ADCA
AUSTRALIAN DIGITAL COMMERCE ASSOCIATION

PROMOTING BLOCKCHAIN INNOVATION IN AUSTRALIA

Financial Systems Division
The Treasury

Thursday, 28 February 2019

Australian Digital Commerce Association Response to Treasury Consultation Paper on Initial Coin Offerings

To whom it may concern,

Initial Coin Offerings – and their variants – can be a vital tool for creating the stakeholder networks that underpin the success of decentralised business models utilising blockchain technology. Such decentralised business models are at the leading edge of innovation that is expected to drive a deep transformation in almost all sectors of the global economy with the potential to unlock trillions of dollars of value through elimination or significant reduction of market transaction costs and frictions.

Initial Coin Offerings can also be misused as a tool to attempt to escape appropriate regulatory supervision for projects that do not involve token-centric business model innovation but are simply an attempt to 'structure' known financial products to take advantage of a perceived regulatory loophole.

Australia's regulatory efforts for ICO's have focused upon the vitally important objective of minimising the risk of consumer harm and have largely succeeded in meeting that goal.

However, evidence suggests that the equally important goal of encouraging innovation by Australian entrepreneurs in a sector likely to have enormous transformative impacts has not been met. ADCA is aware of at least 16 token-centric projects that were initiated by Australians but that have now exited Australia. We run a significant risk of failing to capitalise upon our human talent and becoming consumers of innovative solutions conceived in Australia but brought to fruition elsewhere. This is, of course, an all too familiar story.

ADCA does not believe that there needs to be a tradeoff between consumer protection and the encouragement of innovation. Indeed, a robust consumer protection regime is a key part of a business ecosystem that encourages investment and innovation. The unique features of blockchain technology, including an immutable ledger, smart contracts and the possibility of a "regulator view" of all transactions means that it is possible to devise a regulatory regime that offers **enhanced** levels of consumer protection while actively encouraging business innovation.

ADCA submits that an extension of the existing Regulatory Sandbox approach tailored to take advantage of the features of blockchain technology and fully conscious of the specific risks can provide with Australian entrepreneurs with the regulatory clarity, certainty and speed that they require to make confident business investment decisions while simultaneously protecting consumer interests and with sufficient flexibility to adapt to and even encourage further innovation.

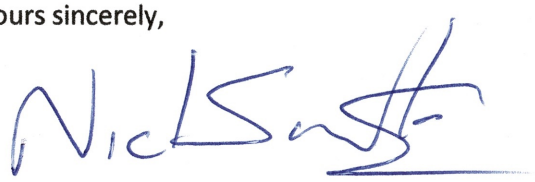
ADCA
AUSTRALIAN DIGITAL
COMMERCE ASSOCIATION

PROMOTING
BLOCKCHAIN
INNOVATION
IN AUSTRALIA

Leading nations around the world are now competing to create a regulatory framework that protects consumer interests while encouraging innovation using decentralised business models. The economic prize is clear and Australia should be able to build upon our already well-regarded regulatory framework to gain a reasonable share of such innovative projects.

ADCA looks forward to further stages of this consultation process and encourages collaboration between all relevant stakeholders to ensure that Australia is a jurisdiction of choice for innovative projects using blockchain technology.

Yours sincerely,



Nicholas Giurietto
Chief Executive & Managing Director
Australian Digital Commerce Association

ADCA
AUSTRALIAN DIGITAL COMMERCE ASSOCIATION

PROMOTING BLOCKCHAIN INNOVATION IN AUSTRALIA

ACKNOWLEDGEMENTS

ADCA wishes to thank the following people for their contribution to the preparation of this submission:

Robert Allen	CEO nodl
Michael Bacina	Partner Piper Alderman
John Bassilios	Special Counsel Hall & Wilcox
Dr Priya Dev	Blockchain & Data Analytics Australian National University
Matt Roberts	Managing Director Amalgamated Australian Investment Group
Leigh Travers	CEO Digital X

1. Definitions and Token Categories

1.1. What is the clearest way to define ICOs and different categories of tokens?

As correctly noted in the Treasury Consultation paper, the definition and categorisation of tokens remains problematic and no consistent global nomenclature has yet emerged. This is a direct reflection of the fact that innovation using token-centric business models is proceeding at a pace that challenges both regulators and industry participants alike. The range of rights and obligations that can be 'embedded' in a token is diverse and still being expanded by new innovations and may even change over time within a particular token model.

Regulators and various industry stakeholders around the world[1] have sought to develop token categorisation models. It could be argued that there is an emerging consensus that there are at least three clear token types (with numerous sub-categories):

- **Payments token** – where the primary function of the token is as a medium of exchange;
- **Security token** – where the primary function of the token is as an investment mechanism;
- **Utility token** – where the primary function of the token is as a unit of account within a DLT-based ecosystem.

An alternative but broadly consistent nomenclature is the DASH (Digital Asset Sector Hierarchy) model:[2]

- Digital Currency
- Digital Commodity
- Digital Certificate of Value
- Digital Equity
- Digital "Unit"- (remaining category equivalent to a utilities token).

ADCA submits that the following considerations should shape efforts to define different types of tokens and token offerings in Australia:

If It Quacks Like a Duck

The categorisation of a token – and thus the appropriate regulatory treatment – should be defined by the characteristics and purpose of the token, not by the manner in which the token was offered.

[1] These categories are broadly those proposed and adopted by the Financial Conduct Authority in the United Kingdom, the Monetary Authority of Singapore and the Swiss Financial Market Supervisory Authority.

[2] Proposed by Ms Lori Jo Underhill, see https://ljuassociates.com/media-and-downloads/f/the-dash-digital-asset-sector-hierarchy%E2%84%A2-taxonomy-uncovered, ADCA understands Ms Underhill has made a submission to Treasury which sets out the DASH Hierarchy in more detail.

If the primary purpose of a token is to facilitate exchange of value, then it should be regarded as "money" or "currency" in some form and regulated as such. If the primary purpose of the token is to raise capital for a business/project, then it should be regarded as a security (in whatever form) and regulated as such, in a way that can be readily understood by the market to support innovation.

Importantly, this implies that if the primary purpose of a token is to build and operate a token-based ecosystem where the token is a unit of account for the creation and exchange of "utility", then an appropriate regulatory model appropriate to that purpose and different from normal securities regulation will be required.

Not Every Token is a Security
The view often attributed to the US Securities Exchange Commission that "every token is a security, unless for a functional network or decentralized to 'sufficient' degree" is not appropriate for Australia. Australia's existing protections against deceptive and misleading conduct under Australian Consumer Law means that it is not necessary to define a token offering as a security in order to protect consumers against unlawful conduct.

Clarity, Certainty & Speed
Token innovators and entrepreneurs require a categorisation model that can be applied in as straightforward and predictable manner as possible, to achieve a certain categorisation that can be relied upon in good faith and in a reasonable timeframe. **Uncertainty as to the categorisation, fear of retrospective reversal or lengthy delays will be a significant disincentive for token centric business innovation in Australia.**

Global Alignment
Australia should support global efforts at achieving an aligned nomenclature for categorisation of digital tokens particularly through multi-lateral bodies such as the OECD.

2. Drivers of the ICO Market

2.1. What is the effect and importance of secondary trading in the ICO market?

The economic and transaction efficiency benefits of any secondary market are well understood in economic theory and apply equally to secondary markets in digital tokens.

Liquidity, price discovery, transaction efficiency (reduced brokerage) along with consumer protection and safeguards against market manipulation are all benefits of an appropriately structured and regulated secondary market. Notably, the use of smart contracts and the possibility of a "regulator view" of an immutable ledger allow for the design of regulatory frameworks that are

inherently compliant and which may enjoy a lower cost of compliance/regulation (for both market participants and regulators alike) than existing market supervision models with shorter delays in intervention when issues arise.

ADCA submits that the policy implication is that existing market supervision and regulatory models should apply in principle to payment tokens and security tokens but with modifications **to take advantage** of the beneficial features of DLT. Meanwhile, an appropriate market supervision model that provides protection - beyond the general misleading and deceptive conduct safeguards - for participants in utility token offerings should be developed given concerns raised in relation to those offerings.

2.2. What will be the key drivers of the ICO market going forward?

ADCA considers that the key driver for growth in payment and security tokens will be the willingness of institutional stakeholders and regulators to adapt existing market architecture to take advantage of the technological benefits of DLT and smart contracts to deliver lower transaction costs and improved market supervision. Existing - and well-understood – financial products delivered using a more efficient, more secure and more easily monitored market technology platform are a key opportunity for Australia to retain its position as a leading financial services provider. Failure to do so is likely to see any Australian competitive advantage dissipate over time.

If the above question is more narrowly construed as "what will be the key drivers of the utility token market going forward?", it is clear that the regulatory response to innovation in this sector (as commenced through this Consultation Process) will be crucial to the future of the market going forward.

Australia is no longer perceived as an innovation-friendly jurisdiction for utility token offerings. Regulatory uncertainty is an active disincentive that is discouraging Australian innovators from pursuing their projects in Australia.[3] Alternatively, if Australia is able to provide an appropriate balance of consumer protection (tailored for the utility token market) and business certainty, it is possible that Australia could become a key regional and indeed international hub for such projects.

[3] See the results of our very informal survey in Appendix 1.

3. Opportunities and Risks

3.1. How can ICO's contribute to innovation that is socially and economically valuable?

Blockchain and Distributed Ledger Technology is expected to be one of the most powerful drivers of business innovation and economic transformation in coming decades.

The opportunity to re-design business models to significantly reduce market transaction costs by eliminating or minimising the need for verification, reconciliation and audit processes unlocks potentially enormous economic benefits. Just some of the sectors that could see significant gains include:

- Global debt markets worth over $US200T;
- Global real estate worth over $US200T; and,
- Global derivatives markets worth over $US500T.

Assuming just a 1% gain in economic value in these sectors, the impact of Blockchain and DLT could be worth at least $US9T globally.

Another key domain for Blockchain and DLT innovation is in trade and supply chain management and finance. In September 2018, the World Economic Forum published a whitepaper titled "Trade Tech – A New Age for Trade and Supply Chain Finance" that estimated that application of blockchain and DLT could lead to an additional $US1.1T of global trade annually.

Many of the projects that could unlock these transformational benefits will apply so-called permissioned blockchain technology largely driven by existing institutional players in key markets.

However, an unknown and unknowable proportion of these projects, will be the result of the application of blockchain and DLT to create new decentralised business models operating within a network economy. These projects – if successful – are likely to deliver greater transformational benefits.

Token offerings that support the creation, extension and operation of such decentralised business models are core to the type of innovation that will create these networked economy innovations.

Given the enormous anticipated impact of blockchain and DLT on almost all areas of the economy and the linkage between token offerings and the most innovative and most impactful DLT projects, Australia faces an overwhelming and obvious strategic imperative to ensure that our regulatory and policy settings encourage such innovation.

Australia has a proven track record in fostering innovative projects that could have transformative impacts on both the Australian and global economy worth many billions of dollars. Our track record in retaining those projects is unfortunately far less successful.

3.2. What do ICO's offer that existing funding mechanisms do not?

A well-designed, well-executed and well-regulated token offering has at least three significant advantages over existing funding mechanisms:

- Democratisation of access – with far lower entry barriers and costs, "ordinary" members of the public have an opportunity to participate;
- Transparent governance – the use of smart contracts and appropriate access to the underlying immutable ledger can enhance project governance and milestone disclosure.
- Fair allocation – traditional funding mechanisms can see acquaintances of the broker receive early or larger allocations of the issue. With blockchain investments, all payments to an issuer or issuing broker are visible to all. This means that allocations are more likely to be determined on the basis of priority or some other transparent rule.

However, the most important feature of a utility token offering is that it provides an incentive mechanism to encourage the widespread take up of the token that in turn unlocks the network effects that lead to the success of the project. A token centric business model that has the potential to be most powerfully transformative will succeed only if it achieves a critical network effect threshold – a token offering is the mechanism to drive that network adoption.

3.3. Are there other opportunities for consumers, industry or the economy that ICO's offer?

Token offerings that utilise smart contracts and which could provide a "regulator view" of the underlying immutable ledger create the opportunity for a new regulatory approach. Existing regulatory models largely rely upon internal compliance systems and policies (which may or may not be effective) and after-the-fact reporting of large amounts of data to the regulator (which may or may not be well equipped to detect anomalies in or revealed by that data). A token offering can be designed with a public and unchangeable rule set that drives key project governance and reporting activities using smart contracts and provide the opportunity for inbuilt compliance for ALL transactions without the need for extensive and costly post-transaction reporting. This includes

ensuring anti-money laundering and counter terrorism financing requirements are met and potentially includes benefits for taxation reporting in the future.

3.4. How important are ICO's to Australia's capability to be a global leader in FinTech?

"The financial services industry is too important to the economy of the nation to allow what has happened in the past to continue or to happen again."

Royal Commissioner Hayne.

One of the underlying weaknesses in the architecture of many aspects of Australia's financial services system is that too often market participants do not have access to fully trusted and validated data when making key financial decisions (as just one recent example, systems to validate information about a loan applicant's income are easily evaded or compromised by almost all stakeholders). Similarly, it is often difficult for market participants to independently prove to a regulator that they have in fact adhered to all compliance obligations relevant to a particular transaction. The use of internal systems inevitably creates the potential for those internal systems to be manipulated by bad actors.

Token offerings can help create trusted digital tokens representing key identity and asset data that can circulate within a broader financial ecosystem open to all market participants (with appropriate privacy protections and which can be relied upon by all market participants.

A substantial component of FinTech innovation is likely to occur in this domain of digital tokens and thus openness to token based business models supported by token offerings is essential to Australia retaining any leadership position in FinTech.

3.5. Are there other risks associated with ICOs that policy makers and regulators should be aware of?

In addition to the benefits and opportunities created by the use of digital tokens within an ICO, there are a set of specific risks attached to deployment of token-based business models. These include:

- project whitepaper not meeting best practice standards of disclosure;
- data security – although core blockchain platforms are currently regarded as "unhackable", the access and other systems surrounding them must have a very robust level of data security;
- token economics and governance – the underlying 'tokenomics' and governance mechanisms embedded within the tokens must be clearly explained and tested to ensure that they perform only as expected;
- a specific example of the above is the possibility of a 'pump and dump' activity by the token issuers;
- management, maintenance and usage of private keys.

The existence of these token model specific risks suggests that an appropriate consumer protection regime cannot rely only upon existing deceptive and misleading conduct safeguards but requires specific attention.

4. Regulatory Frameworks in Australia

4.1. Is there ICO activity that may be outside the current regulatory framework for financial products and services that should be brought inside?

ADCA submits that a token offering that is essentially a 'structuring' of an existing financial product should be regulated within the existing regulatory framework for that financial product.

A utility token offering (subject to discussion regarding Management Investment Schemes in 4.2 below) currently does not fit well within the existing regulatory framework for financial products. Although existing frameworks may not be appropriate, there are sufficient similarities with issues of consumer protection and market supervision to support the argument that mere reliance upon consumer law safeguards against deceptive and misleading conduct are not adequate and that some form of alignment with the regulatory framework for existing financial products is desirable.

ADCA contends that it is essential that any such exercise should not be a case of force fitting what we might call "a square token" into an existing "regulatory round hole".

There are sufficient unique attributes of a token offering designed to stimulate the creation of a decentralised business model that both the opportunities and risks of such offerings need to be carefully considered in the design of a fit for purpose regulatory framework.

The core principles of appropriate disclosure and safeguards against market manipulation apply but specific consideration should be given to:

- how to **take advantage** of smart contracts and immutable ledgers to achieve inherent compliance and reduced compliance cost;
- how to guard against the specific risks associated with token based business models (see 3.5) that would not otherwise be covered by existing regulatory frameworks;
- how to ensure that innovators developing such projects receive sufficient clarity, certainty and speed of regulatory determinations that confidence destroying regulatory uncertainty is significantly reduced; and,
- how to ensure that the new framework is sufficiently flexible to accommodate – indeed, encourage – innovation and experimentation in this rapidly evolving domain.

A specifically designed regulatory framework for token centric business models that balances consumer protection, encouragement of innovation and flexibility is required.

4.2. Do current regulatory frameworks enable ICOs and the creation of a legitimate ICO market? If not, why and how could the regulatory framework be changed to support the ICO market?

No.

Current regulatory frameworks are failing to strike an appropriate balance between consumer protection and the encouragement of innovation in token centric business models. The laudable and entirely appropriate objective of protecting consumers has created so much uncertainty among token proponents and innovators that they no longer regard Australia as an encouraging jurisdiction for such innovative projects and are actively moving them offshore.[4]

ADCA is aware of at least 16 projects that either have or are in the process of relocating offshore (see Appendix 1). These projects represent significant missed investment for Australia and the loss of direct and indirect jobs as a result of the relocation. The nearest useful analogy might be that of discouraging the very earliest internet companies from remaining in Australia while the country was still using dial-up internet services.

ADCA is currently partway through a market research exercise in conjunction with a major consulting firm which will investigate the reasons that token proponents are choosing to relocate their projects outside Australia. Although, unfortunately, the timing of that project does not fit with the timelines for this current consultation, ADCA will share the results of that study with Treasury as soon as they are available.

Meanwhile, one well-known area of regulatory concern that is acting as a significant deterrent to token based projects remaining in Australia is the risk that the definition of a Managed Investment Scheme may be (inadvertently) so broad[5] as to capture all token projects within an entirely inappropriate regulatory structure designed for a very different product.

ADCA submits that the definition of a Managed Investment Scheme should be evaluated and, if necessary, modified to exclude a token offering from the definition of an MIS. Alternatively, regulatory guidance that clarifies the same point should be provided. Should it be the case that policy-makers decide that, despite the innovative nature of tokens and submissions to the contrary, that all token offerings are indeed the offer of an interest in an MIS, then ADCA submits very clear

[4] See for example at Appendix 1 the list of projects and businesses ADCA assembled in a very short and informal survey while preparing this submission
[5] See s.9 *Corporations Act* 2001 (Cth)

guidance as to compliance should be provided as the current regulatory guides for MIS are all located under the operation and management of "funds"[6] and, other than the case of security tokens, token offerings do not involve the investment of other people's money with any ownership rights provided in connection with the tokens. As such token offerings which are MIS' should have their own regulatory compliance guide with clear step-by-step requirements. ADCA notes that FINMA, MAS and FCA have extensive and detailed guidance to token offering projects available online and anecdotal evidence suggests FINMA and MAS are actively guiding projects through consideration of whether they will be regulated, whereas comments to ADCA concerning project dealings with ASIC are more likely to refer to those projects being sent away by ASIC to seek legal advice.

The final part of this question enquiring as to how the existing regulatory model could be adjusted to better support the ICO market is addressed in 4.3 below.

4.3. What, if any, adjustments to the existing regulatory frameworks would better address the risks posed by ICOs?

As indicated in 4.1 above, ADCA believes that there is a sound public policy argument for a specific regulatory framework covering token offerings. This framework should take advantage of the technological features of token models to **enhance disclosure and governance standards** while guarding against the specific risks associated with this technology. It must also provide a high level of regulatory confidence by ensuring that the class of projects to which it applies can be simply, certainly and speedily ascertained. Finally, it must be sufficiently flexible to not merely accommodate but actually encourage further business model innovation as the blockchain and token offering space is rapidly evolving.

ADCA suggests that the right balance between consumer protection, business certainty and flexibility could be achieved with some combination of the following elements:

- Extension of the **Regulatory Sandbox** approach to allow a defined class of token offerings where the token issuance is central to the creation of network scale effects essential to the token-centric business model to be regulated within the sandbox, and permitting issue of tokens to a much larger number of purchasers than would be allowed under the current sandbox.

- Evaluation of the NOMAD (Nominated Advisor) model as applied within the UK Alternative Investment Market as foundational architecture for an approach that would see a network of independent, trusted and competent advisors act as the primary adjudicators of eligibility

[6] See Appendix 2

for sandbox participation and assessors of adherence to best practice standards for token projects.

- Application of Industry Self-Regulatory Codes of Conduct in determining adherence to best practice standards of disclosure, governance and risk management for token projects (see further in 4.4 below).

- Close and ongoing collaboration between regulators, industry bodies and "NOMADS" in assessing the eligibility of new innovations that test the boundaries of the initial definitions and in reviewing the impact of any projects within the sand box.

ADCA submits that a concentrated co-design effort involving policy-makers, regulators, legal academics and practitioners along with industry bodies and token model stakeholders could create a world-class framework that balances consumer protection and innovation and creates an opportunity to become a leader in a dynamic new sector.

4.4. What role could a code of conduct play in building confidence in the ICO industry? Should any such code of conduct be subject to regulator approval?

A well-designed Code of Conduct could provide externally audited confirmation that a token project includes best practice procedures and systems to govern such token specific risks as:

- whitepaper disclosure;
- tokenomics models;
- funds escrow and release arrangements;
- token rights management;
- project milestone disclosure and management
- good character tests for directors and managers; and,
- data security

Such a model provides a standard of consumer protection that elaborates upon the general prohibition on deceptive and misleading conduct to provide an enhanced level of consumer protection specifically tailored to take advantage of the technological features of token products to guard against the unique risks of token products.

Such a Code of Conduct will provide token proponents with the regulatory certainty that they require to proceed confidently with investment decisions. They will have confidence that external confirmation that their project adheres to the Code of Conduct means that they have met their compliance obligations.

Importantly, a Code of Conduct also incorporates a high degree of flexibility allowing amendment and adaption to accommodate new insights or changes in technological capabilities far more rapidly than a fully prescriptive regulatory regime. This becomes a pull factor for innovative projects to be based in Australia.

The Code of Conduct would become the core document that supports ongoing collaboration between the regulator and industry stakeholders. Proposed changes to the Code of Conduct could be discussed in depth with regulators and potential impacts evaluated. Similarly, should adherence to the Code of Conduct prove inadequate or have unintended effects, the regulator could encourage or even require modifications to the Code of Conduct. The regulator would largely rely upon the expertise of key industry stakeholders in determining the detail of the Code of Conduct and any proposed modifications via collaborative and ongoing engagement but retain the ultimate approval authority.

4.5. Are there other measures that could be taken to promote a well-functioning ICO market in Australia?

Thought needs to be given to the appropriate application of market supervision rules and financial advice rules to this sector. The policy principles will be the same as for other sectors but the specific detail may require some modification.

With a daily turnover of AUD$5M on the largest Australian cryptocurrency exchanges and Digital Currency Exchange registration now a requirement, it may be that a 'wait and see' approach may provide more sensible. Clearer guidance in relation to token categories will assist in the listing of further tokens which may provide a "gatekeeper" function to projects and help assist in a well-functioning ICO market in Australia.

5. Tax Treatment of ICOs

ADCA has had the benefit of reviewing the submission prepared by Hall & Wilcox and endorses that submission.

Appendix 1 – Australian Founded or Co-Founded Token-Centric Projects that have Relocated Outside Australia.

The below list has been prepared by ADCA representatives via public online searches and/or direct message communication with the below named parties. The material in the notes represents either comments available publicly or provided to contributors to this document via telephone or instant messenger dialogue. To the best of ADCA's knowledge these projects represent businesses which have either been founded in Australia or where Australians were key members of the founding teams and where regulatory factors were mentioned as a reason for the project moving offshore.

No	Project Name	Domicile (If available)	Funds Raised (If available)	Direct Employment	Notes
1.	Bamboo	Switzerland	US$3M	5 – 10	Australian Founders
2.	BitCar	Singapore	>AUD$6M[7]	N/A	Australian co-founders, and established in Singapore in 2015 given regulatory uncertainty in Australia.
3.	Bitspark Limited	Hong Kong	N/A	N/A	Oldest crypto business in HK and the oldest crypto remittance company in the world. Moved to HK, as HK has zero burdensome regulation for crypto and is an excellent hub for connections.
4.	ChangerInc	Australia initially but now moving to Singapore	Not available	Not available	Singapore cited as a more supportive regulatory space for token sales prompting relocation to Singapore.
5.	Chronosbank	Not known	AUD$6.8M[8]	Not available	Australian founder.
6.	CoinJar	United Kingdom (Australian	Not available	19	Operates digital currency exchange from London in

[7] See https://www.businessinsider.com.au/bitcar-just-raised-6-million-in-an-offshore-ico-2018-1
[8] See https://www.smartcompany.com.au/startupsmart/news/ten-australian-blockchain-companies-raising-millions-and-disrupting-industries/

		parent company)			part due to friendlier regulatory regime in UK.
7.	Helio Lending	Australia (Hong Kong soon)	Currently fundraising	Not available	Founder Australian, restructuring to Hong Kong at present in part due to concerns over regulatory environment
8.	Legaler	Australia (USA soon)	AUD$1.5M (equity)	N/A	ICO cancelled due to regulatory concerns, founder moving to USA in April 2019.
9.	RainCheck	Australia / China	AUD$1M	12 (3 in china)	Looked into an ICO in Australia but did not proceed due to regulatory uncertainty.
10.	ShareRing	Headquarters in Malta, offices in Hong Kong	AUD$3.8[9] (equity) AUD$8M (token sale)	Not available	Australian founders.
11.	Soar	Founded in Australia (moved overseas)	Not available	Not available	Moved because of limited access to markets, capital and expansion compared to US, Asia and Europe.
12.	Solara	HK (Token business) and Australia	AUD$5M (equity)	10	Moved to HK/AU structure primarily due to regulatory concerns (including AA Bill)
13.	Synthetix (Formerly Havven)	Singapore	AUD$37.5M (token sale)[10]	Not available	Australia's largest token sale raise. Moved ICO raise to Singapore.
14.	Tokenbooks	Singapore	N/A	N/A	Australian founders moved business to Singapore for more favourable regulatory environment.
15.	Watermelon Block	Singapore	Not available	Not available	Operates in Australia, but is incorporated in Singapore

[9] https://www.smartcompany.com.au/startupsmart/news/ten-australian-blockchain-companies-raising-millions-and-disrupting-industries/
[10] https://www.smartcompany.com.au/startupsmart/news/ten-australian-blockchain-companies-raising-millions-and-disrupting-industries/

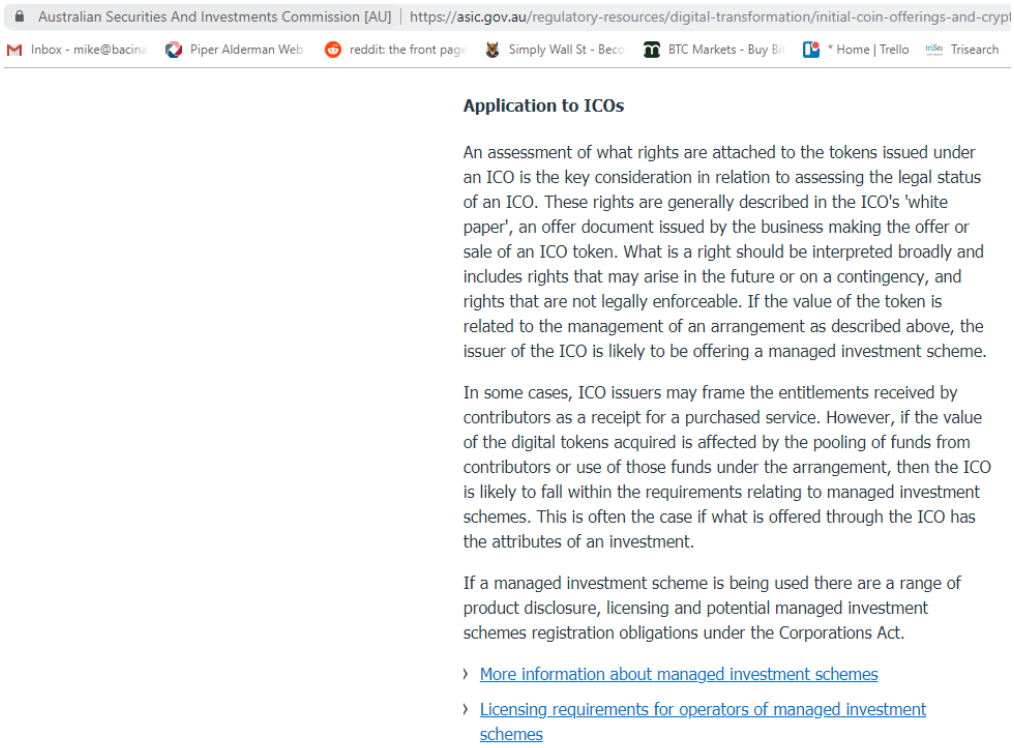
16.	XCredits	Founded in Australia (looking to move to HK)	Not available	Not available	Looking at options in HK because of greater government support and corporate interest in blockchain

Appendix 2: Current ASIC Guidance on Token offerings.

In light of the results of ADCA's informal survey, we set out below a path described to us by a number of projects demonstrating the confusion around how a token which is not involving the management of other people's money is to be regulated or be compliant:

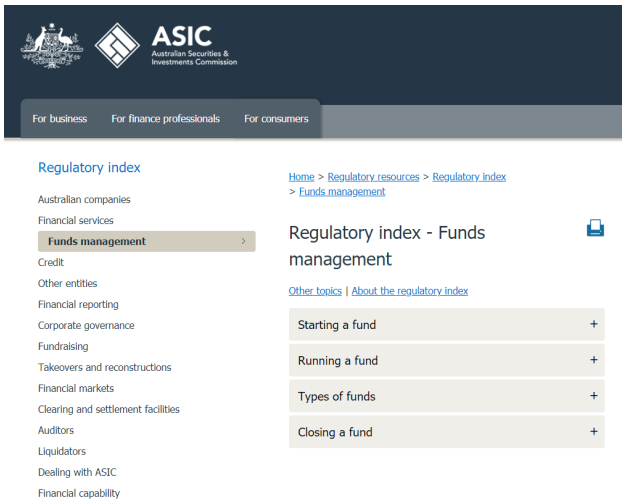
Step 1: A project views INFO225

ASIC has published INFO225 which, amongst other things, states that a token offering may be an interest in a managed investment scheme and links to the managed investment scheme guides offered by ASIC



Step 2: A project views ASIC's page on 'managed investment schemes'

This page is structured as the regulatory index for "Funds Management" which wouldn't appear to apply to currency or utility tokens at all. As noted in Box 3 of the Issues Paper, ASIC has a comprehensive range of guides. However, none of these are specifically for blockchain projects (whether security tokens or otherwise). An opportunity for clear guidance in this area is been lost on the present construction and a project cannot self-educate as to possible compliance obligations in circumstances where their offering does not involve the management of other people's money.



https://asic.gov.au/regulatory-resources/regulatory-index/funds-management/

We note that the "Information Sheet" page for Managed Investment Schemes[11] does not list INFO225 nor are any of the information sheets on that webpage relevant to tokens sales (other than potentially security tokens).

[11] https://asic.gov.au/regulatory-resources/find-a-document/find-a-regulatory-document/?page=1&filter=Information+sheet&managedinvestmentschemes=on