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CSSF Warnings on ICOs, Tokens and Cryptocurrencies

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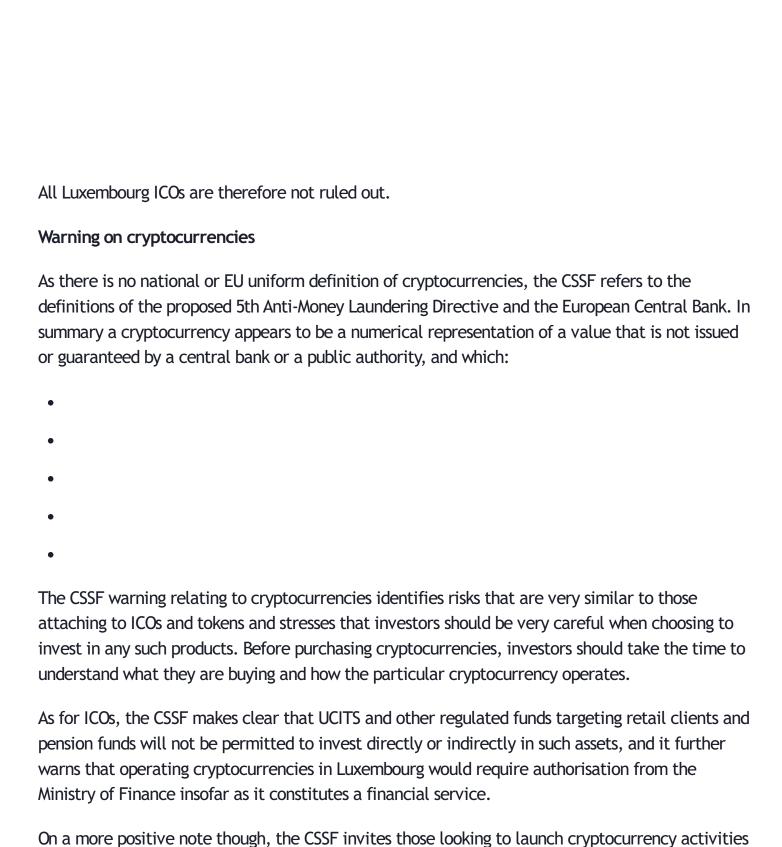
CSSF warnings on ICOs, tokens and cryptocurrencies

Fintech leads the way in the rapidly changing world of financial services, and the industry is keen to position Luxembourg as an innovation hub. Among the cognoscenti, buzzwords such as blockchain, initial coin offerings, tokens and cryptocurrencies are being used to encapsulate new ways of doing business and demonstrate market leadership, but such enthusiasm should not obfuscate the risks. Against this background, the two warnings that the Luxembourg regulator (*Commission de Surveillance du Secteur Financier* (CSSF)) has issued on (i) initial coin offerings (ICOs) and tokens and (ii) cryptocurrencies respectively are useful in these intense times of innovation and strong investor appetite. In these warnings, the CSSF, while it acknowledges the advantages that the so-called underlying "blockchain technology" can bring when used in financial sector activities and innovative projects, also cautions the public on the risks of investing and reminds industry actors that certain existing regulatory parameters will apply.

Warning on ICOs and tokens

ICOs are used to raise funds to finance the launch of new virtual currencies or other projects. Digital coins or tokens are issued by the initiator in place of (more traditional) securities, which carry certain electronic rights.

The CSSF warning highlights familiar risks concerning fraud, money laundering, volatility, complete loss, embezzlement, lack of regulation and false or unverified information attaching to such type of fundraising and also emphasises new risks such as technological failure. Investors are also encouraged to 'very carefully consider' the white paper that should accompany any ICO. "Investor beware" is key here, maybe more than anywhere else given the novelty of this technology.



to come and present their ideas to the CSSF, so that it can be determined whether the proposed

Reference is finally made in the warnings to the existing communications on these topics issued at

activities may potentially lead to a regulated activity.

the EU level.

The CSSF further makes clear two points:

Conclusion

In issuing these warnings, the CSSF is echoing the position taken by ESMA and other European bodies to safeguard the public from abuse and preserve the integrity of the financial place. These warnings should not be construed though, as an attempt to limit proper innovation. There are structures in Luxembourg that may already be used by investors to gain exposure to ICOs and cryptocurrencies. The CSSF is open to new ideas and projects, and simply wants the industry to use these products in a responsible manner given the additional risks that can attach to such assets.

Please feel free to contact us if you have any questions.

About Ogier

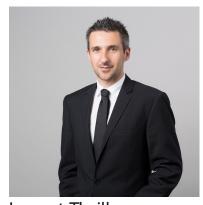
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