

Monetary Authority of Singapore on Initial Coin Offerings

Tuesday, August 29, 2017

On August 10, 2017, the Monetary Authority of Singapore (MAS) and the Commercial Affairs Department (CAD) jointly published a Consumer Advisory document which urged consumers to exercise due diligence before investing in digital tokens, with particular emphasis on the emergence of Initial Coin Offerings (ICOs). In Singapore, several ICOs have taken place in the past year and this has resulted in organisations raising millions of dollars in a few days since their launch.

An ICO is a crowdfunding method, facilitated by blockchain, through which a project or venture, usually a start-up organisation, raises funding by creating and selling its own digital asset, currency or token in exchange for digital currencies or assets of immediate value such as a Bitcoin. The practice is thus far unregulated and enables a new brand of alternative finance. An ICO campaign ‘runs’ for a defined period during which investors are able to support the project, with the aspiration that this digital asset becomes successful and their investment reaps profit.

The advisory paper outlines that “consumers should make it a point to understand the product. Where sellers of digital tokens fail to highlight the risks, consumers should make the effort to find out more information about the underlying product, business or assets”. The MAS and CAD go further by identifying a number of risks that ought to be considered prior to any investment, which include risks relating to foreign sellers unable to be identified in Singapore, risk relating to speculative investments, and risks relating to investments promising significant returns.

This advisory paper follows on the MAS’ initial comments in a note dated 1 August 2017, which suggested they are interested in regulating the issue of digital tokens should they “constitute products regulated under the Securities and Futures Act”. The MAS’ comments followed from the Securities and Exchange Commission (SEC) in the United States, declaring in a note on July 25, 2017, that the issuance of digital tokens could trigger US securities laws.

This post was also written by Rizwan Qayyum.

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Article By [K&L Gates](#)
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