues digital tokens consisting of participating shares or interest shares in the company or Project. In this regard, and due to the rise of different marketing campaigns for investing in cryptocurrencies and digital asset, the CMA would like to warn investors to be aware and recognize the risks associated with investing in these products, mainly in the following key risks:

The main risks of initial coin offerings (ICO)

- These investments are not subject to any regulatory or supervisory authority that protects the investor.
- Such investments are heavily exposed to price fluctuations and volatility.
- Investing in digital currencies is highly exposed to the risk of losing all funds invested due to the possibility of cyber hacks.
- Exposure to fraud, through the use of funds invested for purposes different from those stated at the point of investment, which may lead to the loss of the invested funds or holding investors legally accountable for the use of invested funds in suspicious operations such as money laundering.
- The information and documents available on such investments may be misleading and inaccurate, and may not be subject to any regulatory authority that confirms the accuracy and credibility of the information enclosed within.

Such investments are usually issued by entities operating outside the state of Kuwait, where they might be subject to foreign laws and regulations that cannot be insured, therefore making it difficult to track or recover the invested funds in the event of default or failure of the issuance instrument's/digital currencies.

- Finally, many investors - especially individual investors - may not be able to understand the risks, costs and expected returns from dealing in such investments.

Digital and Encrypted Currency Risks (Cryptocurrencies)

- Digital/encrypted currencies do not carry any form of legal status, and are not issued or supported by any government, and is not pegged to any asset.
- The prices of these currencies are mostly set by speculations, and are well positioned for a sharp drop in their prices, which may expose the investor to the risk of losing his entire invested amount.
- The operating platforms for conducting and executing the transactions and dealings in Digital/Encrypted currencies are based outside the State of Kuwait, which makes it difficult to verify and validate their credibility, exposing investors to the risk of fraud and deception by the platform operators and other involved related parties.
- The operating platforms and clients e-wallets used for conducting such activities are highly exposed to risks in the form of electronic piracy and security breaches.
- Dealings in Digital/Encrypted currencies are conducted between anonymous parties, making them subject to misuse in prohibited and illegal activities.
- Investors and dealers in Digital/Encrypted currencies will not be able to seek regulators and authorities for investor protection and regulating their transactions in this field, which currently is out of their regulatory scope due to several regulatory constraints.

In light of the above, the CMA would like to emphasize the significant risks of investing in such products mentioned above, where the investor must be aware and understand the risks associated with such investments, and take full responsibility for his investment decisions.

For more information on digital currencies, please see the PDF file.

Traders and licensed persons can visit CMA website (www.cma.gov.kw), Boursa Kuwait website (www.boursakuwait.com.kw), and the Twitter account [@cma_kwt](https://twitter.com/cma_kwt) to keep up with the Authority's latest awareness announcements.

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