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THE PEOPLE'S BANK OF CHINA

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Public Notice of the PBC, CAC, MIIT, SAIC, CBRC, CSRC and CIRC on Preventing Risks of Fundraising through Coin Offering

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Recently, a large number of fundraising activities through issuing tokens including Initial Coin Offering (ICO) have taken place in China, giving rise to speculation and inviting suspicion of illegal financial activities. These activities have disrupted the economic and financial order. To implement the spirit of the National Financial Work Conference, protect the legitimate rights and interests of investors and manage financial risks, and in accordance with Law of the People's Republic of China on the People's Bank of China, Law of the People's Republic of China on Commercial Banks, Law of the People's Republic of China on Securities, Law of the People's Republic of China on Cyber Security, Regulation of the People's Republic of China on Telecommunication, Measures for Banning Illegal Financial Institutions and Illegal Financial Business and Activities, and other laws and regulations, the relevant matters are hereby announced as follows:

I. The Essential Attributes of Fundraising Through Coin Offering

Financing through coin offerings refer to financing bodies raising virtual currencies such as Bitcoin or Ethereum from investors through illegal sales and circulation of crypto currency or tokens. Such offerings, in essence, are unauthorized and illegal public fundraising and are suspected of involving in criminal activities such as illegal selling of tokens, illegal issuance of securities, illegal fundraising, financial fraud and pyramid schemes. The competent authorities will closely monitor the related developments, strengthen coordination with the judicial departments and local governments, strictly enforce the law and work based on the current mechanism, and resolutely clamp down on market irregularities. Any suspected crimes, once identified, will be transferred to judicial department.

The token or "virtual currency" used in coin offerings are not issued by the monetary authority. Such currency does not have characteristics of money such as legal tender status and mandatory use, has no legal status equivalent to money, and cannot be circulated or used as currency in the market.

II. No Organizations or Individuals Shall Engage in Illegal Fundraising through Coin Offering

From the date of release of this Notice, fundraising through coin offering shall be banned immediately. Any individuals or organizations that have completed fundraising through coin offering shall make arrangements to return the funds raised, and to ensure that the legitimate rights and interests of the investors are protected and the risks involved are properly managed. The government departments concerned will strictly investigate and address the coin offering activities that have continued despite the ban and the illegal activities in the projects that had completed fundraising.

III. Management of Related Platforms Shall be Strengthened

From the date of release of this Notice, any so-called platform that provide trading and exchange services for coin offering shall not engage in exchange businesses between legal tender and token or "virtual currency"; or engage in proprietary trading activities or trading as an central counterparty of tokens or "virtual currencies"; or provide pricing services or act as information intermediary for tokens or "virtual currencies".

As for the trading platforms with activities that have violated laws or regulations, the financial regulatory authorities will notify the administrative department in charge of telecommunications to adopt measures such as shutting down its website platform and mobile APP, notify the administrative departments in charge of cyberspace to remove its mobile APP from the APP store, and notify the business administration department to revoke its business license.

IV Financial Institutions and Non-Bank Payment Institutions Shall Not Conduct Businesses Related to Coin Offering Fundraising and Trading

Financial institutions and non-bank payment institutions shall not directly or indirectly provide product or services such as account opening, registration, trading, clearing and settlement for fundraising through coin offering/“virtual currencies”; or insure businesses related to tokens/“virtual currencies” or include tokens/“virtual currencies” in the insurance coverage. Once clues of illegal coin offering fundraising and trading is identified, financial institutions and non-bank payment institutions shall promptly report to the departments concerned.

V. The Public Need to Stay Aware of the Risks of Coin Offering Fundraising and Trading

There are multiple risks in coin offering fundraising and trading, including risk of false asset, risk of operation failure, risk of speculation, and etc. The investors shall take investment risks on their own and be cautious of frauds and scams.

The public shall be aware of the risks and learn to identify the illegal financial activities in the name of “currency” (“bi” in Chinese), and report clues of illegal activities in a timely manner.

VI. Self-regulatory Organizations Shall Exercise Industry Self-Regulation

To keep financial activities in order, all kinds of self-regulatory financial organizations shall interpret policy properly, urge members to consciously resist illegal financial activities related to coin offering fundraising and trading or “virtual currencies”, and to stay away from market irregularities and improve investor education.

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