

SEC to check cryptocurrency firms

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The Securities and Exchange Commission (SEC) isn't ready to ban coin offerings, a form of crowdfunding that has taken Silicon Valley and Wall Street by storm since last year, but it has vowed to run after firms abusing this scheme to sell unregistered securities here.

In a press briefing on Monday, SEC Commissioner Emilio Aquino said that while other countries like China and South Korea had outrightly banned coin offerings, the local corporate watchdog was still looking at this new fund-raising

scheme and how it would benefit the people.

"We're believers in technology, too, but at the same time, it's not technology but the bad behavior of people taking advantage of the technology that we want to look at. If it will really help start-ups, why not?" Aquino said.

The briefing was held to explain the SEC's issuance of a cease-and-desist (CDO) order against the ongoing initial coin offering (ICO) of Krops, an online marketplace for farm produce led by controversial businessman Joseph Calata. The CDO was also slapped against affiliates Black Cell Technology Inc., Black Sands Capital Inc. and Black

Cell Technology Ltd.

The SEC is studying a new framework for ICOs that will be distinct from an upcoming framework on crowdfunding. But ahead of the issuance of any specific framework on ICOs, the SEC's position is that if what an entity is selling qualifies as securities, these must be registered with the SEC before being offered to the public.

One possible regulatory direction for the SEC is to allow coin offerings in the Philippines but for distribution only to "accredited" investors, or those who have the "necessary" background to understand this instrument, which has been described as volatile and

highly speculative by the International Organization of Securities Commissions.

"As it is now, small and big investors don't understand it. Some people with a certain level of financial literacy will understand, in that sense, it's possible that we can give exemptive relief (from registration). We're looking at that," Aquino said.

Aside from Krops, Aquino said the SEC was looking at some other companies doing the same coin offerings.

Coin offerings, also known as token sales or coin sales, typically involve the creation of digital tokens—using distributed

ledger technology—and their sale to investors by auction or through subscription, in return for a cryptocurrency such as bitcoin or ether.

The cryptocurrency system recently suffered a big blow after hackers stole \$530 million worth of digital money from Tokyo-based cryptoexchange operator Coincheck, one of the biggest cyber-heists on record.

Aquino said the SEC would need a little more time to craft its regulations on coin offerings.

"We just don't want to come up with something that will stifle (markets) but neither do we want to be very lenient in the

sense that I'm not going to judge Japan (on the Coincheck debacle)," he said.

Aquino said the SEC is now trying to compare notes with other regulators in the region like Malaysia, which was also trying to come up with a framework for coin offerings.

"That's why we're not ready to make a direct ban on these cryptocurrencies. It's the nuisance claim that they can offer you so much, that they have these values and all. We really have to look at the technology and the people behind the technology, and the team and the community that's supporting it," he said. INQ

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