

NASAA Announces Initial Results of Operation Cryptosweep

June 1, 2018

On Monday, May 21, 2018, the North American Securities Administration Association (NASAA) [announced](#) a coordinated series of enforcement actions by state and provincial regulators in Canada and the United States to crack down on fraudulent Initial Coin Offerings (ICOs) and cryptocurrency investment products. To date, “Operation Cryptosweep” has resulted in nearly 70 inquiries and investigations, as well as 35 pending or completed enforcement actions related to ICOs or cryptocurrencies since the beginning of May, including the recent warning issued by the Ontario Securities Commission against five digital currency firms (as described in our recent [blog post](#)).

Joseph P. Borg, NASAA President and Director of the Alabama Securities Commission, emphasized that NASAA members are committed to combating the threat of fraud in the cryptocurrency market. Borg commented that the “actions announced today are just the tip of the iceberg”, noting that the NASAA task force has found approximately 30,000 crypto-related domain name registrations, suggesting that further investigations are likely to come.

The US Securities Exchange Commission (SEC) released a statement in support of NASAA’s recent efforts and provided updates on its own project targeting fraudulent ICOs and cryptocurrency investment products.

On behalf of the SEC, Chairman Jay Clayton stressed to investors the importance of existing securities regulations and that the use of blockchain technology cannot act as a mechanism to circumvent existing securities laws. As such, he argued that ICO markets must abide by the same full and fair disclosure obligations as the traditional securities markets. While he advocated for the adherence to securities laws, Clayton also recognized that the regulatory system is not perfect and that improvements are always being sought.

Clayton encouraged investors to visit and view the SEC’s recently launched sample [ICO website](#), which illustrates the common “red flags” in the ICO markets. Additionally, he recommended that investors familiarize themselves with a list of [sample questions](#) provided by the SEC before making a cryptocurrency or ICO investment.

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