



## Cayman Islands Monetary Authority Issues a Statement on Virtual Currencies

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On 23 April 2018, the Cayman Islands Monetary Authority (“CIMA”) released a [public advisory](#) on virtual currencies to warn of the risks associated with investments in initial coin offerings (“ICOs”) and virtual currencies and which set out some of the red flags potential investors should look out for to help identify potentially fraudulent ICOs.

ICOs are often unregulated and involve new technologies and products that are highly technical and complex. However, should a regulatory body in the country where the ICO is based and/ or issued consider the token to be a security issued in breach of its securities laws, it could have a substantially negative effect on the company and the token’s value or usability.

The advisory recommends that investors protect themselves by undertaking thorough research before investing and to avoid ICOs where:

- there are claims of endorsements by CIMA;
- there is limited information provided (regarding the investment, the project, the development team and/ or vague technical information relating to the coin); or
- the promoters are pushing for a quick decision or are otherwise marketing aggressively with promises of large or quick returns.

Other than to confirm that virtual currencies are not legal tender in the Cayman Islands (as is the case in most countries) no further guidance has been provided by CIMA regarding any substantive legal issues. As the Cayman Islands is an increasingly popular jurisdiction for ICOs, it is expected that CIMA will provide further guidance in respect of virtual currencies in due course. In particular, we expect CIMA to provide guidance in respect of anti-money laundering concerns related to virtual currencies and we will provide a further update at that time.

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