



Australasian Blockchain Music Association  
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<https://www.abma.asn.au>

## **Response to Treasury's review into Initial Coin Offerings (ICOs)**

### **Definitions and Token Categories**

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

The current method of defining ICO's (into security or utility tokens) is too broad and does not cater for advancements in token design and capabilities

The categorization of tokens could also be defined in terms of industry and if greater specificity is required, in terms of use case. By providing by industry will allow greater applicability to Blockchain applications which don't necessarily fall into a strict Fintech business definition

### **Drivers of the ICO Market**

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

The secondary market provides liquidity to the holders of the token and creates the incentive for the start-up to continue developments for their product in order to provide value to the token in the economics of the product

It is an important component in providing token holders with a continuing stake in the success of the start-up as well as ensuring that the founders are incentivized to develop products which provide value for the token holders

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

The key drivers will be

- The quality and applicability of the use cases
- The introduction of innovation friendly global and consistent regulation
- The relationship between token holders and the entity who issued the tokens
- The perception of the business community towards ICO's

3.2. What do ICOs offer that existing funding mechanisms do not?

ICO's make the process of securing funding for ambitious start-ups an easier process from which to develop their blockchain projects, which will enable Australians businesses to compete on the global stage. It offers investors the ability to contribute to the growth in BlockChain projects by investing at an early stage.

It enables investors exposure to different business models to diversify their portfolios

### **3.4. How important are ICOs to Australia's capability to being a global leader in FinTech?**

The emergence of Blockchain technology promises improvements to many inefficient industries. Australia has lagged behind countries when it comes to innovation across many spectrums

The use of ICO's as a mechanism for funding start-ups and as a means of investment will foster a greater environment for entrepreneurship as well as the development of new and ground-breaking start-ups to enable Australia to become a global leader, not just in Fintech but across Technology more broadly

### **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?**

We don't believe that the current regulatory framework provides adequate confidence and guidance for investors to make investments in start-ups which are serious about developing products which solves real use cases.

As noted there have been too many scams partly caused by the lack of framework that gives rise to sham ICO's.

There needs to be a prescriptive framework which ICO's need to follow in order to comply with current legislation. The balancing act is not to make the framework too restrictive that it creates barriers for the very startups that the framework is trying to support

Some changes can include:

- Changes to the definitions of tokens
- The establishment of a working group with the startup community and regulators to enable discussions and to 'test' theories in ICO regulation and implementation
- Pronouncements from regulators that support the establishment of a viable and trusted ICO market

### **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 code of conduct will play a valuable role in creating confidence and trust in the industry and across business and finance in general.

It will enable startups who abide by the code of conduct, the direction they need to develop ICO funding campaigns to ensure that they don't inadvertently fall foul of current legislation.

The code of conduct should be approved by the regulator