

# ICO Regulations Worldwide 2018

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*ICOs regulations are not as problematic if you are well aware of them.*

ICO Regulation Worldwide

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Initial coin offerings (ICOs) are a means by which cryptocurrency start-ups and other [blockchain-based](#) companies raise funds to aid in the development of their projects. It is akin to IPOs only that in an [ICO](#), an investor gets [tokens](#) for their resources instead of shares.

The main reason ICOs are so popular is that the market has largely been unregulated. No one regulates what the ICOs do. Many governments around the world seemingly did not pay much attention when the ICO- wave started. As such, ICOs sprung up everywhere, **netting over \$ 2 billion in 2017 alone**; with the number of ICOs hitting over 1500 by the end of January 2018.

Why have governments decided to regulate ICOs?

There are several reasons why governments around the world are looking into regulating ICOs. Most of these arise from the observed adverse effects of coin offerings.

## Look at these negative effects of ICOs that countries fear from.

- **Fraud**– both China and South Korea imposed bans claiming that it was possible for scammers to use coin offerings to defraud investors.
- **Ponzi/Pyramid scheme hotbeds**– though praised as an innovative way to raise funds, many are seeing ICOs as hotbeds for fraudulent activities. Faceless people around some coins have disappeared with ICO funds.
- **They are destroying the investment and development ecosystem**– according to Joi Ito, in the Opinion article ‘The Big Swindle,’ ICOs have a gold-rush mentality that makes them deployment irresponsible. It causes harm to individuals and organizations when projects fail, and funds can’t be recouped’.
- **Manipulation**– the US SEC issued a public alert to the effect that companies could be driving up “pump-and-dump” schemes to fluctuating market prices.
- **Money laundering**– governments and financial regulators are worried that ICOs are potential vehicles for money laundering around the world.
- **Terrorism funding**– there are suggestions that some of the funds raised in ICOs could find their way to terrorist organizations since there are no regulations.

In this article, we look at ICO regulation by country and learn what positions different states have adopted. Are there countries that support ICOs? We have an answer to that too.

## ICO regulation by Country



European Union

Before November 13, 2017, in the European Union member countries, ICO legality was rather common. However, they were subject to **planned future regulations**.

Then, an ICO was allowed provided it adhered to Anti-Money Laundering (AML) and Know Your Customer (KYC) policies. They also had to adhere to mandatory business regulations/licensing policies.

However, from November 13, 2017, the Securities Market Authorities adopted a stricter position on ICOs. It declared that ICOs represented a considerable risk to investors. It, therefore, required firms that dealt with ICOs to be able to meet all the statutory regulations and requirements. As a result, ICO regulations 2018 a bit different from the past.



China

China has **banned all ICO** activities in the country. The stance was that ICOs were fraudulent ventures. China questioned the legality of ICOs, stating that they were unauthorized and illegal. The total ban affects all ICO activity in China.

At the time of the ban, lawmakers also made it clear that [Bitcoin exchanges](#) needed to shut down. However, there is a consensus among industry observers that China may rescind the ban and instead initiate regulations on ICOs and cryptocurrencies.

The Chinese ICO projects that had completed their coin offering cycle were instructed to refund all altcoins received. Furthermore, the People's Bank of China stated that it would investigate any companies or individuals who violated the directive.

On February 5th, 2018, reports in Chinese media indicated that there China had plans to ban all trading related to cryptocurrencies in the country. The authorities want to block all sites related to cryptocurrency and ICOs with strict regulation ICO.



Canada

**ICOs are allowed in Canada**. However, the country's Securities Administration has indicated that ICOs and the altcoins constitute securities. This means that ICOs and altcoins are subject to regulations in the country, but that would be done by case-by-case. To this end, the authorities designed a "regulatory sandbox" aimed at putting in place regulations for the fintech industry and projects within it that do not meet national regulatory schemes. ICOs fall under these regulations.



Switzerland

Switzerland is one of the few countries that are **friendly towards cryptocurrencies**. In fact, the country has in place plans to put in regulations that would safeguard genuine ICOs from some of the stringent regulations that threaten the market.

The Financial Market Supervisory Authority released a statement to the effect there were plans to scrutinize all ICOs within the country. The aim is to establish whether there are ICOs that fall under its jurisdiction while weeding out fraudulent coin offerings.



Israel

**ICOs are allowed in the country**. However, they are subject to regulations that may be formulated in the future. In fact, the Israeli Securities Authority announced that a panel is in place to study how ICOs operate in the country.

There is a possibility that ISA may take a cue from US' Security and Exchange Commission and give guidelines on the general manner in which ICOs should be conducted in the country. There are plans to introduce tax laws on ICO tokens.



USA

**ICOs are allowed in the US but with heavy regulatory measures**. There are also variations depending on the state. **ICOs are required to register and obtain a license**. Also, the ICO is expected to register with the SEC if the token to trade securities.

The SEC has also indicated that some altcoins may qualify as security and therefore will be subject to its future ruling. All ICOs are also required to be AML/KYC compliant. If an ICO fails to comply with the AML/KYC requirements, it can face legal action or have its assets seized.

Also under the microscope are the celebrity endorsements whose compensation must be disclosed or else be deemed illegal.

The US stepped up efforts to monitor ICOs when it froze AriseCoin's assets. Furthermore, the CFTC subpoenaed [Bitfinex](#) and Tether on 6th December 2017, a move seen as steps towards regulation.

However, the US is yet to release an official statement on whether cryptocurrencies and ICO tokens qualify as securities.



## Germany

**ICOs are allowed**, but they have to adhere to the set regulations. Such regulations include the Banking Act, Securities Trading Act, and Payment Services Act. Nevertheless, authorities have issued a warning to the public to the effect that ICO investments are risky.

Germany has referred to the November 13, 2017, statement by the European Securities Market to remind companies that ICOs must adhere to regulatory requirements. The body confirmed that cryptocurrencies could constitute securities and therefore companies need to determine whether an ICO's structure adheres to critical legislation.



## Japan

The Japanese FSA is said to be considering regulations, especially after the recent hack of [CoinCheck](#) exchange. In the meantime, there are plans to have measures that will strengthen AML/KYC requirements.

There are also fears that Japan may crackdown on [altcoins](#) and ICOs in the future. For instance, on 27th October 2017, authorities indicated that ICOs could fall under the Payment Services Act.

Meanwhile, the FSA has previously indicated that when an ICO portrays features of an investment, then the ICO may fall under the Financial Instruments and Exchange Act.



**ICOs are allowed in Russia**, though there are considerations to have a regulatory framework going forward. Russian authorities confirm that they continue to monitor the ICO landscape in the country. Though unregulated, there are plans to introduce such regulations in the interest of the public.

For example, Kremlin released a statement in October 2017 that requires all altcoin miners to be registered and taxation laws to be examined. It also indicated that securities' laws might apply to ICOs.



## Singapore

ICOs are unregulated in Singapore at the moment, but they could last short. In November 2017, the Monetary Authority of Singapore **issued guidelines regarding cryptocurrencies and ICOs**.

The guidelines indicate how the current securities laws could apply to altcoins and ICOs. For instance, the guidelines state that an altcoin or ICO that is like a "capital market product" as applies to the Securities and Futures Act could be possibly be regulated.



UK

The UK has allowed ICOs to go on largely unregulated. However, just like a majority of countries around the world, the UK's Financial Conduct Authority has issued a warning to investors about the risks of investing in ICOs.

The FCA has stated that ICO projects are experimental and therefore pose a risk to investors, even if the venture is good in its intentions. Currently, the UK allows ICO developers to interpret and relate to the established regulations and laws as they deem applicable to their projects.

However, as part of its ICO regulation testing, the UK has a "regulatory sandbox." What this means is that we could see some regulation of ICOs soon.



Gibraltar

ICOs are allowed in Gibraltar, but there are plans to have ICO regulations going forward. The Gibraltar Financial Services Commission released a statement in September 2017 stating that beginning January 2018, there would be a new framework in place to regulate blockchain-based companies in Gibraltar.

Also, the FSC stated that it would seek to develop a work plan to regulate the promotion and sale of ICO tokens that align with the DLT framework.

### How can ICO regulations affect ICOs?

As more and more countries look at how to regulate ICOs going forward, one question comes up. How are regulations going to affect ICOs and cryptocurrency? ICOs are threatened, and this can spill over to cryptocurrencies. Let's look at possible consequences of ICO regulation.

Regulations may undermine cryptocurrencies- regulations are likely to remove the decentralized and privacy aspect of crypto coins thereby undermining them.

Investors are becoming more cautious every other day- this affects the ICOs as investors keep off especially with taxation regulations.

Extreme price volatility- tighter regulations could lead to high volatility in prices which could then translate into even higher risks to investors. Volatility is also a loophole for price manipulation.

The crypto bubble burst- the Asian market is vital, but if governments from the region become even more bearish on ICOs, then the crypto bubble may burst.

### To Sum Up

Regulation of ICOs is likely to pick pace in 2018. We expect to see countries come up with clear frameworks for monitoring the ICO ecosystem. Given that not all ICOs are fraudulent, I believe in a crypto future where the authorities will realize the need to allow genuine innovation to prosper. Just as experts point out, cryptocurrencies are here to stay; and so are ICOs.