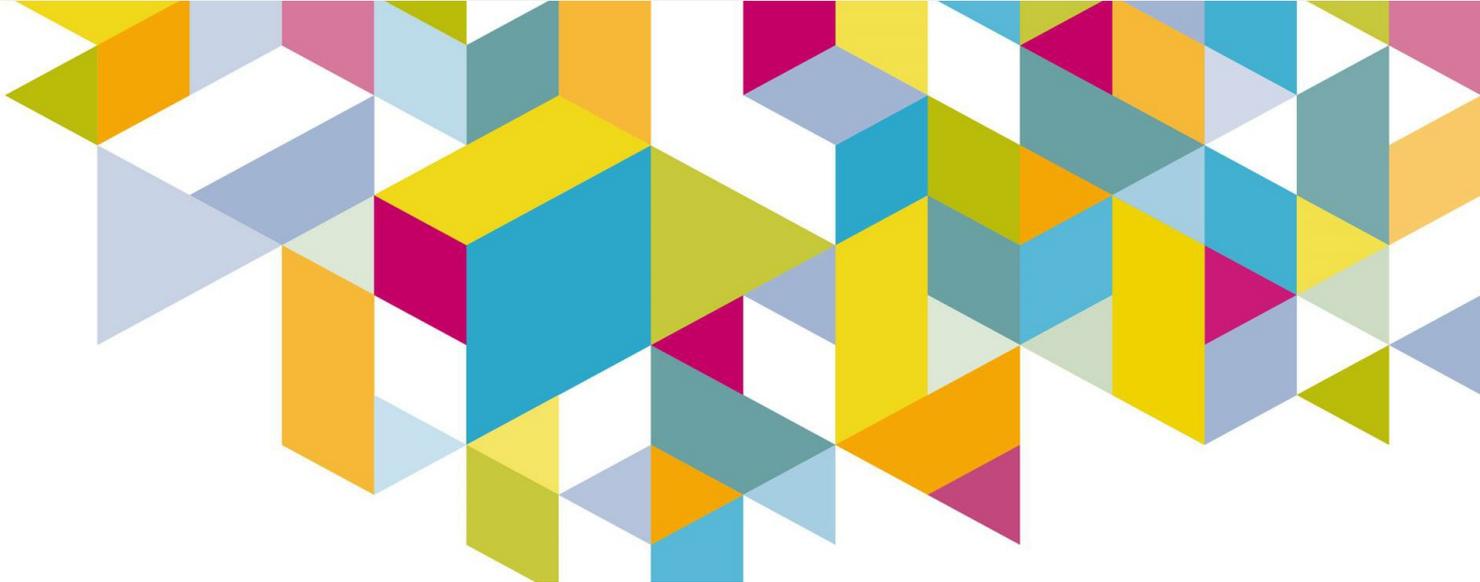


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03 October 2018 // [Caird Forbes-Cockell](#) - [Doug Davison](#) - [Jeffrey Cohen](#) - [Douglas Donahue](#) - [Jonathan Ching](#) - [Lauren McFadden](#) // [Fintech](#)

# The ICO TKO? U.S. authorities come out swinging in the latest round of enforcement and regulatory guidance on crypto assets

## Overview

As the original cryptocurrency, Bitcoin was created to be a radical alternative to the existing international payments system, where a 'trusted intermediary' was replaced by a decentralized network of users. However, as its popularity has grown and the market for cryptocurrency has expanded to include more than 2,300 different virtual currencies exchanged around the world, the objective of decentralization is becoming increasingly incompatible with systems of regulation that are designed to protect investors and consumers. In the United States, this tension has resulted in regulators setting their sights on Bitcoin, other cryptocurrencies and crypto assets such as "tokens," as well as the exchanges and brokers which investors and consumers use to access this nascent market.

## Key Takeaways:

- U.S. regulators have surveyed the cryptocurrency markets and found them lacking in basic customer protections.
- Regulatory enforcement against exchanges and brokers who facilitated trading in unregistered securities will likely pick up in the near term.
- This regulatory scrutiny will continue to have a chilling effect on the already cooling market for ICOs.

## Summary

## Key Contacts



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Despite the idealistic aspirations of smart contract promoters and believers in the infallibility of code, it appears that we still have a ways to go in making sure the benefits of code can be utilized as described, and in the meantime, until the day where perhaps that ideal may be realized, regulation still seems necessary to fill the gap.

Without a doubt, smart contracts present a great technological innovation, and ICOs are a novel and efficient way to raise capital, each with many benefits which we continue to explore and better understand. Yet cryptocurrency investors must bear in mind that they currently transact in unregulated markets where the traditional protections for investors are largely absent. The lack of market regulation leaves these investors exposed to volatile markets where a risk of complete loss is always present. The useful innovations that are associated with cryptocurrency and its related technologies should not be dismissed. However, despite the great possibilities, the key principle remains that our laws will seek to protect investors from dangerous or illegal financial practices or fraud, and to ensure the integrity of transactions.

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