

Crypto Traders Need to Register — OSC Takes Enforcement Action

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On the heels of the Ontario Securities Commission's (OSC) spree of settlement agreements with international trading platforms, which have now totalled more than \$10 million, the OSC has approved yet another settlement agreement with CoinLaunch Corp. (CoinLaunch). These actions show that novel products and overseas dealers are clearly within the enforcement reach of Canadian securities regulators.

Crypto consulting firm, CoinLaunch, violated Ontario securities laws by holding itself out as engaging in the business of trading in securities without dealer registration. As part of a settlement agreement with the OSC dated July 24, 2019, CoinLaunch will pay more than \$50,000 in penalties, disgorgement and costs. CoinLaunch is barred from trading in any securities or derivatives, or from acquiring any securities, for five years. In the settlement agreement, the OSC put firms and individuals in the crypto-asset sector on notice that future violations of these registration obligations can result in more severe consequences.

CoinLaunch's conduct came into question when it advertised and offered a package of marketing and promotional services for initial coin offerings. These services included helping companies solicit investors, taking new virtual currency offerings on road shows, planning and consulting on a crowdsale campaign and advertising coin offerings through marketing campaigns. CoinLaunch's "crypto consulting" package, taken as a whole, was instrumental in soliciting investors to buy these tokens, which constituted acts in furtherance of trades that CoinLaunch was not licensed to do.

CoinLaunch also facilitated the offerings of the Buggyra Coin and the EcoRealEstate token, which the OSC has deemed to be securities. Any Buggyra Coins and EcoRealEstate tokens that CoinLaunch received as compensation for its services will be rendered inaccessible as part of CoinLaunch's settlement with the OSC.

Rather than initiating the registration process, CoinLaunch chose to wind down its operations and dissolve the company.

This settlement is the latest in a series of enforcement actions undertaken by the OSC as the popularity of virtual currencies continues to rise. Regulators, including the OSC, have taken the position that many new token offerings have the characteristics of

securities, and that selling them without registration or making requisite disclosures violates securities laws. CoinLaunch's settlement is unique, in that CoinLaunch was not a token issuer, but a company that offered consulting services in connection with token offerings. The OSC is keen on protecting the registration regime in Ontario and ensuring that anyone who is in the business of trading securities meets the necessary standards of proficiency, solvency and integrity. It is therefore vital for any firm in the crypto-asset sector to seek guidance on whether its activities fall within the registration regime and whether those activities comply with applicable laws.

Contact Us

If you have any questions about this settlement or registrations required in the crypto-asset sector, please contact one of the authors of this bulletin or any other member of BLG's [Cryptocurrency and Blockchain Group](#). Our Cryptocurrency and Blockchain Group leverages BLG's expertise in legal areas, such as [investment management](#), corporate finance, [derivatives](#) and [fintech](#) to provide advisory and transactional support right from the start.

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