

Investor Education on Crypto-Assets

Final Report

**The Board
OF THE
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS**

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Executive Summary

IOSCO's three main objectives are enhancing investor protection, maintaining fair, efficient and transparent markets, and addressing systemic risk. The IOSCO Board identified crypto-assets as one of its five priorities for 2019¹ and included it in the IOSCO work program for 2019.

Technological innovation related to crypto-assets may offer many promising possibilities such as the potential to facilitate capital formation and improve access to financial services, however, the immaturity of the ecosystem and the assets themselves may expose those using or investing in them to certain risks that can inhibit this sector from gaining trust and legitimacy.

The IOSCO Board has therefore mandated the Committee on Retail Investors (C8) to identify methods for providing investor education about crypto-assets to retail investors.

Based on a survey collecting C8 members' views and experiences relating to crypto-assets and education of retail investors, C8 has found that more than 50 percent believe that crypto-assets pose a threat to investors for various reasons. Given the concerns raised and the estimated overall percentage of investors owning crypto-assets in participating jurisdictions, many C8 members believe that educating investors about crypto-assets is a high priority.

The report covers in Chapter 2 the types of crypto-assets and the main risks associated with these instruments. To assist regulators and retail investor to address those risks, Chapter 3 of the report presents four areas of guidance, covering the following activities:

- Developing educational content about crypto-assets.
- Informing the public about unlicensed or fraudulent firms.
- Using a variety of communication channels to inform investors.
- Forging partnerships to develop and disseminate educational materials.

IOSCO members are encouraged to consider utilising one or more of the educational activities included in the report, depending on the specific risks identified in their respective jurisdictions, and work to ensure that retail investors have sufficient information to make informed decisions about the risks in transacting in crypto-assets. The Appendix includes several examples of investor education material that IOSCO members have already used in this area.

Investor education materials and warnings can help to ensure that retail investors understand the nature of crypto-assets and the risks associated with them. Investor education can also help retail investors recognise unlicensed or fraudulent firms. Educational materials and warnings about products and activities can be used to complement the regulatory requirements that apply to crypto-assets marketed, offered or sold to retail investors.

¹ The other priority areas for 2019 were: (2) artificial intelligence and machine learning, (3) passive investing and index providers, (4) retail distribution and digitalisation and (5) market fragmentation.

Chapter 1. Introduction

In light of retail investors' interest in crypto-assets across the globe, the IOSCO Board identified crypto-assets as an area of focus in its work programme for 2019. Ongoing IOSCO efforts include the work of Committee 2 regarding the regulation of platforms trading crypto-assets,² the work of Committee 5 regarding the regulation of investment funds with exposures to crypto-assets,³ and the continuing development of the Initial Coin Offering (ICO) Support Framework by drawing on the resources of the ICO Consultation Network.

Due to the global spread of interest in crypto-assets, internationally coordinated responses in certain areas, such as enforcement and investor protection, may help provide clarity to businesses and investors. International coordination may limit jurisdictional arbitrage and facilitate innovation in blockchain and crypto-asset technologies, while allowing regulators to monitor developments to ensure fair and efficient markets, financial stability, and the protection of investors.

As crypto-assets carry risks that investors may not fully understand and that may lead to investor losses, investor education is of paramount importance.⁴ IOSCO Committee 8 (C8) is contributing to IOSCO's crypto-asset work by identifying relevant methods of providing investor educational material about crypto-assets to retail investors. This report includes the identified communication channels and methods, examples of relevant experiences by C8 members, and material for possible use by IOSCO members.

In fall 2019 C8 carried out a fact-finding survey among its members as the first step in developing educational material designed to assist regulators in educating retail investors on the basics and risks of crypto-assets. The material elicited includes examples of alerts and warnings used by C8 members as well as clear and concise explanations of the basic terms and concepts relating to crypto-assets. Such content could be used for investor education purposes across jurisdictions, after translation whenever necessary into the languages of local investors.

The use of the educational material described in this report is optional. IOSCO acknowledges that not all of the material or educational approaches described may be appropriate in all IOSCO member jurisdictions or necessarily consistent with all members' legal and regulatory frameworks. In addition, such material and educational approaches should be adopted and implemented in light of the specific risks that have been identified in the respective jurisdictions. Therefore, their actual use may vary across IOSCO members.

The overall goal of this work is to enhance the protection of retail investors by better informing them about the risks and characteristics of crypto-assets.

² IOSCO published the report on Issues, Risks and Regulatory Considerations Relating to Crypto-Asset Trading Platforms on 12 February 2020, <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD649.pdf>

³ It will be completed in 2020.

⁴ For example, the dramatic rise in the price of Bitcoin during the second half of 2017 captured media attention. As investors, particularly younger investors, generally became more curious about crypto-assets, many bought on the media hype, having little understanding of crypto-assets, a major investor protection concern. Rachel Wolfson, "Millennials Speak Out About Investing in Cryptocurrencies for Retirement Funds," *Forbes* (28 March 2018), <https://bit.ly/2s9SmIj>.

1.1 Background

The rapid growth of crypto-assets and the ecosystem surrounding them poses challenges for regulators across the globe. Technological innovation related to crypto-assets may offer many promising possibilities such as the potential to facilitate capital formation and improve access to financial services. At the same time, the immaturity of the ecosystem and the assets themselves may expose those using or investing in them to certain risks that could inhibit this sector from gaining trust. To be fully integrated into the global financial system, many believe key areas of the crypto-asset ecosystem need to evolve, specifically: crypto-asset trading platforms, custody solutions, retail investor protection, cybersecurity, and standards for balance sheet classification and valuation (i.e. the difficulty of assessing the value of crypto-assets in accordance with current financial and accounting frameworks). Although crypto-assets are not currently considered a threat to economic or financial stability, continued monitoring of the industry's development is essential to enhance retail investor protection and encourage the development of fair and efficient crypto-asset markets.

In their Communiqué following the March 2018 meeting in Buenos Aires, G20 Ministers of Finance and Central Bank Governors stated that crypto-assets “*raise issues with respect to consumer and investor protection, market integrity, tax evasion, money laundering and terrorist financing*” and called on international standard setting bodies to continue their monitoring of crypto-assets and any risks, according to their respective mandates, and assess multilateral responses as needed.

IOSCO members have raised concerns about crypto-assets in areas ranging from trading, custody, clearing and settlement, accounting, valuation, intermediation and the exposure of investment funds to crypto-assets. Notably, in January 2018, IOSCO issued a statement on concerns related to Initial Coin Offerings (ICOs),⁵ noting that there are clear risks associated with ICOs, including the targeting of retail investors through online distribution channels by parties often located outside of an investor's home jurisdiction.

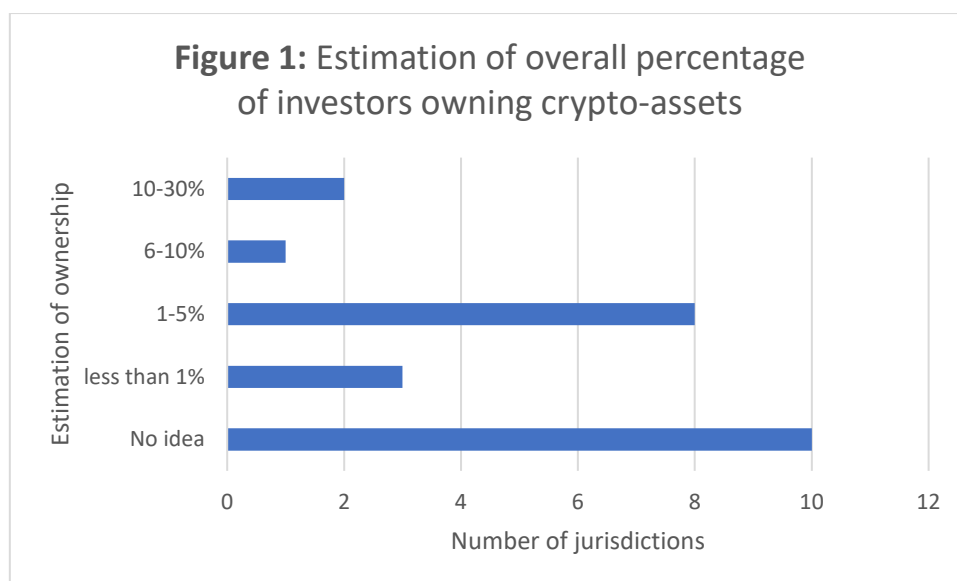
1.2 Setting the scene⁶ - Findings from a survey among IOSCO members

To determine if and how authorities in different jurisdictions educate retail investors about crypto-assets, members of the IOSCO C8 were surveyed. This section summarises the survey responses.

While many surveyed C8 members currently have no data available to estimate the overall percentage of investors owning crypto-assets in their jurisdictions, about half of the respondents estimated that only 1 up to 5 percent of investors in their respective jurisdictions own crypto-assets. Two C8 members estimated an ownership rate of 10 percent to 30 percent (Figure 1).

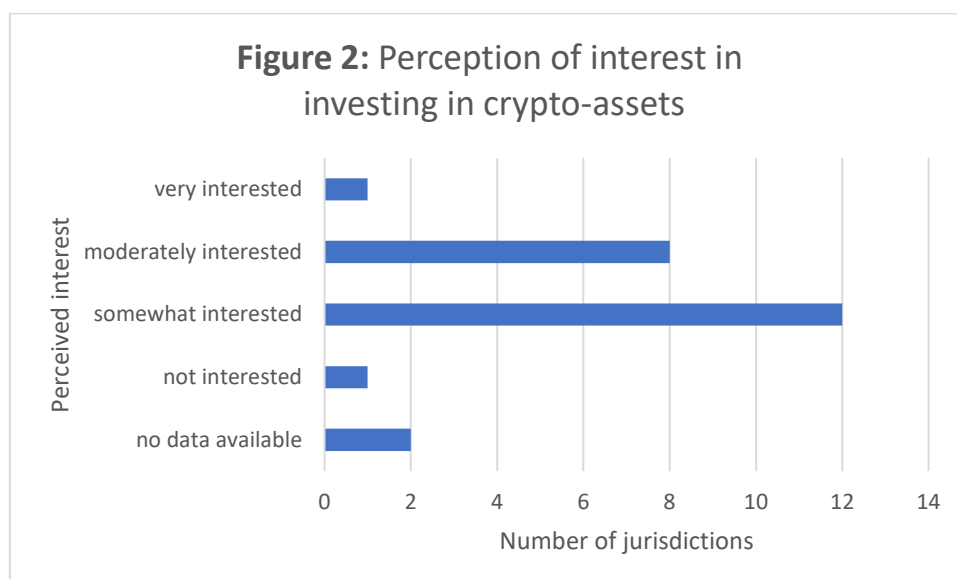
⁵ IOSCO Board communication on concerns related to Initial Coin Offerings (ICOs) (January 2018) <https://www.iosco.org/news/pdf/IOSCONEWS485.pdf>.

⁶ 24 authorities from a total of 21 jurisdictions participated in IOSCO C8's survey.



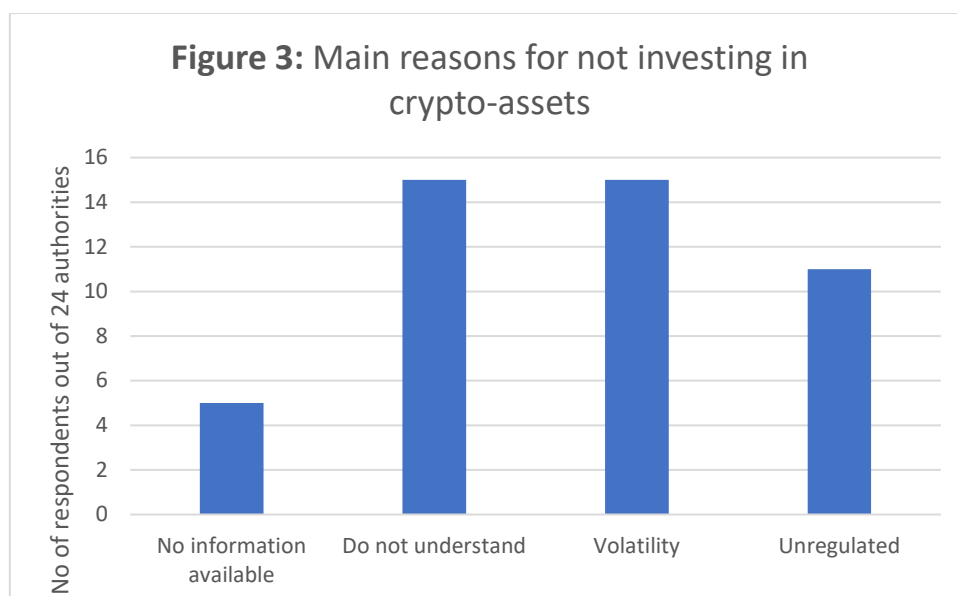
As the dramatically rising price of bitcoin during the second half of 2017 captured media attention, investors generally became more curious, but investors born between 1981 and 1996 seemed most intrigued.⁷ Often these younger investors had little understanding exactly what crypto-assets were.

Survey responses also indicate that most C8 members participating in the survey believe that investors in their jurisdiction are “moderately interested” or “somewhat interested” in investing in crypto-assets (Figure 2).

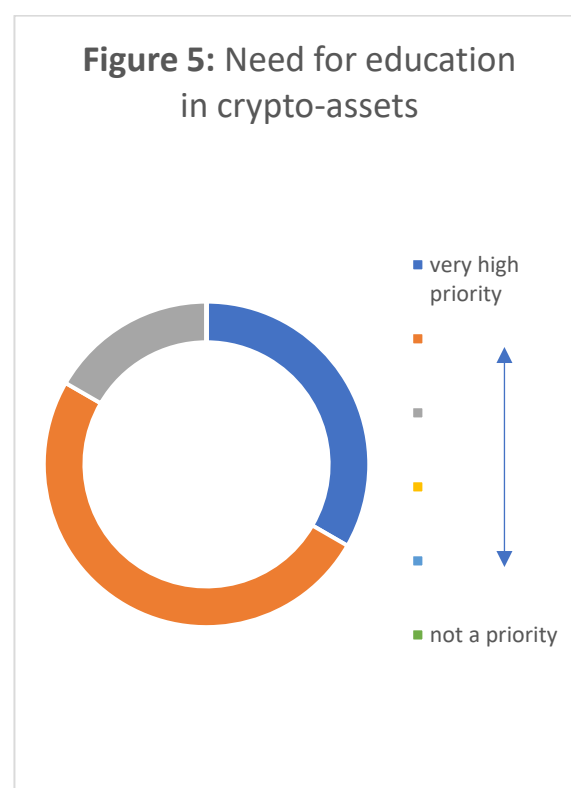
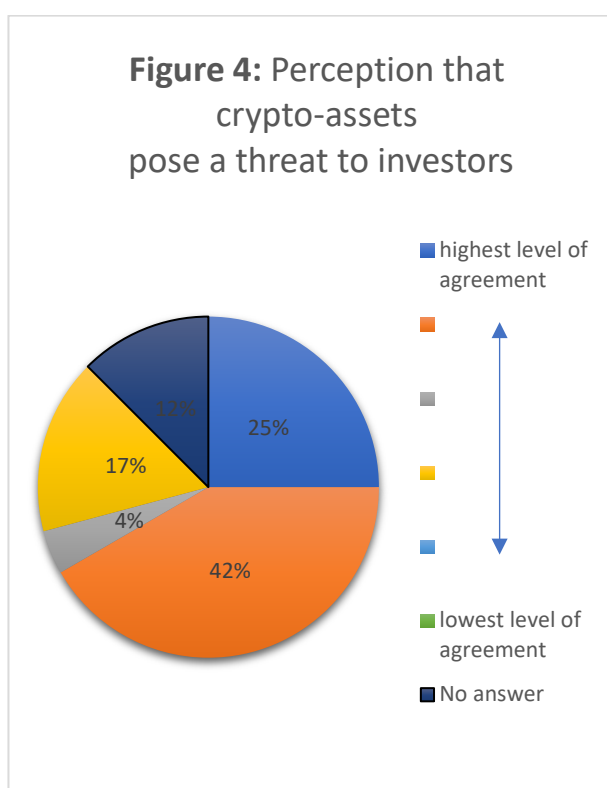


Volatility, the lack of regulation, and the lack of investor understanding are among the main reasons identified by many C8 members that explain why investors in their jurisdictions do not invest in crypto-assets (Figure 3).

⁷ Rachel Wolfson, “Millennials Speak Out About Investing in Cryptocurrencies for Retirement Funds,” Forbes (28 March 2018), <https://bit.ly/2s9SmIj>.



Among C8 members more than 50 percent believe that crypto-assets pose a threat to investors for various reasons (Figure 4). Given the concerns raised in the previous paragraphs and the estimated overall percentage of investors owning crypto-assets in participating jurisdictions, many C8 members believe that educating investors about crypto-assets is a high priority (Figure 5).



Chapter 2. The multi-coloured world of crypto-assets

For the purposes of this report crypto-assets are a type of private asset that depends primarily on cryptography and distributed ledger technology (DLT) or similar technology as part of its perceived or inherent value. Crypto-assets can represent an asset or ownership of an asset, such as a currency, a commodity, or a security or derivative.⁸

2.1 Types of crypto-assets

Crypto-assets can have different functions and characteristics. Some are an integral component of a certain blockchain, such as Bitcoin for the Bitcoin blockchain and Ether for the Ethereum blockchain. In addition, smart contracts can be used to create various function-based assets, e.g. within the Ethereum network. These assets are then created and managed within an existing blockchain infrastructure (in this case, Ethereum). As smart contracts are freely programmable in principle, meaning that the corresponding assets can differ from each other considerably, a case-by-case assessment is the only way of reliably categorising each asset.

At present there is no globally accepted taxonomy of crypto-assets in use by international standard-setting bodies. The International Organization for Standardization (ISO) is developing multiple international blockchain/DLT standards.⁹ However, international standard-setting bodies use a largely simplified categorisation to classify DLT-/blockchain-based crypto-assets into the following three main categories of crypto-assets:

⁸ See generally: IOSCO Research Report on Financial Technologies (FinTech) (February 2017) <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD554.pdf>

⁹ E.g. ISO/TR 23455:2019 Blockchain and distributed ledger technologies — Overview of and interactions between smart contracts in blockchain and distributed ledger technology systems which has already been published and ISO/WD TS 23258 Blockchain and distributed ledger technologies — Taxonomy and Ontology which is about to be published.

Security tokens	Utility tokens	Payment/exchange/currency tokens
• Typically provide rights (e.g. in the form of ownership rights and/or entitlements similar to dividends). • For example, in the context of capital raising, asset tokens may be issued in the context of an Initial Coin Offering (ICO)/Token Generating Event (TGE) that allows businesses to raise capital for their projects by issuing digital tokens in exchange for fiat money or other crypto-assets. • Example: Bitbond.	• Typically enable access to a specific product or service often provided using a DLT platform. Can only be used in the issuer's network. Very complex legal structures generally apply to utility tokens. • Example: Ether	• Often referred to as VCs or cryptocurrencies. Typically do not provide rights (as is the case for investment or utility tokens) but are used as a means of exchange (e.g. to enable the buying or selling of a good provided by someone other than the issuer of the token), for speculative purposes or for the storage of value. • Example: Bitcoin or Ether • 'Stablecoins' are a relatively new form of payment/exchange token that is typically asset-backed (by physical collateral or crypto-assets) or is in the form of an algorithmic stablecoin (with algorithms being used as a way to stabilise volatility in the value of the token).

Despite this categorisation, to determine the nature of a digital asset, yet a case-by-case assessment is needed; one must examine the economic reality. Each digital asset must be examined individually according to the specific facts and circumstances and taking into account the domestic legal and regulatory frameworks and approaches in each jurisdiction.

2.2 Initial Coin Offerings (ICO)

Crypto-assets are often sold or auctioned in an ICO. ICOs are to be distinguished from initial public offerings (IPOs), both economically and organisationally.¹⁰ Crypto-assets in ICOs are referred to as tokens and ICOs themselves are referred to, in some cases, as Token Generating Events (TGEs). The main purpose of ICOs is to raise funds from third parties to fund an idea or a business model. ICOs give private investors access to investment opportunities similar to venture capital in that they are more liquid, but also involve greater risk.

ICOs frequently include a so-called "white paper", intended to give an overview of the planned project, but they typically do not provide the same standard and detail of information as in securities prospectuses, regarding structure, comparability and informational significance and are often even confusing. ICO issuers frequently promote their projects using a variety of online channels such as a website, messaging apps and other social media (e.g. Telegram, Slack, YouTube). ICO issuers often use smart contracts on existing blockchains to create and manage their tokens rather than developing an entirely new blockchain.

Depending on the circumstances, the virtual coins or tokens that are offered may be securities. If they are securities, the offer and sale of these virtual coins or tokens in an ICO may be subject to securities law.

¹⁰ Conley, Blockchain and the Economics of Crypto-tokens and Initial Coin Offerings, <http://www.accessecon.com/Pubs/VUECON/VUECON-17-00008.pdf>, retrieved on 10 July 2018.

Crypto-assets distributed in an ICO are highly risky investments and the structure of ICOs makes them especially vulnerable to abuse and fraud.¹¹ A 2018 review of 1,450 ICOs revealed that 271, approximately 18 percent, contained plagiarised investment documents, promises of guaranteed returns, or missing or fake executive teams.¹² Investors should expect high volatility and consider the possibility of a total loss of their investment, particularly in early experimental projects. When investors buy tokens in an ICO, the issuers may not be located in the investor's home country. In such cases, consumer protection and protection of personal data of the investor's home country may not apply. The ability to assess risks associated with ICOs requires an in-depth, particularly technical, understanding of the subject matter. ICOs often take place in the non-regulated area of the financial sector and take advantage of jurisdictions with more lax regulation. Some IOSCO members have already taken regulatory action against ICO issuers and related parties.

2.3 Risks

The primary or main risks directly related to crypto-assets include the following:

Market liquidity risk: Illiquid or flat market structures impair the ability to sell or purchase crypto-assets without impacting the price. It may be difficult to exit the crypto-asset market and transfer the value of crypto-assets into fiat money.

Volatility risk: Valuation and pricing of crypto-assets is difficult because of the lack of a “real” underlying asset. Therefore, there is a high volatility risk and investors may suffer large losses.

Counterparty risk: Owners of crypto-assets may face risks arising from crypto-asset brokers, crypto trading platforms, wallet providers and other intermediaries. It may be difficult or even impossible to identify and/or locate the issuer of a crypto-asset, the trading platform, wallet provider or intermediary, especially in a cross-border situation where it may also be difficult to determine which laws may be applicable. Thus, if an investor has a claim it might be difficult to sue the issuer or the wallet provider and enforce a title.

Risk of partial or total loss of the invested amount: The capital invested is not guaranteed, and the risks associated with the investment may not be clearly stated in the documentation published by the issuer of the crypto-asset.

Risk of insufficient information disclosure: Information may be missing, inaccurate, incomplete and unclear with respect to the project and its risks. Documents may be highly technical and require sophisticated knowledge to understand the characteristics of the crypto-assets and/or the project.

Project risk: In many projects, the value and stability of the crypto-asset largely depends on the skill and diligence of the project team behind the crypto-asset or the ICO. The project

¹¹ Marktwächter Finance section press release, Neue Kryptowährungen sind hochriskante Geldanlagen, <http://ssl.marktwaechter.de/pressemeldung/neue-kryptowaehrungen-sind-hochriskante-geldanlagen>, retrieved on 3 July 2018.

¹² Buyer Beware: Hundreds of Bitcoin Wannabes Show Hallmarks of Fraud, Wall Street Journal, May 17, 2018.

underlying an ICO might not be realised, which would ultimately make the crypto-asset worthless.

Technical and operational risks, including cybersecurity risks: Crypto-assets also carry technical and operational risks, such as cyberattacks or delayed or failed transactions. Such risks, particularly the disproportionately high dependency on functioning IT infrastructures, also exist for service providers and crypto-asset trading platforms. Also, the loss of the access code may make it impossible to move the crypto-assets investment resulting in the loss of the asset.

Risk of fraud: There is an asymmetry between the information available to the issuer of the crypto-asset and the investor, and the inherent complexity of the crypto-assets securities makes it difficult for investors to understand their purpose so that they may fall prey to fraud more easily. Fraudsters often use innovations and new technologies to perpetrate fraudulent investment schemes. Also, fraudsters may entice investors by touting an ICO investment as an “opportunity” to get into a cutting-edge space, promising or guaranteeing high investment returns.

Risk of lack of regulation: As far as crypto-assets are unregulated, the holders neither benefit from supervisory nor from civil consumer protection law. For example, there is no deposit protection in the event of financial insolvency of a custodian wallet provider. Depending on the legal classification of the respective crypto-asset, there is no legally binding product description.

Chapter 3. Investor education material with guidance about crypto-assets

The educational material presented in this report is intended to help educate retail investors about the specific risks arising from crypto-assets.¹³ It contains guidance to regulators in the following four areas:

- Developing educational content about crypto-assets;
- Informing the public about unlicensed or fraudulent firms;
- Using a variety of communication channels to inform investors; and
- Forging partnerships to develop and disseminate educational materials.

IOSCO members are encouraged to consider utilising one or more of the educational activities included in the material, depending on the specific risks identified in their respective jurisdictions, and work to ensure that retail investors have sufficient information to make informed decisions about the risks in transacting in crypto-assets. The Appendix includes

¹³ IOSCO’s report on Sound Practices for Investment Risk Education, which identified a number of sound practices for investment risk education initiatives in general, can be a useful complement to this educational material. See: FR21/2015 Sound Practices for Investment Risk Education, Report of the Board of IOSCO, September 2016, available at

<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD505.pdf>

examples of investor education material that IOSCO members have used in the sector, including information about the distribution channels used.

Activity 1: Developing educational content about crypto-assets.

This activity consists of developing investor education materials and warnings to explain the characteristics and risks of crypto-assets.

Section 2 of this report provides an overview of the risks arising from crypto-assets. Investor education materials and warnings can help to ensure that retail investors better understand the nature of crypto-assets and their risks. Education can also help retail investors recognise unlicensed or fraudulent firms. Educational materials and warnings about the relevant products can be used to complement other regulatory requirements that apply to crypto-assets marketed, offered or sold to retail investors.

Use of Activity 1 by IOSCO members

Most IOSCO members have issued warnings to retail investors and prospective investors regarding the risks of investing and holding crypto-assets and the likelihood of incurring losses. Examples include:

- Two warnings on ICO, tokens and virtual currencies published on 14th March 2018 by CSSF Luxembourg. The purpose of this publication was to inform the public of the risks related to the use of certain type of crypto-assets.¹⁴
- FSA Japan published a warning about the risks of crypto-assets and a user and business operator warning about the risks of ICOs.¹⁵
- BaFin Germany and the Federal Criminal Police Office issued a joint warning on the risks of payment tokens, among other things.¹⁶ BaFin also issued a warning on the risks of ICOs¹⁷ and published an article on its website on ICOs and their high risks for consumers.¹⁸
- The CNMV Spain posted on its website and promoted through social media a warning titled “Five Things You Need to Know about Cryptocurrencies”.¹⁹

¹⁴ https://www.cssf.lu/fileadmin/files/Protection_consommateurs/Avertissements/W_ICOS_140318_eng.pdf and https://www.cssf.lu/fileadmin/files/Protection_consommateurs/Avertissements/W_virtual_currencies_140318_eng.pdf

¹⁵ https://www.fsa.go.jp/policy/virtual_currency/04.pdf
https://www.fsa.go.jp/policy/virtual_currency/07.pdf

¹⁶ See December 2018 edition of BaFinJournal – only available in German

¹⁷ <https://www.bafin.de/dok/10185906>

¹⁸ <https://www.bafin.de/dok/10202490>

¹⁹ <http://www.cnmv.es/portal/verDoc.axd?t={fea02010-d8c3-456d-9133-ab43ac0638bc}>

- MAS Singapore issued a consumer advisory on 10 August 2017 to alert consumers to the risks of digital tokens and virtual-currency-related investment schemes. A consumer advisory advising the public to act with extreme caution and understand the significant risks they take on if they choose to invest in cryptocurrencies followed on 19th December 2017.²⁰
- Since 2018, MAS has issued six consumers advisories alerting consumers of fraudulent websites soliciting crypto-asset investments.²¹
- OSC and AMF Quebec, both members of the Canadian Securities Administrators (CSA) which is the umbrella organisation of Canada's provincial and territorial securities regulators, launched early in 2019 a Social Media & Web campaign with infographics²² and short animated educative videos on Cryptocurrency: What is a cryptocurrency²³ and What you need to know about Cryptocurrency Trading²⁴.
- SFC Hong Kong issued 3 warnings on ICOs, cryptocurrency-related investment products and cryptocurrency risks on 5 September 2017, 11 December 2017 and 9 February 2018 respectively.^{25 26 27}

Considering the growing usage of ICOs to raise capital, IOSCO issued in January 2018 a statement regarding the risks of ICOs and referenced various approaches to ICOs taken by members and other regulatory bodies. A sample of communications issued by authorities is available on the IOSCO website.²⁸ The IOSCO Board has also established an ICO Consultation Network through which members have discussed their experiences and brought their concerns, including any cross-border issues, to the attention of fellow regulators. Apart from investor warnings, IOSCO members also have used other educational materials to educate investors about the characteristics and risks of crypto-assets. These include:

²⁰ <https://www.mas.gov.sg/news/media-releases/2017/consumer-advisory-on-investment-schemes-involving-digital-tokens>

²¹ <https://www.mas.gov.sg/news/media-releases/2019/warning-on-fraudulent-website-soliciting-bitcoin-investments-ii>

²² <https://www.securities-administrators.ca/investortools.aspx?ID=1696&LangType=1033>

²³ <https://www.youtube.com/watch?v=dLPNyHlp8CU>

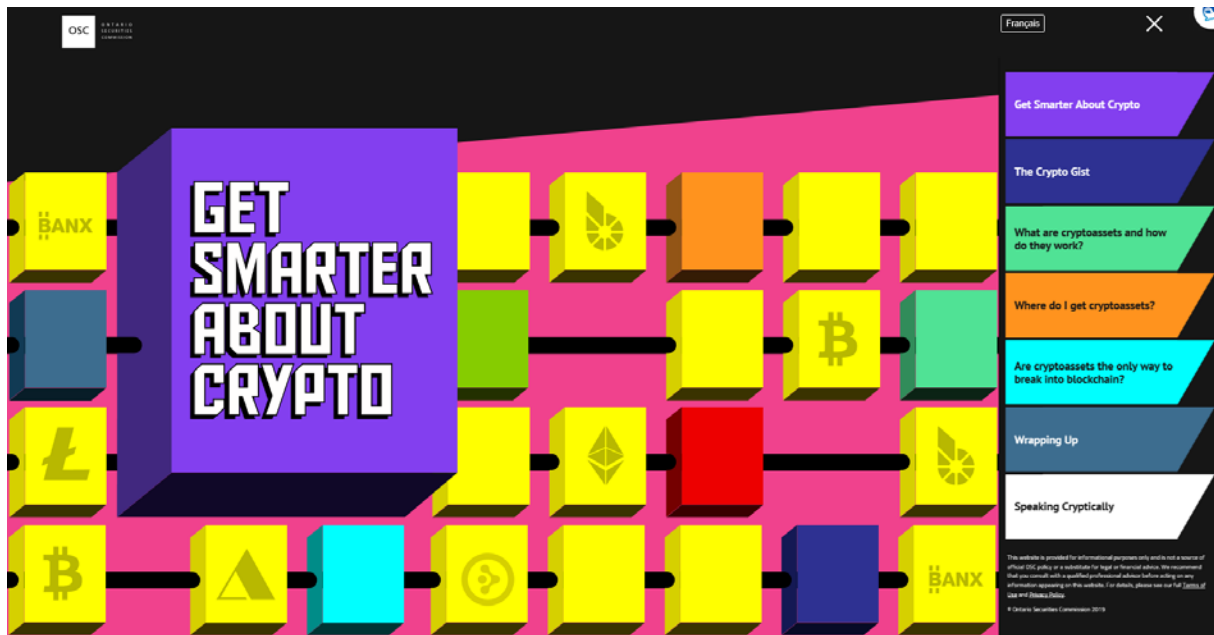
²⁴ <https://www.youtube.com/watch?v=5hql0WPq9BU>

²⁵ <https://www.sfc.hk/web/EN/news-and-announcements/policy-statements-and-announcements/statement-on-initial-coin-offerings.html>

²⁶ <https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=17PR147>

²⁷ <https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=18PR13>

²⁸ <http://www.iosco.org/publications/?subsection=ico-statements>



- Maintaining a dedicated webpage for the relevant crypto-assets on the regulator's website that provides educational materials and explains the products, their risks and how they are traded.^{29 30 31}
- Distributing brochures and other materials about crypto-assets and their risks that specifically target retail investors.^{32 33}
- Producing articles, podcasts and videos that inform retail investors about fraud and how they can avoid being misled by unlicensed firms offering crypto-assets.^{34 35}

²⁹ GetSmarterAboutCrypto.ca is one of two of the OSC's (Ontario, Canada) crypto-asset educational microsites. It provides investors with an overview of crypto-asset products and services, the OSC's role in regulating them, and tips for exercising due diligence before considering this type of investment.

³⁰ IFEC Hong Kong dedicated a site covering education articles and infographics <https://www.ifec.org.hk/web/en/financial-products/fintech/ico-bitcoin/index.page>

³¹ Thailand's microsite (website) "Siang soong (high risk).com" (<https://youtu.be/cfonkCIIgwg>) particularly designed to educate/give information about digital assets as well as public relations campaign to promote the site to general public through social media e.g., YouTube and Google banner.

³² CMVM Portugal distributed FinTech Leaflets with description of crypto-assets to investors, mainly in its World Investor Week training sessions to seniors, students and bank customers.

³³ BaFin Germany published in BaFin Perspectives, Issue 1/2018, available at: (https://www.bafin.de/EN/PublikationenDaten/BaFinPerspektiven/AlleAusgaben/BaFinPerspektiven_alle_node_en.html): Supervision and regulation in the Age of Big Data and Artificial Intelligence / Distributed Ledger Technology: Blockchain as a Basis for Information Security / Blockchain Technology – Thoughts on Regulation / Digitalisation and Information Security in the Financial and Insurance Sectors as a Focus of Regulatory Requirements.

³⁴ TBACoin.ca is the other OSC (Ontario, Canada) crypto-asset educational resource published, and mimics what a typical fraudulent initial coin offering website may look like to help those interested in this type of capital raising tool identify potential red flags.

³⁵ "Watch Out for Fraudulent Digital Asset and "Crypto" Trading Websites" (April 2019) published by US SEC available at https://www.sec.gov/oiea/investor-alerts-and-bulletins/ia_fraudulentdigitalasset.

Often IOSCO members use different social media apps/websites to complement and create awareness about their investor education initiatives. Please see Appendix for further examples of educational content on crypto-assets developed by IOSCO members.

Guidance on the use of Activity 1

Depending upon their primary purpose and target audience, educational materials will have differences in content and focus and will often have evolved gradually over time. However, IOSCO members may find the following practices helpful:

- Displaying materials in a comprehensive manner, on a dedicated web page, for example, or linking different materials together can help regulators to disseminate consistent information to investors.
- Using social media channels to create awareness about crypto-asset information material on dedicated web pages or other distribution channels.
- Providing investor education materials and warnings in language that is clear and easily understandable and that the information provided is concise and timely. Insights from behavioural economics can help regulators to achieve these goals.
- Using real life use cases or testimonials in investor education materials to help convey messages effectively.
- Using the relevant distribution channels used by investors interested in crypto-assets to spread the regulatory message.

Investor education should not be limited to the transfer of factual **knowledge** and **skills** but should also address the investors' appropriate **attitude** when looking at crypto-assets.

Activity 2: Informing the public about unlicensed or fraudulent firms

This activity entails IOSCO members warning the public of unlicensed and/or fraudulent firms and platforms that offer crypto-assets to retail investors.

Unlicensed firms frequently create new websites that offer highly speculative investment opportunities to retail investors. IOSCO members have found many of these websites to be fraudulent. The sophisticated marketing and distribution techniques employed by fraudulent firms offering crypto-assets can also make it difficult for the potential clients to realise they are being scammed.

Enforcement action by IOSCO members (and other law enforcement bodies) against the entities and persons engaging in fraudulent marketing or other illegal activities through websites can be difficult because a significant proportion of firms offer services online on a cross-border basis, often without a physical presence in many of the jurisdictions where the retail investors reside. This presents specific challenges to regulators regarding the supervision of these firms. For this reason, informed investors are the first line of defence against fraud and unlicensed operators. This activity would warn investors and the general public of unlicensed

and/or fraudulent firms and help IOSCO members to prevent fraud and protect investors in their jurisdiction. Some IOSCO members also publish information about their enforcement actions as an additional way to deter future illegal activity. Warnings and updates about enforcement actions may also discourage other potential perpetrators from carrying out illegal activities.

Use of Activity 2 by IOSCO members

Several IOSCO members, consistent with the jurisdictions' laws and regulations, maintain lists of unlicensed or fraudulent firms and platforms that sell crypto-assets. In these jurisdictions, the lists are typically published on the relevant regulator's website. IOSCO members also commonly issue additional public warnings or investor alerts in the form of media or press releases to inform the public of unlicensed and/or fraudulent entities targeting the general public. The warnings generally identify the unlicensed or fraudulent platform or website and the provider operating it, and the type of crypto-asset being offered.

Some IOSCO member jurisdictions stated that crypto-assets are not considered a financial product as they do not satisfy requirements stated in the relevant regulation. Crypto-assets are thus beyond the public regulatory framework. In Korea, for example, raising funds by using crypto-assets as a form of issuing securities, ICOs are not permitted under the Financial Investment Services and Capital Markets Act. Fundraising via crypto-assets is also punishable. Furthermore, retail investors are advised to use caution when making investment decisions in connection with crypto-assets, taking into account the potential loss following a price plunge, fraud, and hacking. Another example would be the UK FCA, which issued on 3 July 2019 a consultation paper about banning the sale of derivatives and exchange traded notes linked to "unregulated transferable crypto-assets" to retail investors. These are basically crypto-currencies such as Bitcoin, Litecoin etc., and most transferable 'utility tokens'— for example, Ether and XRP can be widely transferred and traded, but also have certain applications.

Please see Appendix for different practices adopted by IOSCO members to inform the public about the activities of unauthorised firms and their trading platforms, or to warn about fraudulent schemes.

Guidance on the use of Activity 2

The primary consideration for IOSCO members when applying this activity is their capacity to identify new unlicensed or fraudulent providers.

The first step for IOSCO members is to identify any new providers offering crypto-assets in their jurisdiction and determine whether they are licensed. IOSCO members who publish lists of unlicensed or fraudulent providers are recommended to update these lists when new unlicensed or fraudulent providers are identified. IOSCO members may also wish to include a warning to investors that new unlicensed or firms appear regularly and therefore that the list may not be exhaustive.

Where applicable, IOSCO members are recommended to distribute warnings about unlicensed firms to the public as widely as possible to prevent the public from trading with these firms in good faith. Warnings or alerts can, for example, take the form of news, press releases or information feeds on the IOSCO member's website. They should be easily accessible to the

public on a dedicated section of the website, and highly visible to investors and the press. It is also helpful for the public to have easy access to an archive of all the published warnings. When issuing a warning, IOSCO members may wish to include prevention and good practice messages and refer investors to existing educational materials on crypto-assets.

Activity 3: Using a variety of communication channels to inform investors

This activity encourages IOSCO members to use different communication channels when informing retail investors about the risks of crypto-assets.

IOSCO members typically have a range of communication channels available to them to reach investors. In addition to the regulator's website, other communication channels to educate investors include in-person outreach events, online content, hard-copy brochures and materials, press releases, interviews, articles, videos, television, radio, and social media. Different communication channels allow IOSCO members to reach different audiences and can impact their audiences differently.

Use of Activity 3 by IOSCO members

The majority of IOSCO members publish investor warnings and other educational materials on their websites, often by creating dedicated webpages. Many also promote the warnings and materials through social media, videos, webinars, blogs, TV, radio, brochures, mobile apps and articles in newspapers and magazines. In addition, a number of IOSCO members have run online advertising campaigns to warn and educate investors about crypto-assets.

For example, some IOSCO members have purchased search engine text ads that warn potential investors searching for specific keywords, such as "ICO", and the names of companies for which investor warnings have been issued, about the potential for fraud. Such ads then direct potential investors to warnings and information prepared by the regulator about the fraudulent activities of crypto-asset firms. In addition, a large number of IOSCO members promote investor protection by spreading, for example, key messages via social media as part of IOSCO's World Investor Week initiatives (2019: ICO's, digital assets and investing online, among others).

An innovative method used by the US SEC was the creation of a website for a fake ICO, HoweyCoins, replete with a bogus white paper and photos of SEC employees posing as officers of the non-existent company. HoweyCoins was an educational awareness initiative designed to educate investors about the red flags of fraud in the ICO space. The US SEC launched the [Howeycoins.com](https://www.howeycoins.com) ICO website in May 2018, with alluring travel-related stock photos displaying a countdown clock replicating the time pressure element that many scams include, along with a deadline-sensitive "investment laddering" scheme common to ICOs. The website made claims that the ICO guaranteed returns and that it was "officially registered with the U.S. government". Clicking on the link to express interest for the ICO sent the viewer to an Investor.gov web page highlighting the red flags of a fraudulent investment scheme. The [Howeycoins.com](https://www.howeycoins.com) ICO website received over 250,000 views worldwide, with visitors spending an average of six minutes viewing its information.



Other members are using a similar approach (e.g. OSC, Canada).

Please see Appendix for more detailed examples of IOSCO members using different communication channels to inform retail investors about the risks of crypto-assets.

Guidance on the use of Activity 3

Different communication channels reach different target audiences, but they can also reach the same target audience to reinforce the message that is communicated. An educational message is also likely to have different impacts across different demographic segments, depending on the communication channel chosen.

IOSCO members are encouraged to consider the most appropriate communication channel to reach the desired target audiences with messages that effectively communicate the risks and harms of crypto-asset fraud or direct the audience to take specific actions, e.g., to avoid fraud or learn more.

For instance:

- Materials distributed through the press, TV and radio have the potential to reach a wide audience, especially among more vulnerable or senior demographics.
- Online and social media can amplify a message's reach, particularly in jurisdictions and among audiences that have high internet and social media penetration. Regarding reaching investors interested in crypto-assets, online distribution of information to reach tech-savvy millennials and GenX is key. Depending on the jurisdiction, different platforms appeal to different demographics. For example, in the US or France Facebook is big across most generations, but younger millennials make more use of Instagram or YouTube.
- In-person outreach and print materials can be especially effective for educating and informing people with little or no online exposure, including, for example, those living in rural areas and senior demographics.
- Online advertisement campaigns and short video clips on relevant online platforms can be effective in reaching potential customers when they are actively searching for investment opportunities. It can also be efficiently targeted to key audiences. For example, millennials are more likely to use search, music streaming, and video streaming sites. Video and audio pre-roll ads would be a good choice to reach this audience. This approach can be particularly relevant and efficient for jurisdictions with a sizeable market for crypto-assets and where providers aggressively target the general public online.

Often IOSCO members use a combination of communication channels to extend the reach and impact of their educational activities and to target specific investor segments. Members are also encouraged to ensure that any press and news outlets involved in the distribution of those messages are well-informed so that they will convey and share accurate information.

Activity 4: Forging partnerships to develop and disseminate educational materials

This activity encourages IOSCO members to co-operate and work in partnership with other regulatory bodies, consumer representatives and associations, and relevant trade associations to develop and distribute educational materials.

Partnerships and the sharing of educational content with other regulatory bodies, consumer representatives and associations, and relevant trade associations both domestically and internationally can help IOSCO members to develop and distribute messages to retail investors more effectively. Such partnerships can be especially helpful for members dealing with cross-border issues. Many IOSCO members already share their investor warnings and alerts on unlicensed or fraudulent firms through the IOSCO Investor Alerts Portal.³⁶ In addition, IOSCO members share information through IOSCO Committee 8 on Retail Investors and the IOSCO Investor Education Portal.

³⁶ https://www.iosco.org/investor_protection/?subsection=investor_alerts_portal

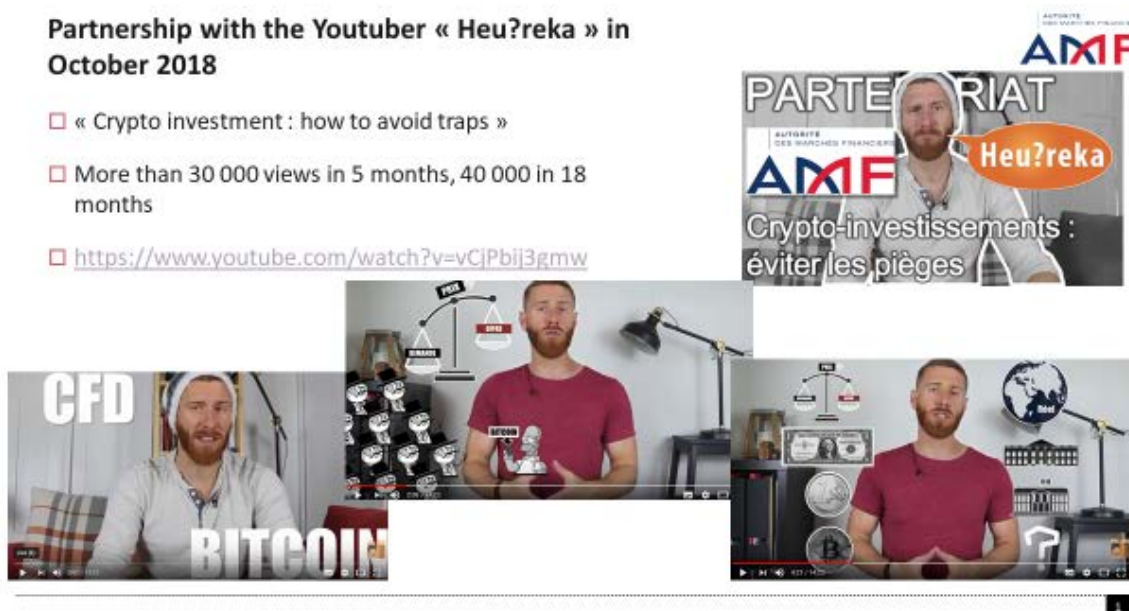
Use of Activity 4 by IOSCO members

Several IOSCO members work in partnership with other regulatory bodies, consumer representatives and trade associations to develop and disseminate materials and messages to investors. This is done, for example, by:

- Issuing joint alerts and warnings with other regulators about crypto-assets,
- Working alongside consumer representatives or agencies to develop and disseminate messages that warn retail investors about the risks arising from crypto-assets.
- Publishing investor warnings by other regulators on their website.
- Encouraging trade associations to publish industry codes of good practice and produce their own educational material for investors.

Partnership with the Youtuber « Heu?reka » in October 2018

- ❑ « Crypto investment : how to avoid traps »
- ❑ More than 30 000 views in 5 months, 40 000 in 18 months
- ❑ <https://www.youtube.com/watch?v=vCjPbii3gmw>



Please see Appendix for more examples of IOSCO members forging partnerships with other regulatory bodies, consumer representatives and/ or trade associations.

Guidance on the use of Activity 4

Co-operation among different regulatory bodies, consumer representatives and relevant trade associations undertaken to educate the public about crypto-assets and to warn them about unlicensed or fraudulent entities can help IOSCO members to send a strong message about the risks arising from such products.

Co-operation in this area, including joint distribution of educational material with different IOSCO members, can help IOSCO members to provide a consistent message to different

stakeholders and potentially reach a wider target audience than if the communications were issued unilaterally.

Appendix: Examples of IOSCO members use of different investor education activities and initiatives.

This appendix presents an overview of investor education materials that IOSCO members have used to inform retail investors about crypto-assets, including information about the distribution channels used. This includes examples of:

- Educational content on the relevant products developed by IOSCO members,
- Particular practices adopted by IOSCO members to inform the public about unauthorised firms, fraudulent schemes and their trading platforms,
- Use of different communication channels to inform retail investors about the risks of crypto-assets, and
- Forging partnerships with other regulatory bodies, consumer representatives and/ or trade associations.

1. Investor education materials

The chart below provides an overview of examples of investor education materials and initiatives by IOSCO members, listing the various communication channels used in each jurisdiction. Links are provided, where available. More detailed examples of investor education materials and initiatives that IOSCO members have developed or have adopted are given further below.

Overview of examples of investor education materials and initiatives related to crypto-assets by IOSCO members.

Jurisdiction	Educational Materials	Distribution Channels
Argentina (CNV)	Warning statement on ICOs	In-person outreach events, Website, Social media
Australia (ASIC)	Consumer warnings around virtual currencies	Website, Social media (Facebook, Twitter, ASIC's regulatory social media channels), Stakeholder outreach (Meet up events to discuss out engagement with sector and options)
Belgium (FSMA)	A media campaign 'Trop beau pour être vrai/Te mooi om waar te zijn' (which means 'too good to be true') has been conducted. Information and warnings on websites Leaflet concerning online fraud Information for teachers concerning means of payment (amongst which cryptocurrencies)	In-person outreach events, Website, Hard copy brochures and materials, Social media, TV/Radio
Brazil (CVM)	Warning statements on crypto-assets.	In-person outreach events, Website, Social media

Canada, Ontario (OSC)	Operation of two crypto-asset educational initiatives TBA Coin (https://www.getsmarteraboutmoney.ca/tbacoin/) and GetSmarterAboutCrypto.ca (https://getsmarteraboutcrypto.ca/) Plus a research study on retail investors was published called “Taking Caution: Financial Consumers and the Crypto-asset Sector”	In-person outreach events (OSC hosts OSC in the Community events across the province to talk about investing basics, protection from investment fraud, and to listen to everyday Ontarians. The presentations often incorporate emerging or trending financial and investment-related issues, such as crypto-assets.), Website, Social media (Channels: @GetSmarterAboutMoney on Facebook or @smarter_money on Twitter.)
Canada, Quebec (AMF)	<u>Webpage on Bitcoin and other virtual currencies</u>, webpage <u>on ICO’s or token offerings</u>. <u>Web page on Cryptocurrency mining farms</u>. A series of short videos for Web and Social Media campaigns in 2019: -What is Cryptocurrency? https://www.youtube.com/watch?v=dLPNyHlp8CU What you need to Know about Cryptocurrency Trading https://www.youtube.com/watch?v=5hql0WPq9BU Canadian Securities Administrators on Youtube: https://www.youtube.com/channel/UC-LSQAO5KAqTkH39-2tI9ow/videos?app=desktop	In-person outreach events. Website, including plain language infographics short and videos. Social Media campaigns Video/Animation. Podcasts/Blogs (For the Canadian Securities Administrators (CSA) campaign, 2 respected, well-known influencers delivered sponsored blog posts).
France (AMF)	Website with sub section on crypto-assets. Content is shared on AMF’s Facebook page “AMF Epargne Info Service” dedicated to retail investors. Maintaining of blacklists and project of a whitelist on ICOs. Short TV programs and videos. A mobile phone app and a mini-website dedicated to savings protection launched in September 2019 with services like: easier access to blacklists (including crypto ones), questionnaire to estimate if an investment proposal is a fraud, easy way to contact AMF Epargne Info Service, push notifications.	In-person outreach events, Website, Video/Animation, Social media, Podcasts/Blogs (radio chronicle with the INC, the national consumer institute, available in podcast), EdTech/Apps, Distribute through partners (partner kits sent for a video campaign and the WIW with material related to crypto-assets), Stakeholder outreach (AMF regularly discuss that topic with consumer associations with which AMF holds a meeting twice a year. The AMF has also a retail investors consultative commission which meets every

		month. It is one of the five AMF consultative commission; their role is to help inform the Board's decisions on changes to regulations or AMF policy.), TV/Radio
Germany (BaFin)	Article on virtual currencies in the consumer section of its website. Brochure about digitalisation.	In-person outreach events (BaFin-Tech conference and stands at investors' fairs, open house events), Website (several articles on crypto-assets, their risks, virtual currency and digitalisation in the consumer section of BaFin's website), Hard copy brochures and materials.
Hong Kong (IFEC)	A public education campaign jointly organised by the Government's Financial Services and the Treasury Bureau and the IFEC with a series of advertisements on TV, radio, public transport, print and social media to provide the public with a correct and comprehensive understanding of the potential risks of participating in ICOs and cryptocurrency transactions. A dedicated website covering education articles and infographics A public seminar which covered topics such as what is cryptocurrency, what are the differences between ICO and IPO, what are the risks of cryptocurrency, etc.	In-person outreach events, Website, Video/Animation, Social media, TV/Radio, Traditional newspapers/magazines
Italy (Consob)	Warnings on ICO, tokens and virtual currencies. Website with sub sections on scams and cryptocurrencies.	In-person outreach events (press releases, ad-hoc seminars, ...), Website (a specific section on investor education portal), Other (cooperation with the Italian Committee on Financial Education)
Japan (JFSA)	Leaflet for retail investors, blacklists of unregistered businesses and warnings on the risks of crypto-assets and ICOs.	Website, Hard copy brochures and materials, Social media (Twitter)
Luxemburg (CSSF)	Warnings on ICO, tokens and virtual currencies.	Traditional newspapers/magazines, Website
Malaysia (SC)	Issuance of media releases by the SC reminding investors to be cautious and exercise due diligence before participating in any investment schemes particularly those involving cryptocurrencies and digital tokens.	

	Inclusion in the SC Investor Alert List to caution the public on unlicensed entities, including digital asset exchanges Initiatives undertaken by InvestSmart®, an investor empowerment initiative by the SC: Broadcasted a 3-minute InvestSmart® Series edumercial on digital assets on popular business radio station, in conjunction with the IOSCO World Investor Week 2019; Broadcasted a 3-minute InvestSmart® Series edumercial to educate listeners on the risks of investing in initial coin offering (“ICO”) on popular business station and published a series of infographics in 3 major newspapers (in 3 languages i.e., English, Malay, Mandarin) to highlight to the public the risks of investing in ICO. Both initiatives were carried out in conjunction with the IOSCO World Investor Week 2018 Postings on social media platform i.e Facebook, Instagram and Tweeter Speaking sessions and face to face engagements during InvestSmart® Fest 2018 and 2019, the flagship annual investor education fair.	
Portugal (CMVM)	FinTech Leaflets with description of crypto-assets – distributed to investors. Training sessions to seniors, students and bank customers. Fintech Conference with Law university	In-person outreach events (WIW sessions to seniors, bank customers; other literacy programmes in schools, universities), Website (FAQs), Hard copy brochures and materials (Leaflets), Distribute through partners WIW partners
Russian Federation (Bank of Russia)	Warnings on crypto-assets and description of risks connected to them	Bank of Russia educational website on financial literacy (https://fincult.info), postings on social media platforms, online lessons and webinars for a wide audience, in-person outreach events (seminars, literacy programs in schools, universities, etc.)
Singapore (MAS)	Regulatory stance on digital tokens and ICOs, on cryptocurrencies, cryptocurrency investments and cryptocurrency trading	In-person outreach events (Investor Education Seminars co-organised with Industry and Consumer associations),

	Warnings on the risks of digital tokens and virtual currency-related investment schemes Guide to Digital Token Offerings Consumer advisory which advises the public to act with extreme caution and understand the significant risks they take on if they choose to invest in cryptocurrencies FAQ and Infographic on digital tokens	Website (www.moneysense.gov.sg), Social media (Referring consumers to our advisories), Distribute through partners (One of the advisories were jointly published with the Commercial Affairs Department of Singapore and were published on both platforms), Traditional newspapers/magazines (Press releases or news materials covering our advisories and guides)
Spain (CNMV)	Warning on crypto-currencies, A joint press statement by the CNMV and Banco de España on “cryptocurrencies” and “initial coin offerings” (ICOs). CNMV considerations on cryptocurrencies and ICOs addressed to market professionals	Website, Social media (Twitter), CNMV Newsletter and e-mail to 9000 investors.
Sri Lanka (SEC)		Website, Hard copy brochures and materials
Thailand (SEC)	Comprehensive education plan and activities considering investor education for digital assets A special section for digital asset information and education on SEC’s website Educational messages through various influencer’s Facebook pages An educational video clip Digital asset articles Executive interviews Digital assets-related press releases Educational infographics Lectures and seminars	In-person outreach events (Tie-in as one of the seminar topics), Website, Hard copy brochures and materials, Video/Animation (Video clip giving easy explanation on risks to consider before investing in digital assets), Social media (Educational materials are mostly promoted through social media, e.g. Facebook), Podcasts/Blogs (Key messages are also distributed to certain bloggers who are influencers), EdTech/Apps (“SEC Check First” application, a tool to check the unlicensed/illegal persons/activities), Distribute through partners (Banners on their website), TV/Radio, Traditional newspapers/magazines
United Kingdom (FCA)	Consumer warnings on ICOs and crypto-derivatives FCA Scamsmart pages FCA Guidance on Crypto-assets FCA Consumer research on crypto-assets	Website, Podcasts/Blogs

	FCA Consultation on banning the sale of certain crypto-assets linked to derivatives to retail consumers UK Crypto-asset Taskforce Report	
USA (CFTC)	Customer advisories Primers/Backgrounders Brochures Podcasts	In-person outreach events, Website (CFTC.gov launched a virtual currency web page that held all of our content related to virtual currencies, including fraud advisories, podcasts, brochures, backgrounders, primers and more.), Hard copy brochures and materials, Social media, Podcasts/Blogs (CFTC Talks, a weekly CFTC-produced podcast, dedicated five episodes to virtual currency/fintech-related topics and guests.), Distribute through partners (Brochures and materials are offered to strategic partners to expand distribution. Partners include state regulators, non-profit financial education organizations, and public libraries.), TV/Radio, Traditional newspapers/magazines
USA (FINRA)	Investor education materials related to crypto-assets in the form of investor alerts, articles, and podcasts. FINRA has a dedicated area on its website under Types of Investments for Initial Coin Offerings and Cryptocurrencies. This page links to numerous additional resources and information that help to inform investors about blockchain technology and crypto-assets and the risks associated with such products.	In-person outreach events (As part of presentations relating to financial fraud), Website, Social media, Podcasts/Blogs, Distribute through partners (Articles on crypto-assets have been syndicated through partners at YahooFinance! and The Motley Fool. Certain publications were developed in partnership with the U.S. Better Business Bureau (BBB) Institute and distributed through BBB channels as well.)
USA (SEC)	HoweyCoins is an educational awareness initiative designed to educate investors about the red flags of fraud in the ICO space. The US SEC launched Howeycoins.com ICO website in May 2018, replete with a bogus white paper with alluring travel-related stock photos displaying a countdown clock replicating the time pressure element that many scams include, along with a deadline-sensitive “investment laddering” scheme	In-person outreach events, website (Investor alerts and bulletins), hard copy brochures and materials, social media, Distribute through partners, TV/Radio, and newspapers/magazines.

	common to ICOs. The website made claims that the ICO guaranteed returns and that “it was officially registered with the SEC.” Clicking on the link to express interest for the ICO sent the viewer to an Investor.gov web page highlighting the red flags of a fraudulent investment scheme.	
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2. Examples of educational content about crypto-assets by IOSCO members

- CNV Argentina published a warning statement on ICOs.³⁷
- MAS Singapore clarifies its position on the offer of digital tokens. It defines that a digital token may represent securities under the Securities and Futures Act (Cap. 289) (“SFA”), or an investment product under the Financial Advisers Act (Cap. 110) (“FAA”).³⁸
- MAS has issued several public advisories to alert members of the public of the risks of investing in digital tokens.³⁹ ⁴⁰ MAS has also put out warnings through other channels, including via TV programmes and online media, under the auspices of MoneySense (the national financial education programme) and also collaborates with other government agencies (e.g. the Singapore Police Force), to broaden its outreach.
- FSMA published information and warnings.⁴¹
- OSC Canada supports two crypto-asset educational microsites. It provides investors with an overview of crypto-asset products and services, the OSC’s role in regulating them, and tips for exercising due diligence before considering this type of investment.⁴²
- GetSmarterAboutMoney.ca also contains a crypto-assets hub with articles to help investors understand how crypto-assets work and their potential risks.
- AMF Quebec published information on its website⁴³ and a series of short videos: “What is cryptocurrency?”⁴⁴, “How do you trade cryptocurrency,”⁴⁵ “Get in the Know about

³⁷ <https://www.iosco.org/library/ico-statements/Argentina%20-%20CNV%20-%20Alert%20Regarding%20ICOs.pdf>

³⁸ <https://www.mas.gov.sg/news/media-releases/2017/mas-clarifies-regulatory-position-on-the-offer-of-digital-tokens-in-singapore>

³⁹ <https://www.mas.gov.sg/news/media-releases/2017/mas-cautions-against-investments-in-cryptocurrencies>

⁴⁰ <https://www.mas.gov.sg/news/media-releases/2017/consumer-advisory-on-investment-schemes-involving-digital-tokens>

⁴¹ www.FSMA.BE and www.Wikifin.be

⁴² www.GetSmarterAboutCrypto.ca

⁴³ <https://lautorite.qc.ca/en/general-public/investments/bitcoin-and-other-virtual-currencies/>

⁴⁴ <https://www.youtube.com/watch?v=dLPNyHlp8CU&app=desktop>

⁴⁵ <https://www.youtube.com/watch?v=5hql0WPq9BU&app=desktop>

ICO's”⁴⁶

- The Canadian Securities Administrators publishes information on its webpage “What is cryptocurrency”⁴⁷ and “What is an ICO”.⁴⁸
- AMF France organised a masterclass about crypto-assets (ICOs, new crypto-asset services providers, scams) in November 2019 during an investor fair. A new sub section dedicated to crypto-assets was created on the website in March 2019.^{49 50}
- BaFin published an article on virtual currencies in the consumer section of its website.⁵¹ In addition a brochure about digitalisation under the title “BaFin Perspectives Issue 1/2018 – Digitalisation” was made available for the general public.⁵²
- Hong Kong IFEC manages a dedicated website covering education articles and infographics.⁵³
- CONSOB Italy publishes information on its webpage “Be aware of fraud,”⁵⁴ with specific subsections for cryptocurrencies⁵⁵ and the ESMA advice on ICOs and crypto-assets,⁵⁶ as well as on its investor education portal, with a specific webpage on cryptocurrencies.⁵⁷

⁴⁶ https://www.youtube.com/watch?v=z0I_wOcMJsw&app=desktop

⁴⁷ <https://www.securities-administrators.ca/investortools.aspx?id=1696>

⁴⁸ <https://www.securities-administrators.ca/investortools.aspx?id=1697>

⁴⁹ <https://www.amf-france.org/fr/espace-epargnants/proteger-son-epargne/crypto-actifs-bitcoin-etc>

⁵⁰ <https://www.amf-france.org/fr/espace-epargnants/comprendre-les-produits-financiers/offre-au-public-de-jetons-ico>

⁵¹ https://www.bafin.de/DE/Verbraucher/Finanzwissen/Fintech/VirtuelleWaehrungen/virtuelle_waehrung_en_node.html

⁵² https://www.bafin.de/SharedDocs/Downloads/EN/BaFinPerspektiven/2018/bp_18-1_digitalisierung_en.html

⁵³ <https://www.ifec.org.hk/web/en/financial-products/fintech/ico-bitcoin/index.page>

⁵⁴ <http://www.consob.it/web/area-pubblica/occhio-alle-truffe>

⁵⁵ http://www.consob.it/documents/46180/46181/rischi_criptovalute.pdf/51942a52-4815-4a55-97f9-0bd95e5061d1

⁵⁶ http://www.consob.it/documents/46180/46181/esma50_157_1391.pdf/750677a1-c693-4705-9bc3-7e84b077f152

⁵⁷ <http://www.consob.it/web/investor-education/criptovalute>

- Luxembourg CSSF published a warning Warnings on ICO, tokens and virtual currencies.⁵⁸
- Japan FSA produced a leaflet⁶⁰ for retail investors (Japanese) and published warnings about the risks of crypto-assets (Japanese)⁶¹ and the risks of ICOs.⁶²
- Portuguese CMVM designed FinTech Leaflets with description of crypto-assets which was then distributed to investors.^{63 64}
- CNMV Spain published a warning to investors with the title “Five Things You Need to Know about Cryptocurrencies”.⁶⁵
- SEC Thailand operates the microsite (web site) “Siang soong (high risk).com”⁶⁶ which is particularly designed to educate/give information about digital assets. The site is promoted to the general public through social media e.g. YouTube and Google banner. A special section for digital asset information and education exists on the SEC’s organisation web site.⁶⁷
- UK FCA published consumer warnings on ICOs and crypto-derivatives,⁶⁸ and guidance on crypto-assets.⁶⁹
- US CFTC published several customer advisories. Use Caution When Buying Digital Coins or Tokens for example emphasises the need for conducting extensive research to determine investors rights, what could affect the future value of a digital coin or token, and steps investors can take to avoid fraud or other problems.⁷⁰
- US FINRA issued an Investor Alert on ICOs and numerous educational investor articles on digital assets, including stable coins, and also operates a webpage that links to numerous

⁵⁸ https://www.cssf.lu/fileadmin/files/Protection_consommateurs/Avertissements/W_ICOS_140318_eng.pdf

⁵⁹ https://www.cssf.lu/fileadmin/files/Protection_consommateurs/Avertissements/W_virtual_currencies_140318_eng.pdf

⁶⁰ <https://www.fsa.go.jp/common/about/20170403.pdf>

⁶¹ https://www.fsa.go.jp/policy/virtual_currency/04.pdf

⁶² https://www.fsa.go.jp/policy/virtual_currency/07.pdf

⁶³ https://www.cmvm.pt/en/Investor_area/Faq/Pages/QAs-Cryptoassets_investors.aspx

⁶⁴ https://www.cmvm.pt/en/Investor_area/Faq/Pages/QAs-Cryptoassets_entities.aspx

⁶⁵ <http://www.cnmv.es/portal/verDoc.axd?t={fea02010-d8c3-456d-9133-ab43ac0638bc}>

⁶⁶ <https://youtu.be/cfonkCIIgwg>

⁶⁷ <https://www.sec.or.th/EN/Pages/Shortcut/DigitalAsset.aspx>

⁶⁸ <https://www.fca.org.uk/consumers/cryptoassets>

⁶⁹ <https://www.fca.org.uk/publication/policy/ps19-22.pdf>

⁷⁰ https://www.cftc.gov/sites/default/files/2018-07/customeradvisory_tokens0718.pdf

additional resources and information that help to inform investors about blockchain technology and crypto-assets and the risks associated with such products.⁷¹

- US SEC issued several Investor Alerts regarding crypto-assets, including “Watch Out for Fraudulent Digital Asset and Crypto Trading Websites.”⁷²

3. Examples of particular practices adopted by IOSCO members to inform the public about unauthorised firms and to warn them of fraudulent schemes

- ICO – Howey Coins – a website created by the US SEC touting a fake ICO that attracted attention and visitors from around the world that was used to create awareness about fraudulent schemes.⁷³ In addition, the SEC published several warnings on its website.⁷⁴
- SEC Thailand publishes an alert list of unapproved offerings of digital assets or unlicensed business operators.⁷⁵ They operate a Digital Asset War Room: 24/7 Call Center with a specialised team to monitor and help the public on potential scams and unfair treatments related to digital assets. Another initiative is SEC Check First: A web page and a mobile application that investors can check the names of the approved or licensed business operators, persons, or products conveniently.
- MAS’ Investor Alert List (IAL) also serves to inform the public of unregulated entities that may have been misperceived as being licensed or authorised by MAS. There are a number of crypto-related entities that are on the IAL.⁷⁶
- FSMA supported a campaign website, containing, amongst other things, advice about how to identify and prevent online fraud.⁷⁷ It was a collaboration of the Minister of Consumers and Economie, the Federal Public Service Economy and the FSMA. This campaign was carried out at the national level and focused on the prevention of different types of online fraud. The first stage of this campaign focused on fraud with cryptocurrencies.
- OSC’s www.TBACoin.ca is the other crypto-asset educational resource published, and mimics what a typical fraudulent initial coin offering website may look like to help those interested in this type of capital raising tool identify potential red flags.
- AMF France recently reorganised its blacklists which are available on the AMF website regarding derivatives on crypto-assets and miscellaneous assets including proposals with

⁷¹ <https://www.finra.org/investors/learn-to-invest/types-investments/initial-coin-offerings-and-cryptocurrencies>

⁷² https://www.sec.gov/oiea/investor-alerts-and-bulletins/ia_fraudulentdigitalasset

⁷³ <https://www.investor.gov/howeycoins> and <https://www.howeycoins.com>

⁷⁴ https://www.sec.gov/oiea/investor-alerts-and-bulletins/ia_fraudulentdigitalasset

⁷⁵ <https://www.sec.or.th/TH/Pages/Shortcut/DigitalAsset.aspx#Alert>

⁷⁶ <https://www.mas.gov.sg/ial.aspx>

⁷⁷ <https://www.tropbeaupouretrevrai.be>

crypto-assets. The new PACTE law will lead to the creation of a third blacklist regarding non-authorised digital assets service providers and a whitelist on ICOs.⁷⁸

- CONSOB Italy publishes warning to retail investors about unauthorised firms in a specific subsection of its website⁷⁹ (both national and stemming from other Authorities). More specifically, in the “Be aware of fraud” section there is a dedicated subsection on cryptocurrencies which contains a chronological list of measures taken by Consob with regard to firms offering investments in cryptocurrencies.⁸⁰
- Japan FSA provides lists of registered Crypto-Assets Exchange Service Providers (Japanese)⁸¹ and names, etc. of Persons who Conduct Crypto-Assets Exchange Business without Registration (Japanese) on its website.⁸²
- UK FCA informs the general public about potential scams on its website.⁸³
- There’s Nothing to Like about Scammers on Social Media was produced by US CFTC. The message is to use extra caution when considering trading advice, products or services touted on social media. It’s easy for fraudsters to create a profile that hides their true identity or use multiple profiles to promote their schemes. Find out what to look for, and how to avoid getting lured into their frauds.⁸⁴
- CVM Brazil created a website that imitates a crypto-asset-related investment scam to raise awareness about such illicit schemes and inform investors of potential red flags.⁸⁵

4. Examples of IOSCO members using different communication channels to inform retail investors about the risks of crypto-assets

- ASIC delivers financial education for retail investors through its MoneySmart website.⁸⁶
- MAS Singapore developed “A Guide to Digital Token Offerings” on the application of the securities laws administered by MAS in relation to offers or issues of digital tokens in Singapore. The Guide contains illustrative case studies.⁸⁷

⁷⁸ <https://www.amf-france.org/fr/espace-epargnants/protoger-son-epargne/listes-noires-et-mises-en-garde>

⁷⁹ <http://www.consob.it/web/area-pubblica/avvisi-ai-risparmiatori>

⁸⁰ http://www.consob.it/documents/46180/46181/rischi_criptoalute.pdf/51942a52-4815-4a55-97f9-0bd95e5061d1

⁸¹ <https://www.fsa.go.jp/menkyo/menkyoj/kasoutuka.pdf>

⁸² https://www.fsa.go.jp/policy/virtual_currency/kasoutsuka_mutouroku.pdf

⁸³ <https://www.fca.org.uk/scamsmart/cryptoasset-investment-scams>

⁸⁴ https://www.cftc.gov/sites/default/files/2018-07/customeradvisory_tokens0718.pdf

⁸⁵ <https://www.mvcinvestimentos.com.br/>

⁸⁶ <https://www.moneysmart.gov.au/investing/investment-warnings/virtual-currencies>

⁸⁷ <https://www.mas.gov.sg/regulation/explainers/a-guide-to-digital-token-offerings>

- AMF France regularly addresses crypto-assets on the AMF Epargne Info Service Facebook page.⁸⁸ Furthermore the AMF dedicated 1 of 5 short TV programs realised in partnership with INC, the national consumer agency, to scams on crypto-assets.⁸⁹ It was broadcasted on the 6 channels of the French public television. In addition, AMF also realised a video “Crypto-investment; how to avoid scams” with the French Youtuber “Heu?reka.”⁹⁰. Furthermore, Fall 2019: an online campaign about scams was launched, including 2 testimonies of investors victims of scam on crypto-assets (a third testimony is on another asset) and an interview of a police officer. Videos are also accessible on the website and the AMF YouTube channel (English translation available).^{91 92}
- Hong Kong IFEC used a publicity campaign including a press conference,⁹³ TVC⁹⁴ and online videos⁹⁵, online, print, outdoor and radio adverts. Furthermore, they used a public seminar⁹⁶ to cover topics such as what is cryptocurrency, what are the differences between ICO and IPO, what are the risks of cryptocurrency, etc. In addition, newspaper columns and Facebook feeds⁹⁷ are used to communicate with investors.
- SEC Thailand provides educational messages through various influencer’s Facebook pages, e.g., aomMoney, Mao-Investor, Bitcoin Center Thailand, etc.⁹⁸ An educational video clip, giving information about related laws and regulations, and another one with the theme “Check to be sure before investing in digital assets” is promoted through YouTube.⁹⁹ Furthermore, executive interviews on certain TV channels and 24 radio scoops on the Radio Thailand channel are used to promote investor education.
- CFTC Talks, a weekly CFTC-produced podcast, dedicated five episodes to virtual currency/fintech-related topics and guests.

⁸⁸ <https://www.facebook.com/pg/AmfEpargneInfoService/>

⁸⁹ <https://www.youtube.com/watch?v=cDR-QZEDezY&list=PL5ULp4pSLJ90tbsnVqfpxwoPgwyE0jzHl&index=68&t=0s>

⁹⁰ <https://www.youtube.com/watch?v=vCjPbij3gmw>

⁹¹ <https://www.youtube.com/playlist?list=PL5ULp4pSLJ93ASHg2O4S4ijICATwGjlm>

⁹² <https://www.youtube.com/watch?v=OapaQMV05n4&list=PL5ULp4pSLJ93ASHg2O4S4ijICATwGjlm>

⁹³ <https://www.info.gov.hk/gia/general/201801/29/P2018012900374.htm?fontSize=1>

⁹⁴ https://www.youtube.com/watch?v=F_ZpxezofZU

⁹⁵ https://www.youtube.com/playlist?list=PLj_UXCi9qE27YNwSyBZfYj5SfNqXcgmeQ

⁹⁶ <https://www.ifec.org.hk/web/en/other-resources/activities-and-events/investing-new-economy-seminar-2018.page>

⁹⁷ https://www.facebook.com/thechinfamilyhk/videos/1647748475346427/?_tn=-R

⁹⁸ <http://www.maoinvestor.com/2019/02/ico.html>

⁹⁹ <https://www.youtube.com/watch?v=cfonkCIIgwg&feature=youtu.be>

- FINRA has developed a series of investor education materials related to crypto-assets in the form of investor alerts,¹⁰⁰ articles,¹⁰¹ videos¹⁰² and podcasts.¹⁰³

5. Examples of IOSCO members forging partnerships with other regulatory bodies, consumer representatives and/ or trade associations.

- The Canadian Securities Administrators (CSA) and the Investment Industry Regulatory Organization of Canada (IIROC) published a joint consultation paper for a Proposed Framework for Crypto-Asset Trading Platforms (Platforms).¹⁰⁴ The Proposed Framework will apply to Platforms that are subject to securities legislation.
- Memorandum of Understanding for cooperation with nine key organizations. SEC Thailand is streamlining the cooperation with nine organisations to prevent and suppress scam/ fraud cases related to digital assets to enhance efficiency in law enforcement.
- A joint warning issued by BaFin and the Federal and State Criminal Police (“Bundes- und Landeskriminalamt”) in 2018 highlighted that the dependence of crypto-asset trading on IT-systems facilitates fraudulent practices on online trading platforms.¹⁰⁵
- In July 2019, FINRA issued a joint statement with the SEC to address questions concerning the application of the federal securities laws and FINRA rules to the potential intermediation—including custody—of digital asset securities and transactions. In this statement, the SEC staff and FINRA—drawing upon key principles from their historic approach to broker-dealer regulation and investor protection—have articulated various considerations relevant to many of these questions, particularly under the US SEC’s Customer Protection Rule applicable to US SEC-registered broker-dealers.¹⁰⁶
- AMF France realised a video with INC about ICOs in December 2019.¹⁰⁷
- Portuguese CMVM held a Fintech Conference with a local law university.

¹⁰⁰ <https://www.finra.org/investors/insights/bitcoin-basics-9-things-you-should-know-about-digital-currency>

¹⁰¹ <https://www.finra.org/investors/insights/what-blockchain>

¹⁰² <https://www.finra.org/rules-guidance/guidance/few-minutes-with-finra>

¹⁰³ <https://betterbusiness.blubrry.com/2018/09/26/unlocking-cryptocurrency/>

¹⁰⁴ https://www.securities-administrators.ca/uploadedFiles/Industry_Resources/2019mars14-21-402-doc-cons-en.pdf

¹⁰⁵ https://www.bafin.de/SharedDocs/Downloads/DE/Anlage/dl_schreiben_warnung_bafin_bka.html;jsessionid=60EBBFD3A00422AD2616FD417C589378.1_cid290?nn=9021442 (only available in German)

¹⁰⁶ <https://www.finra.org/media-center/news-releases/2019/joint-statement-broker-dealer-custody-digital-asset-securities>

¹⁰⁷ <https://www.youtube.com/watch?v=wYvZ9Y3ITTk&list=PL5ULp4pSlJ90tbsnVqfpxwoPgwyE0jzHl&index=97&t=0s>

- A joint press statement on “cryptocurrencies” and “initial coin offerings” (ICOs) was published by the CNMV and Banco de España.¹⁰⁸
- FINRA’s Articles on crypto-assets have been syndicated through partners at YahooFinance!, Nasdaq, and The Motley Fool. Certain publications were developed in partnership with the U.S. Better Business Bureau (BBB) Institute and distributed through BBB channels as well.

¹⁰⁸ <http://www.cnmv.es/portal/verDoc.axd?t={6f310cc7-6b39-4405-a8f7-70d2b1e682d1}>