

ANNOUNCEMENT

ESMA HIGHLIGHTS ICO RISKS FOR INVESTORS AND FIRMS

Further to the CySEC [warning](#) dated 13 October 2017, regarding the risks emanating from investments in Virtual Currencies, we herewith draw the attention of the investors and of the firms involved in Initial Coin Offerings (“ICO”) to an ESMA [press release](#) (the “ESMA press release”) published on 13 November 2017 on ICOs.

The ESMA press release refers to two different statements, one addressed to [firms involved in ICOs](#) (“Statement for Firms”) and the other addressed to [investors investing in ICOs](#) (“Statement for Investors”).

An ICO is an innovative way of raising money from the public, in exchange of virtual coins or tokens.

A. Firms Involved in ICOs

The Statement for Firms is, inter alia, drawing the firms’ attention to the fact that ICOs, depending on how they are structured, may fall within the scope of the existing EU legislation and therefore careful consideration should be given as to whether the firms’ activities constitute regulated activities.

In that case the firms involved in ICOs, need to comply with the relevant legislation, including for example:

- the Prospectus Directive¹,
- the Markets in Financial Instruments Directive (MiFID)²,
- the Alternative Investment Fund Managers Directive (AIFMD)³; and
- the Anti-Money Laundering Directive⁴.

For more details, we kindly refer you to the full text of the ESMA Statement for Firms.

B. Investors investing in ICOs

The Statement for Investors is, inter alia, drawing the investors’ attention to the significant risks involved in investing in Initial Coin Offerings (“ICO”), such as:

- i. Vulnerability to fraud or illicit activities, due to the fact that ICOs might not fall under the remit of the legislation.

¹ It has been transposed into National Law, by virtue of the Public Offer and Prospectus Laws of 2005 to 2016.

² It has been transposed into National Law, by virtue of the Investment Services and Activities and Regulated Markets Laws of 2007 to 2016.

³ It has been transposed into National Law, by virtue of the Alternative Investment Fund Managers Law of 2013.

⁴ It has been transposed into National Law, by virtue of the Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007-2013.

- ii. High risk of losing all of the invested capital,
- iii. Lack of exit options and extreme price volatility,
- iv. Inadequate information,
- v. Flaws in the technology.

For more details, we kindly refer you to the full text of the ESMA Statement for Investors.

Nicosia, 15 November 2017