

Investor Guide on Initial Coin Offerings (ICO)



Things you need to know about Initial Coin Offerings(ICO)

An initial coin offering ("ICO") is a form of fundraising exercise that trades cryptocurrencies which have an immediate, liquid value namely Bitcoin or Ether for a virtual coin or token, based on the block-chain technology.



An ICO allows investors to fund projects they like interested in. An ICO therefore is in some ways similar to an IPO (Initial Public Offering), in which a company sells off shares in their business to investors. However, IPOs are heavily regulated by Securities Commission Malaysia.



In relation to ICO, depending on the facts and circumstances of each individual ICO, the virtual coins or tokens offered or sold may be "securities". If they are securities, the offer and sale of these virtual coins or tokens are subject to the requirements of the Capital Markets and Services Act 2007.



What risks may be associated with an ICO?

01 | HIGH RISK



Typically ICO projects are at a very early stage and their business models are experimental. It is uncertain whether the business idea will bring profits. The fundraising therefore is of a higher risk.

02 | PROMOTER/TEAM



You need to find out everything you can about the team promoting the ICO. Look up each team member for their relevant experience.

03 | LIQUIDITY RISK



The possibility to trade or cash in the acquired virtual coin or token on a platform, or to exchange it for a legal payment instrument, may be limited.

04 | FRAUD



Some companies may potentially not have the intention of using the collected funds or virtual currencies in the way that they promised.

05 | DISCLOSURE



Does the ICO have a Whitepaper or other form of disclosure document? Read through the Whitepaper so that you are able to determine:

- What kind of value does the project bring for your investment?
- What your monies will be used for?
- What is the token for and what rights does the token provides you with?



Be Mindful

There is no such thing as guaranteed high investment returns. Be wary of anyone who promises that you will receive a high rate of return on your investment, with little or no risk.

ICO that do not fall within the definition of "securities" are not regulated. Therefore investor may not be accorded protection in the likelihood of fraud and manipulation.