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A Brave New World for ICO? On Taiwan’s Regulatory Framework of STO

Chao-Tsung Huang *

Abstract

Initial Coin Offering (“ICO”) is a financing method that is widely discussed recently. On the one hand, ICO allows the issuer to quickly obtain the funding required, but on the other hand, it involves the general public and may have broad impact in the event of disputes. By including the virtual assets with the nature of securities as one of the securities to be regulated, the Financial Supervisory Commission (“FSC”) subjects one type of the ICO, the security token offering (“STO”), to the regulatory framework of Taiwan’s Securities and Exchange Act and establishes the mechanism for the issuance and trading of security tokens, which would bring significant implications to the development of ICO in Taiwan. This article observes and ponders on FSC’s regulatory framework of STO with respect to classification of ICO, definition of security token, exemption of application, information disclosure and application of foreign law, aiming to facilitate the conversations and to improve the regulatory framework in the future.

Keywords: Initial Coin Offering, Securities Token, Howey Test, Blockchain, Financial Regulatory Sandbox

* Partner, Chen & Lin Attorneys-at-Law; LL.M., University of Pennsylvania, U.S.A.