

Timeline of ICOs in China

2009

Birth of bitcoin

April, 2013

A steep fall in the value of bitcoin

December, 2013

The People's Bank of China and four ministries, jointly issued the *Circular on Preventing Risks from Bitcoin* (Yin Fa [2013] No.289) ("Circular No. 289")

- The Circular No. 289 (2013) was the first official bitcoin-related regulatory document in China. The Announcement's provisions on the attributes, regulatory principles and other core issues relating to tokens/virtual currencies are generally consistent with those in Circular No. 289. The following table compares the two regulatory documents:

2013-2014

Surge of international ICOs

	Circular on Preventing Risks from Bitcoin	Announcement on Preventing Risks from Token Financing
Promulgated by	<ul style="list-style-type: none"> – People's Bank of China – Ministry of Industry and Information Technology – China Banking Regulatory Commission – China Securities Regulatory Commission – China Insurance Regulatory Commission 	<ul style="list-style-type: none"> – People's Bank of China – Office of the Central Leading Group for Cyberspace Affairs – Ministry of Industry and Information Technology – State Administration for Industry and Commerce – China Banking Regulatory Commission – China Securities Regulatory Commission – China Insurance Regulatory Commission
Scope of application	Bitcoin and related products and transactions	"Token financing" refers to the raising of bitcoin, ether and other "virtual currencies" from investors by any financing party through illegal sales and circulation of tokens.
Determining the attributes of the "coin"	Bitcoin is not issued by any official monetary authority. It is not a legal tender and is not mandatorily accepted. Therefore, in nature, bitcoin should be considered as specific virtual goods. It is not a currency from a legal perspective, and may not be used in the market as a currency.	Token or other "virtual currency" used in token financing are not issued by any official monetary authority. They are not legal tender and are not mandatorily accepted. Therefore, they do not have equal legal status with fiat currencies, and may not be circulated in the market as currencies.
Prohibiting financial institutions and non-bank payment agencies from carrying out related businesses	<p>Financial institutions and payment agencies are not allowed to:</p> <ol style="list-style-type: none"> (1) Price goods or services in bitcoin; (2) Purchase or sell bitcoins or as central counterparty; (3) Underwrite any insurance business relating to bitcoin or include bitcoin in any insurance coverage; (4) Directly or indirectly provide clients with other services relating to bitcoin, including providing clients with registration, trading, clearing and settlement services relating to bitcoin; accepting bitcoin or using bitcoin as means of payment or settlement; providing an exchange service between bitcoin and RMB/foreign currencies; carrying out deposit, custody or mortgage businesses relating to bitcoin; distributing financial products relating to bitcoin, etc. 	<p>Financial institutions and payment agencies are not allowed to:</p> <ol style="list-style-type: none"> (1) Directly or indirectly provide products or services in relation to token financing and "virtual currencies", such as account opening, registration, trading, clearing and settlement; (2) Underwrite any insurance business relating to tokens and "virtual currencies" or include tokens and "virtual currencies" in any insurance coverage.

	Circular on Preventing Risks from Bitcoin	Announcement on Preventing Risks from Token Financing
Strengthening the management of platforms	For internet websites offering registration, trading and other services relating to bitcoin in violation of applicable laws and regulations, competent authorities may: <ul style="list-style-type: none"> – Close their websites 	For token financing trading platforms operated in violating laws and regulations, competent authorities may: <ul style="list-style-type: none"> – Close their website platforms and mobile APPs; – Remove their mobile APPs from App stores; – Revoke their business licenses.
Improving the public's understanding of currencies and giving risk alert on investment	Relevant departments, financial institutions and payment agencies shall use the correct concept of currency and make efforts to improve the public's understanding of related knowledge by including in their financial knowledge popularization activities the definition of currency, attributes of virtual goods and virtual currencies, as well as concepts of rational investment, reasonable control of investment risks and property protection, in order to provide guidance for the public on correct concepts of currency and investment.	Token financing involves multiple risks including those relating to false assets, business failure, investment, speculation and others. Investors make investments at their sole risk, and therefore, must beware of tricks. The public need to raise awareness on preventing risks and ability to identify risks related to various illegal financial activities in the name of "coin", and timely report any information on violation of laws and regulations.

- Besides the above key issues, Circular No. 289 also specified and provided detailed requirements on bitcoin-related anti-money laundering obligations, while the current new regulation primarily focuses on risks arising from token financing without involving anti-money laundering requirements.

September, 2016

The General Office of the People's Bank of China issued the *Directive Opinion on Further Strengthening the Monitoring and Early Warning of Financial Transactions Involving Possible Illegal Fundraising* (Yin Fa [2016] No. 201)

- Financial institutions were required to attach great importance to the monitoring and early warning of financial transactions involving possible illegal fundraising, particularly the promotion of virtual currencies through multi-level marketing.

January, 2017

Various regulators, led by the People's Bank of China, questioned the top 3 bitcoin trading platforms operated in China and warned them about risks. Bitcoin trading agencies were required to cease businesses in violation of applicable Chinese domestic laws and regulatory requirements.

2015

Upturn in Chinese bitcoin market

2016

Bitcoin bull market in China

End of 2016

5 ICO platforms established in China

March, 2017

The People's Bank of China held a meeting with several bitcoin exchanges operated in Beijing to communicate related information, and issued a draft regulatory document for comments.

- The *Interim Measures for the Administration of Bitcoin Trading Activities (Draft for Comments)* applies to bitcoin trading activities carried out in China. Bitcoin trading refers to direct sale and purchase of bitcoin between individuals (including natural person, legal entity and other organizations) through bitcoin trading information intermediaries.
- Bitcoin trading information intermediaries are duly incorporated agencies specializing in the intermediary business of bitcoin trading information. Such intermediaries provide information collection, release and exchange and trade matching services for purchasers and sellers of bitcoin via internet.
- Record-filing mechanism: The incorporation and any change of a bitcoin trading information intermediary must be filed with the People's Bank of China. The People's Bank of China and the departments of provincial people's governments in charge of local financial regulation are primary regulators for such issue.
- Bitcoin trading information intermediaries are not allowed to engage in fund/coin raising or other related business activities.

June-July, 2017

Number of
ICO
platforms in
China soars
to 65

Regulatory Environment

2 September 2017

The Internet Financial Risk Special Rectification Work Leading Group Office (the “State Rectification Office”) issued the *Notification Concerning the Undertaking of Clean-up and Rectification of Token Financing* (Zheng Zhi Ban Han [2017] No.99, the “Notification No.99”) to provincial and municipal financial offices (bureaux). In the Notification No.99,

- ICO (Initial Coin Offering) is defined as

“a form of unapproved illegal public financing”,

which possibly involves the following crimes:

- illegal fundraising
 - illegal issuance of securities
 - illegal sale of tokens or tickets
 - financial fraud
 - pyramid schemes
- Comprehensive rectification works to be carried out with respect to ICO platforms:
 - Comprehensive inspection and assessment : The State Rectification Office provides a list of 60 ICO platforms; these token financing trading platforms are required to submit a statement of relevant information by close of business on September 4 with copies to competent banking, securities and insurance regulatory departments. Information to be submitted include that relating to financing entity, financing trading platform, senior executives, amount of financing, period of financing and other details;
 - All new ICO projects must be called off;
 - Completed ICO projects are subject to analysis and assessment on a case by case basis. Tokens issued to the public in violation of laws and regulations should be refunded, and illegal activities should be punished;
 - Measures such as questioning and monitoring of senior executives of token issuance platforms and monitoring of their accounts will be taken in order to protect investors’ interests, avoid group events and effectively prevent financial risks.

Regulatory Environment

4 September 2017

Seven ministries, including the People's Bank of China, the Office of the Central Leading Group for Cyberspace Affairs, the Ministry of Industry and Information Technology, the State Administration for Industry and Commerce, the China Banking Regulatory Commission, the China Securities Regulatory Commission and the China Insurance Regulatory Commission, jointly issued the *Announcement on Preventing Risks from Token Financing* (the "Announcement")

- Nature determination:
 - Essential nature of token financing activities: consistent with the Notification No.99
 - Essential attributes of tokens and "virtual currencies": They are not legal tenders and are not mandatorily accepted. Therefore, they do not have equal legal status with fiat currencies, and may not and should not be circulated or used in the market as currencies (basically in consistent with the attributes of bitcoin specified in Circular No. 289)

- Rectification and regulation of token financing activities:
 - All new token financing activities must be immediately called off
 - Organizations and individuals who have completed token financing should make refund or other arrangements
 - Token financing projects failing to cease operation and illegal activities found in completed token financing projects will be seriously investigated and punished

- Token financing trading platforms are not allowed to conduct the following businesses:
 - Providing exchange service between any fiat currency and token or between "virtual currencies"
 - Purchasing or selling "virtual currencies" themselves or as central counterparties
 - Providing pricing, infomediary or other services for tokens or "virtual currencies"

- Penalties on token financing trading platforms for their illegal activities
 - Close of their website platforms and mobile APPs
 - Removal of their mobile APPs from app stores
 - Revocation of their business licenses

- Financial institutions and non-bank payment agencies are not allowed to carry out the following related businesses:
 - Directly or indirectly providing products or services in relation to token financing and "virtual currencies", such as account opening, registration, trading, clearing and settlement
 - Underwriting any insurance business relating to token and "virtual currencies" or including token and "virtual currencies" in any insurance coverage

- Investors' awareness on risk prevention:
 - Investors make investments at their sole risk
 - The public should be on a high alert for various illegal financial activities in the name of "coin"