



Kuala Lumpur, 7 September
2017

Media Statement on Initial Coin Offerings

Securities Commission Malaysia (SC) would like to caution investors as we note the emergence of digital token based fundraising activities / investment schemes in Malaysia and elsewhere, which may be referred to as “initial coin offerings”, “initial token offerings”, “token pre-sale”, “token crowd-sale” (collectively referred to as ICO schemes hereon).

ICO scheme operators typically raise funds through the issuance and sale of digital tokens, in exchange for investors paying for these tokens through virtual currencies, such as Bitcoin or Ethereum. We note that while all ICO scheme operators seek to raise funds from investors, these schemes can be structured in many forms, which may include:

Direct investments in projects with an aim to enable token holders to participate in a share of the returns from the projects

Seeking funding through Foundations where investors are not entitled to seek any returns on their investments

Issuance of tokens which entitle the investors to enjoy rights to a future product or service generated by the project managed by the operator

Investors should be mindful of the potential risks involved in ICOs schemes, and take note that:

Scheme operators may not have presence in Malaysia and it would be difficult to verify the authenticity of the scheme and the recovery of invested monies may be subject to foreign laws or regulations

Some ICO schemes and the parties involved operate online and may not be regulated, investors may be exposed to heightened risks of fraud, money laundering and terrorism financing

Digital tokens traded on a secondary market may give rise to risks of insufficient liquidity or volatile and opaque pricing

The structure of these ICO schemes might limit the legal protection and recourse for investors against scheme operators

As the terms and features of ICO schemes may differ in each case, investors who wish to engage or invest in ICO schemes are reminded to seek legal or other professional advice if there are doubts on the legitimacy of these schemes.

Investors should also fully understand the features of an ICO scheme, and carefully weigh the risks before parting with their monies. For example, investors should be aware that ICO scheme operators issues a whitepaper, which typically contains descriptions of the ICO scheme but may also carry disclaimers which absolve the operators from certain responsibilities and obligations.

A list of activities regulated by SC and license holders can be found below:

[/wp-content/uploads/eng/html/cmsa/cmsa2007/CMSA2007Schedule-2a.pdf](#)

[/licensing/public-register-of-licence-holders/](#)

SECURITIES COMMISSION MALAYSIA

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