



5251 Duke St, Suite 400
PO Box 458
Halifax, NS
B3J 2P8

tel:(902) 424-7768
fax: (902) 424-4625
nssc.novascotia.ca

Securities Commission

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Commission Provides Coordinated Crypto Crackdown Update

Halifax – With news surrounding the surging price of cryptocurrencies such as bitcoin and a new crypto-product announced by Facebook poised to enter the market, investors and scam artists alike continue to offer cryptocurrency-related investment products looking for quick profits.

The Nova Scotia Securities Commission (the Commission) reports that more than 130 new investigations of Initial Coin Offerings (ICOs) and cryptocurrency-related investment products have been initiated and 35 enforcement actions completed by provincial and state securities regulators in Canada and the United States since the beginning of the year as part of “Operation Cryptosweep,” an initiative of the North American Securities Administrators Association (NASAA), of which the Commission is a member.

In April 2018, NASAA organized a task force of its member provincial and state securities regulators to begin a coordinated series of investigations into ICOs and other cryptocurrency-related investment products. Since then, this coordinated regulatory focus has resulted in at least 85 pending or completed enforcement actions involving ICOs or cryptocurrency-related investment products and approximately 330 inquiries or investigations by securities regulators across North America.

“Recent headlines of potentially new cryptocurrency products and the near tripling in value of some cryptocurrencies are again creating an environment that attracts white-collar criminals, bad actors, and other promoters of illegal securities schemes,” said Stephanie Atkinson, Acting Director of Enforcement for the Commission. “Investors should be mindful of the hype and be aware of the risks when considering whether to invest in cryptocurrency-related investment products.”

To help raise investor awareness, a new video in the “Get in the Know” series produced by NASAA has been release, featuring common crypto investment schemes and how to guard against becoming a victim. The video is available on NASAA’s website www.nasaa.org ([watch here](#)). The animated video also outlines the common concerns investors should consider before investing in any offering containing cryptocurrency, including:

Volatility: Cryptocurrency markets can be highly volatile, making them riskier investments that may be unsuitable for the average investor looking to meet long-term savings or retirement goals.

No recourse: Cryptocurrency and many crypto-related investments are subject to little regulatory oversight, and there may be little or no recourse should the cryptocurrency disappear due to fraud or a cybersecurity breach.

Untraceable: Cryptocurrency or crypto-related investments exist on the internet. Issuers can be located anywhere in the world, so it may be infeasible to trace and recover lost funds through the courts.

While not every cryptocurrency-related investment offer is a fraud, there is a high risk of fraud in this sector. Also, if the transaction involves elements of a "security" then Nova Scotia Securities laws will apply and individuals and firms offering or selling these products to Nova Scotia residents must register with the Nova Scotia Securities Commission. As with any investment opportunity, Nova Scotian investors are reminded to be cautious when dealing with promoters who claim their offering does not have to be registered with securities regulators.

The Nova Scotia Securities Commission is the provincial government agency responsible for regulating trading in securities and derivatives in the province.

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Media Contact: David Harrison
902-424-8586
E-mail: david.harrison@novascotia.ca