

1. [News and resources](#)
2. [Media releases](#)
3. [FMA commentary on ICOs and cryptocurrencies](#)



FMA commentary on ICOs and cryptocurrencies

Media release

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The Financial Markets Authority (FMA) has published commentary on [initial coin offers](#) (ICOs) and [cryptocurrency services](#) alongside [online resources for investors](#).

Innovation is increasingly shaping financial services and regulators globally are considering their responses. The FMA wants to facilitate responsible innovation, and ensure that the regulatory regime remains relevant and agile. This is supported by the Financial Markets Conduct Act 2013, as one of its purposes is 'to promote innovation and flexibility in financial markets'.

The FMA regularly engages with other regulators and industry bodies locally and internationally on these issues. The content forms part of the FMA's broader, ongoing effort to better understand, and share our views, on the risks and opportunities associated with technological change and innovation.

The online content covers our view on:

Initial Coin Offers

ICOs are used by businesses and individuals to raise funds from investors online. Investors receive digital tokens that have certain rights.

The FMA's view is that the specific characteristics and economic substance of an ICO determine if it's a financial product – if it is regulated, and if so how.

The FMA strongly encourages any businesses considering making an offer through an ICO to approach us early during their development phase.

Cryptocurrency services

Cryptocurrency services are businesses and individuals offering services such as cryptocurrency exchanges, wallets and broking.

The FMA's paper sets out the legal obligations for such providers:

- must be a member of a dispute resolution scheme
- must be on the Financial Services Providers Register
- must comply with fair dealing provisions in the Financial Markets Conduct Act

Investor resources on cryptocurrencies

Investors must understand the risks involved with cryptocurrencies and associated services before they invest.

Most online exchanges are unregulated and operate exclusively online, with no connection to New Zealand. This means it is hard to find out who is offering, exchanging, buying or selling. It also makes it unlikely investors will recover their money if things go wrong.

Using cryptocurrencies may make investors a target for scammers.

Consumers need to be aware that cryptocurrencies are volatile, their value can change quickly and they aren't widely accepted in the same way as legal tender. The currency held in digital wallets is at risk of being stolen, just like a real wallet.

See the [ways to invest content](#) on FMA's website before investing in cryptocurrencies.

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