

OSC Issues Warning Against Five Digital Currency Firms

May 28, 2018

On May 18, 2018 the Ontario Securities Commission (the “OSC”) released an Investor Alert warning investors of five digital currency firms (the “Firms”) that have been identified as targeting Ontario investors and encouraging trades and investments in cryptocurrency. This announcement follows the OSC’s participation in an international initiative called “Operation Cryptosweep” to raise public awareness about ICOs and cryptocurrency-related investment products, including such unregistered and fraudulent cryptocurrency schemes.

The Investor Alert follows several reports released in early April which cited that the OSC was gathering information about certain cryptocurrency trading platforms as a result of receiving several complaints that such platforms are operating offside securities laws. Claims made by against the Firms include providing investors high returns in short amounts of time, and advertising unregistered token sales. The OSC reiterated that any distribution to an Ontario resident requires a prospectus or a valid exemption from the prospectus requirement.

The British Columbia Securities Commission also recently announced that it issued letters to 12 offshore companies, that advertise their ICOs in the province or allow BC residents to participate in their ICOs, to halt their activity in the province until they are able to abide by the appropriate laws.

As the cryptocurrency market is an emerging space, the OSC encourages investors to educate themselves on risks associated with investing in cryptocurrency and “be aware that the marketing of high returns is often an indication of investment fraud.”

We Can Help

For more information, please contact Amanda Metallo or another member of our firm’s cross-disciplinary Emerging Companies Group.

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