



28 February 2019

Division Head
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600
By email: ICO@treasury.gov.au

Re: Initial Coin Offerings: Response to January 2019 Consultation Paper

Introduction

The SSX thanks The Treasury for the opportunity to take part in this industry consultation process regarding Initial Coin Offerings (ICOs) innovation with a view to assisting Australia remaining a global technology leader. The SSX is broadly supportive of fostering the underlying ICO technology and risk mitigation through appropriate controls for a fair, orderly and transparent ICO market place.

The Sydney Stock Exchange (SSX) is a securities exchange with a market license granted by the Australian Securities and Investments Commission (ASIC). As a securities exchange, SSX provides listing facilities to companies and securities issuers, as well as trading facilities for Market Participants and investors to buy and sell shares. The types of securities that can be traded on SSX include: shares issued by companies, units issued by trusts and pooled investment products

The SSX confirm that no part of this response is confidential, The Treasury may publish this document in its entirety.

SSX Responses to Selective Consultation Questions

Definitions and Token Categories

<p>1.1. What is the clearest way to define ICOs and different categories of tokens?</p>	<p>The Swiss Financial Market Supervisory Authority (FINMA) published ICO guidelines on 16 February 2018, in which an ICO was broadly described as the exchange of funds for a decentrally stored coin or token¹. This definition appears broadly consistent to that suggested by International Organization of Securities Commissions (IOSCO) communication on ICO concerns².</p> <p>The UK’s Financial Conduct Authority (FCA) has recently released a Consultation Paper³ CP19/3 on “<i>Cryptoassets</i>”, while responses are only due on 5 April 2019 the paper provides useful an example of international precedent.</p> <p>The FCA paper broadly defines token issued through an ICO as a “<i>digital representation</i>” of value / rights that can be stored, transferred or traded across a Distributed Ledger Technology (DLT) platform. (p. 8, Section 2.4)</p> <p>Specifically, the FCA task force have categorized cryptoassets into (p. 8, Section 2.5):</p> <ol style="list-style-type: none"> 1. Exchange Tokens: used to exchange for goods or services, but not backed by any central authority (like: Bitcoin). 2. Security Tokens: backed by a security (as defined by the Corporations Act) 3. Utility Tokens: grant access to goods and services but not ownership <p>The above categorization is consistent with FINMA ICO guidelines⁴ which break down tokens into three general (and sometimes overlapping) categories of: Payment, Utility and Asset.</p> <p>As an operator of a securities market, the SSX is particularly interested in the treatment of the “Security Tokens” (where a security is represented digitally).</p>
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<https://www.finma.ch/en/~media/finma/dokumente/dokumentencenter/myfinma/1bewilligung/fintech/wegleitung-ico.pdf?la=en>

² <https://www.iosco.org/news/pdf/IOSCONEWS485.pdf>

³ <https://www.fca.org.uk/publication/consultation/cp19-03.pdf>

⁴ <https://www.finma.ch/en/news/2018/02/20180216-mm-ico-wegleitung/>

Opportunities and Risks

<p>3.3. Are there other opportunities for consumers, industry or the economy that ICOs offer?</p>	<p>As an example of the potential benefits available to wider Financial Technology (FinTech) market through ICO development, Switzerland’s regulated stock exchange have announced the construction of a DLT based market for digital assets⁵. The Swiss market is expected to be live from “mid-2019”. The Swiss eco-system is likely to provide opportunity for the development of the wider Swiss FinTech market.</p>
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Regulatory Frameworks in Australia

<p>4.3. What, if any, adjustments to the existing regulatory frameworks would better address the risks posed by ICOs?</p>	<p>The Monetary Authority of Singapore (MAS) have published a guide to Digital Token Offerings⁶ refers to tokens that represent securities predominantly falling under traditional regulations, including the issuance of a prospectus (Section 2.4 & 2.5, p. 4).</p> <p>Akin to the work completed by the three Australian Security Exchanges processing IPO applications today, security ICOs could be required to:</p> <ol style="list-style-type: none"> 1. Issue a prospectus like document to fully disclose the investment details prior to accepting public monies and 2. a supervisory function to ensure the market is properly informed. <p>In conjunction with the Corporations Act, the SSX uses dynamic listing rules (akin to a more detailed code of conduct) to ensure access to a fair, orderly, and transparent market with oversight through an efficient Market Supervisory team. Noting a distinction between companies that are:</p> <ol style="list-style-type: none"> 1. eligible for listing by only meeting the minimum listing requirements and 2. both eligible and suitable for listing
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⁵ <https://www.six-group.com/en/site/digital-exchange.html>

⁶ <http://www.mas.gov.sg/~media/MAS/Regulations%20and%20Financial%20Stability/Regulations%20Guidance%20and%20Licensing/Securities%20Futures%20and%20Fund%20Management/Regulations%20Guidance%20and%20Licensing/Guidelines/A%20Guide%20to%20Digital%20Token%20Offerings%20last%20updated%20on%2030%20Nov%202018.pdf>



The SSX are happy to further assist and wish The Treasury well in their legislation of the ICO space, the crafting and implementation of appropriate legislation to protect investors while ensuring Australia remain a global technology leader.

SSX Contacts

If there are any queries in relation to the SSX's response, please feel free to contact either:

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Yours sincerely,

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