

Initial Coin Offerings (ICOs)

- User and business operator warning about the risks of ICOs -

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Financial Services Agency

What are ICOs?

In general, an ICO collectively means an activity to raise funds from the public using a digital token issued by a company or an individual. It can also be known as a token sale.

For users: Risks of ICOs

A digital token issued in an ICO has the following high risks;

- **Price volatility:** The price of a token may decline or become worthless suddenly.
- **Potential for fraud:** ICOs usually provide a white paper. However, there are possibilities that the projects in the paper are not implemented, or the goods and services planned are not offered in reality. Frauds taking advantage of ICOs are reported in the media.
(Note) A white paper is the document which puts together the use of funds collected in an ICO, the content of the ICO project, the way to sell a token, etc.

You should have a deal at your own risk only after understanding enough the risks as above and the content of an ICO project if you buy a token. You should also pay careful attention to suspicious solicitation on ICOs. If you have any questions, [visit our contact point page](#) and [contact us by email](#).

For businesses: Regulation of ICOs

ICOs may fall within the scope of the Payment Services Act and/or the Financial Instruments and Exchange Act depending on how they are structured. Businesses involved in an ICO should adequately fulfill their duties required by related laws and regulations such as registration when their services are regulated by those acts. Delivering such services without registration is subject to criminal penalties.

(Note) A certain token issued in an ICO falls under the virtual currency on the Payment Services Act, therefore the businesses which provide exchange services of virtual currencies on a regular basis must be registered with each Local Finance Bureau that is delegated authority to by the Prime Minister.

If an ICO has the characteristics of an investment and the purchase of a token by a virtual currency is practically deemed equivalent of that by a legal tender, the ICO becomes subject to regulations under the Financial Instruments and Exchange Act.

If you have any questions about the regulation of ICOs, [visit our contact point page](#) and [contact us by email](#).