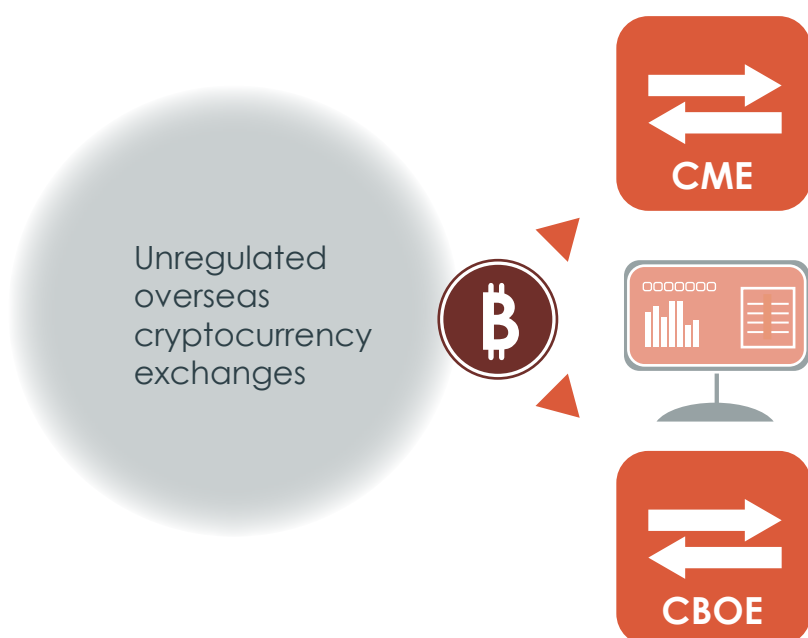
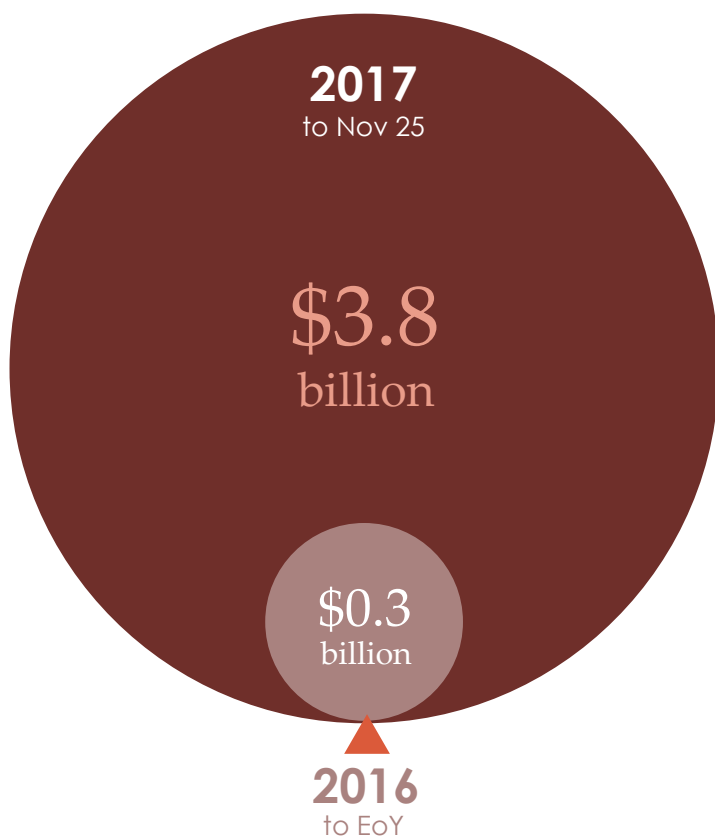


# 2017 in Cryptocurrency

After years of lingering on the periphery of financial markets, cryptocurrency finally moved into the mainstream in 2017. While Bitcoin's exponential rise in value grabbed the majority of the public's attention, other themes emerged that are of even greater significance. Here are three of the year's most important:

## All-time cumulative ICO funding



## The ICO craze

2017 witnessed a rapid rise in the number and value of **initial coin offerings** (ICOs), a fundraising model whereby a venture will issue a cryptographic token in exchange for startup capital.

## ...and increased vigilance

The SEC increased its focus on ICOs with both **warnings** and an **enforcement crackdown**:

- ▶ Issued an investor bulletin about the potential hazards of the new investment space, along with an investigative report warning that "virtual" organizations' offers and sales of digital assets may be subject to the Securities Act (1933) and the Securities Exchange Act (1934).
- ▶ Launched an emergency enforcement action against Maksim Zaslavskiy, REcoin Group Foundation LLC, and DRC World Inc., alleging they defrauded investors in two ICOs.
- ▶ Obtained an emergency asset freeze against an ICO fraud that raised up to \$15 million from investors by falsely promising a 13-fold profit in less than a month.
- ▶ Prompted a California company to halt its ICO after raising registration concerns.
- ▶ Issued a statement regarding celebrities' "potentially unlawful promotion" of ICOs.

## Bitcoin futures on CBOE & CME

On Dec. 1, the Commodity Futures Trading Commission approved Bitcoin future trading on the CBOE Global Markets and CME exchanges, a move that should **improve the access and ease** of Bitcoin trading for both Wall Street and individual investors, and **bring a measure of stability** to the relatively volatile cryptocurrency market by providing investors with an easy means to short the currency.

## The rise of the "hard fork"

- ▶ Bitcoin Cash was created via a **duplicated blockchain** with a shared transaction history but entirely independent future transactions and balances.
- ▶ Since the IRS has typically considered traditional **windfalls of "free money"** to be taxable income, investors could face tax liabilities as a result of the hard fork.

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