



## ICO Governance - Value Added

Initial coin offerings (ICOs) continue to be a hot topic in the blockchain and crypto currency community, especially in the light of China's ban and the SEC's commentary. The definition of tokens from a regulatory and law stand point has a long way to run as countries, law makers and regulators get to grips with them.

However, those seeking to raise development capital through an ICO find themselves in an increasingly competitive market to grab the attention of potential participants. An important differentiator is for an ICO to bring participator protection up to the same level of importance as commercial opportunity. Websites are available that independently review projects and if you factor in a good whitepaper, working product prototypes and strong advisers, these all contribute to attracting interest in token sales.

Unfortunately, in an environment with little regulation, non-compliant issuers and promoters, and occasionally, scammers and fraudsters, participants have to tread carefully. Therefore, each level of independent verification for an ICO adds value to the proposition.

Three independent levels of comfort that any financial structure needs in order to be considered robust for its participants are: a **legal system**, a **regulatory framework** and **corporate governance**. Often little attention is paid to these but they are all there ultimately to protect the business and its consumers. As such they can provide untold benefits, all of which are available in the Isle of Man for ICOs. There is a relatively new facet of the legal system (the Designated Businesses Act) capturing virtual currencies, including crypto-currencies where they are accepted by persons as a means of payment for goods or services, a unit of account, or a store of value. These laws are subject to a regulatory framework which applies the Countering Terrorist Financing ("CTF") and Anti-Money Laundering ("AML") oversight, and which is overseen by the Isle of Man regulator, the Financial Services Authority.

This regulatory framework requires designated businesses to have appropriate corporate governance which includes an anti-money laundering officer, an accountable board of directors and compliance with international tax and exchange of information laws. A further layer of regulation applies to the managers of companies (corporate service providers) that issue the ICO and hold and commercialise the IP, requiring them to pass rigid 'fit and proper persons' and capital adequacy tests.

The debate as to where crypto-currencies sit in the financial system will blaze for a little while yet but the Isle of Man is already tackling the issue of market confidence and consumer protection.

### Contact us

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Independent levels of comfort



Robust regulatory systems

