

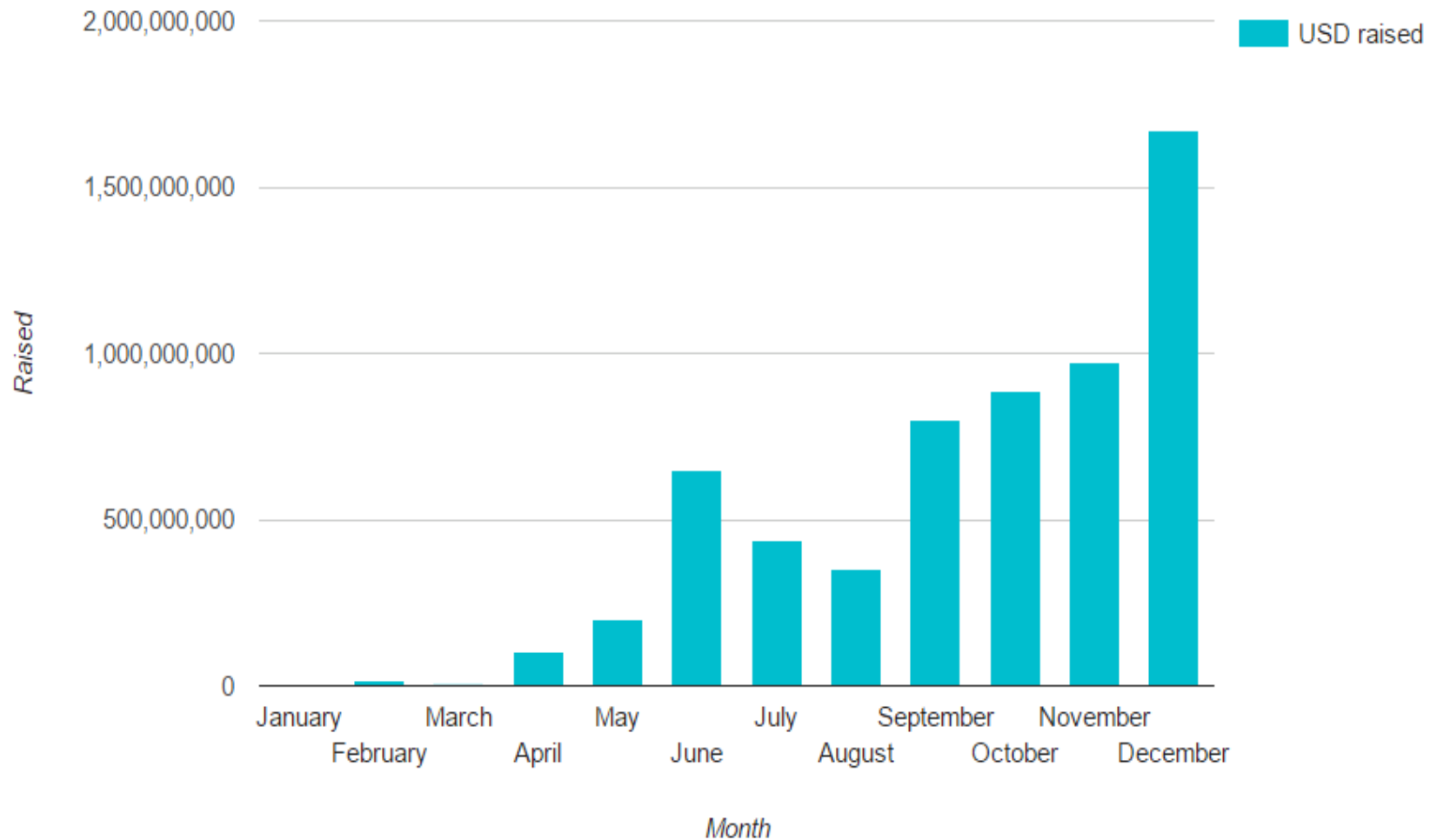
# INVESTOR PROTECTION IN THE CRYPTOCURRENCY ERA

Dr. Nitzan Shilon

# Roadmap

- The stakes
- Current securities regulation is unfit for crypto currency
- Short-term policy alternatives
- Long-term policy considerations

# Stakes are Very High – ICO Total Amounts



# Stakes are Very High – ICOs Exceed VC Issuances

## Early Stage Investments into Blockchain Projects



Source: Smith + Crown analysis of CoinDesk venture capital data. Includes all investments marked "Seed", "Series A," and "First Round." Includes sales that raised over \$25,000, valued according to exchange rates at the end of the sale. Time period reflects to the date the sale ended. Does not include The DAO. Numbers rounded to the nearest \$1000.



# The Dark Side of Crypto Currency

- Weak corporate governance
- Weak investor rights
- Motivated by gambling (*qualis* binary options)
- Fraudulent players

ALWAYS

LOOK ON

...the...

BRIGHT

↗ side ↖

OF LIFE

# The Bright Side of Crypto Currency

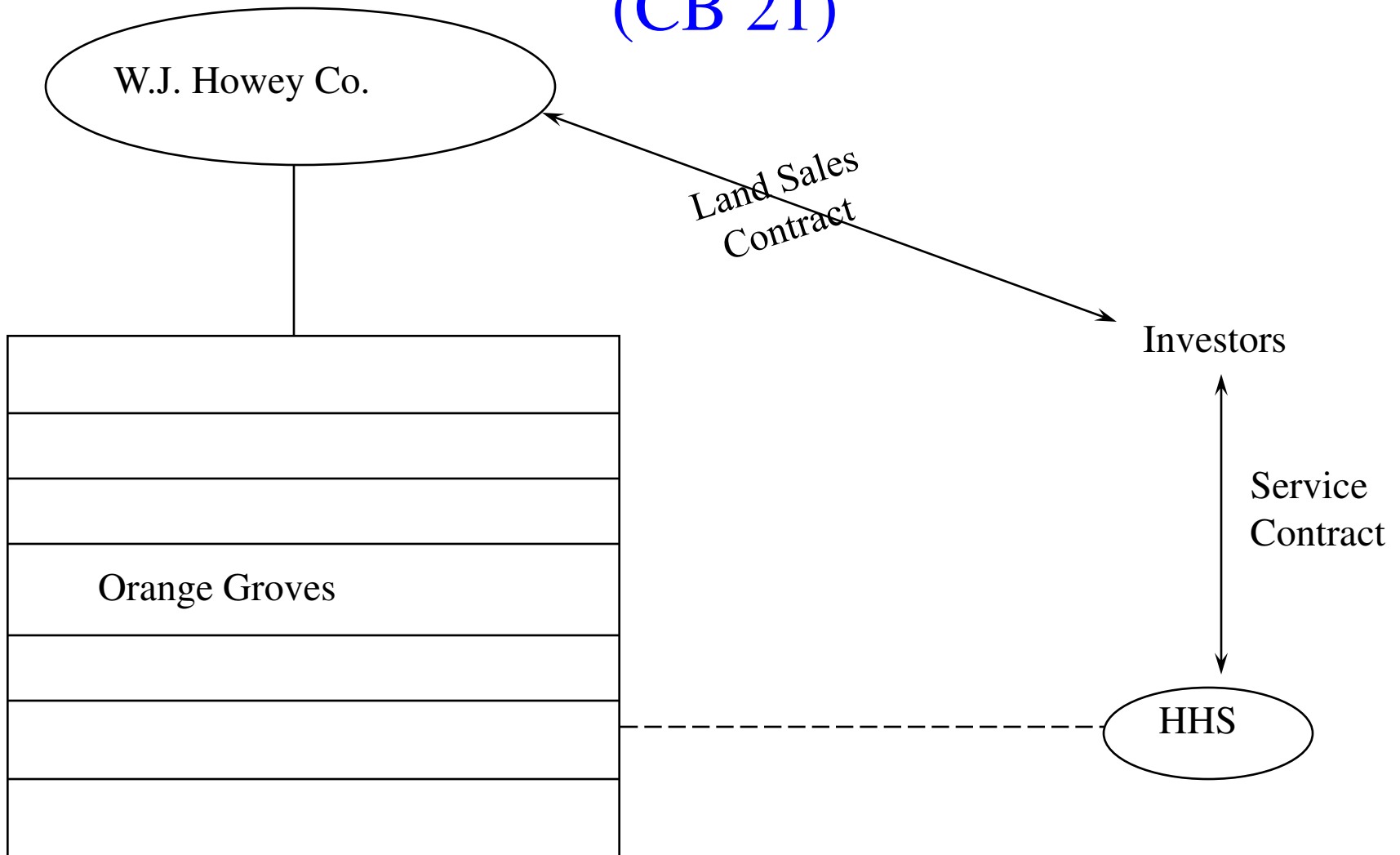
- Fostering a culture of transparency
- Supporting innovation
- International competition



# Current Sec. Reg. is Unfit for Crypto Currency: The Howey Test

- An investment contract . . . means a contract, transaction or scheme whereby --
  - a person invests his money
  - in a common enterprise, and
  - is led to expect profits
  - solely from the efforts of others

# SEC v. W.J. Howey Co. (S. Ct. 1946) (CB 21)



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1B-H1597

# The Israel Securities Law, 1968 – Section 1

**“Securities”** - certificates issued in series by a company, a cooperative society or any other corporation conferring a right of membership or participation in them or claim against them...

## Short-Term Policy Alternatives

- General warning
- Ban
- Crowdfunding
- Reg A+
- “Regulatory Sandbox”
- Reliance on qualified foreign regulation

# Long-Term Policy Considerations

- Dedicated Regulation
  - Economic model of crypto currency
  - Actual information gaps
  - Size
  - Secondary markets
  - Inserting crypto activity into stock exchange skeletons/public firms