

November 11, 2017 (/blog/2017/11/11/germany-on-the-list-to-warn-about-icos)

Germany on the list to warn about ICOs (/blog/2017/11/11/germany-on-the-list-to-warn-about-icos)



German regulators caution consumers that token offerings are not the same thing as stock issuances, and to do research before making commitments with capital.

On November 10, 2017, the German Federal Financial Supervisory Authority (BaFin) provided details on a consumer warning regarding the risks associated with crowdfunding through token issuance.

BaFin's consumer warning comes at a time when other authorities (<https://www.ethnews.com/swedish-regulators-issue-statement-on-token-offerings>) are issuing sentiment on the token-powered form of blockchain-based fundraising. Specifically BaFin indicated that token offerings, or ICOs, potentially expose investors to "significant risks" as they are "highly speculative investments." It points, contrary to impressions consumers may have had, that such token offerings are "neither technically nor legally" similar to the issuance of a stock, although ICOs have roots in the concept of Initial Public Offerings where stocks are sold. As such BaFin warns investors to "be prepared for a total loss of their investment." In addition BaFin acknowledges other risks to consumers including large price fluctuations, and the fact that tokens purchased may not be listed on an exchange, making it difficult to exit the market.

BaFin and ProjectICO share a similar sentiment; most of these token sales are unproved and undeveloped business models with no financials to back up. We see this everyday and we highly advise clients to go to the drawing board for why they are pursuing an ICO. Do you have the right team, insight and past experiences to run a successful business, let alone with crypto? Do you understand the legal obligations of the tokens you owe to serve your investors and customers? Please do not take these things lightly so we can all help make this mainstream. As Vitalk has said, over 90% of ICOs are scams and I have to think he is right. Bluntly, just because you have an idea doesn't mean it needs to go through an ICO... let alone have investors give you millions and then the little guys are left holding the bag.

-Stephen, Hello Otto & ProjectICO Founder

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