What is an Initial Coin Offering (ICO)?

- A form of crowdfunding, it is a sale of digital tokens to raise capital for an idea, usually blockchain-related.
- Tokens often are designed to be exchanged for a new cryptocurrency to be launched by the project.
- Tokens may only have value inside the proposed application or project.

Unlike an Initial Public Offering (IPO), no controls exist on how the raised money is spent.

The Canadian Securities Administrators (CSA) says the sale of digital tokens, in some cases, will be subject to securities laws.

2017

$1.27 BILLION raised in the first six months

90+ ICOs in North America in first six months

Before considering an ICO…

1. Ask whether the tokens are securities and if the person selling them is registered.
2. Find out who is behind the ICO. Do your research.
3. Find out what the money will be used for. Request a copy of the business plan.
4. Contact your provincial securities regulator (FCNB).
5. Be aware of regulator warnings and China’s ban on ICOs.

Buying ICO currency/tokens may limit your recovery in the event of fraud or theft.

- Third-party wallet services
- Payment processors
- Virtual currency exchanges
- May be fraudulent, located overseas and/or operating illegally

Be wary if you spot these red flags:

1. Guarantees of high investment returns, jargon-laden pitches and hard sells.
2. Unsolicited offers that sound too good to be true.
3. Pressure to buy NOW.
4. Unlicensed sellers and claims that the ICO is exempt from registration.

To learn more about Initial Coin Offerings, visit FCNB.ca