



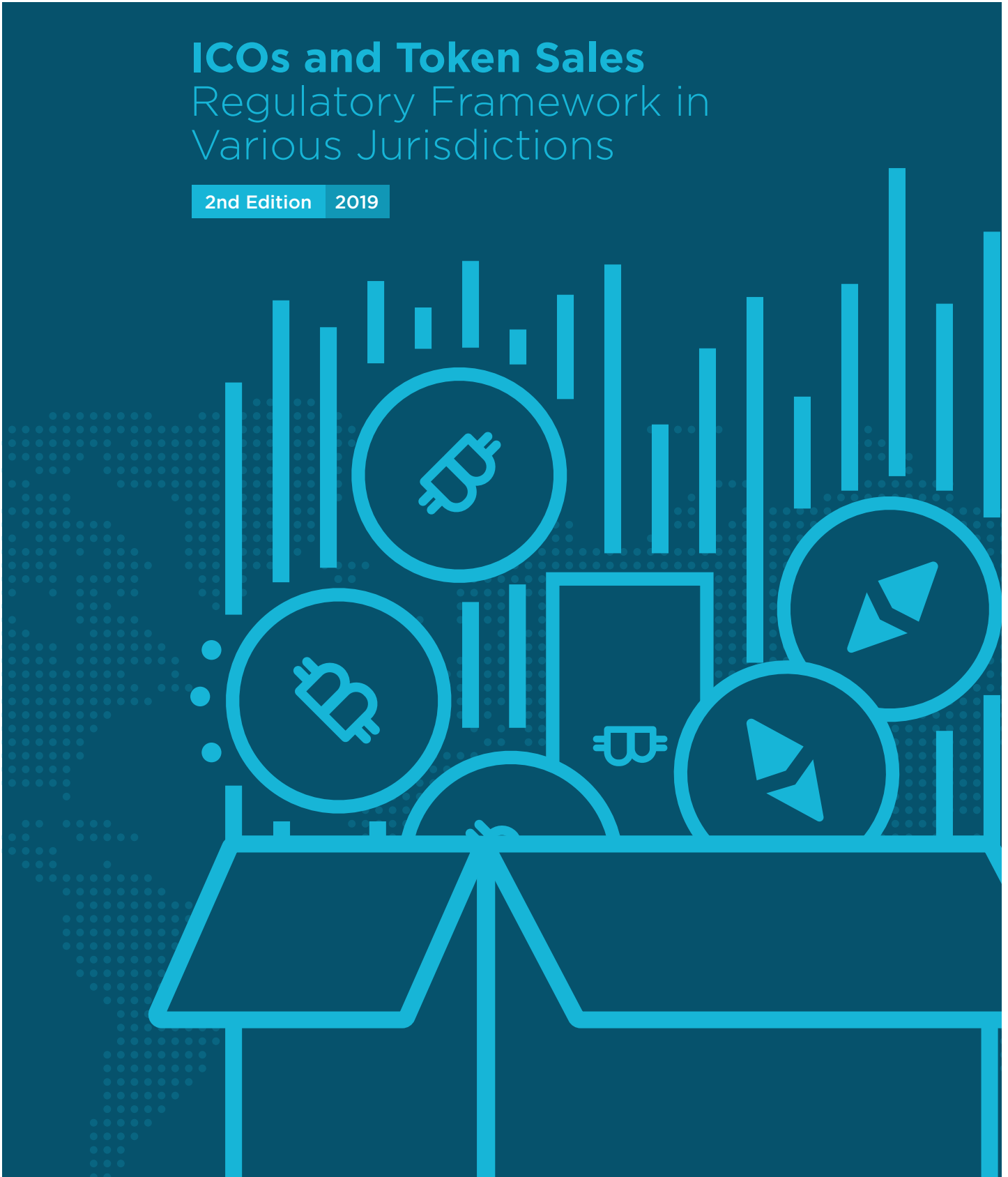
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INTERNATIONAL BUT PERSONAL

ICOs and Token Sales

Regulatory Framework in Various Jurisdictions

2nd Edition 2019



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THE **13** QUESTIONS WE ASKED

- 1 Does your country allow or prohibit ICOs and Token Sales?
- 2 Does your country regulate ICOs and Token Sales?
- 3 If your country regulates ICOs and Token Sales, what are the names of the government agencies responsible for regulating them?
- 4 If your country regulates ICOs and Token Sales, please provide a short summary of the regulatory framework. For example, do ICOs and Token Sales need to be registered or comply with any rules; or can they only be sold to certain types of purchasers/investors.
- 5 Please provide any additional information you feel is important to understanding ICO and Token Sale regulation in your country.
- 6 If a foreign entity conducts an ICO and offers tokens to residents of your country, will your government require the foreign entity to comply with any rules and regulations? If so, please provide an overview of how ICOs conducted by foreign entities are regulated by the government of your jurisdiction.
- 7 What is the legal nature of crypto in your country (for example, is crypto considered a security, commodity, currency etc.)?
- 8 Has the government of your country prosecuted, civilly or criminally, any ICO issuers, token developers or crypto exchanges for violating your country's laws? If so, please provide an executive summary of the most significant prosecution(s).
- 9 In your country, are there any significant commercial disputes or civil cases (non- government) involving crypto? If so, please provide an executive summary of the most significant dispute(s)/ case(s).
- 10 Does your jurisdiction tax crypto transactions? If so, please provide a basic explanation of how and at what rate they are taxed.
- 11 Separate from ICOs, does your jurisdiction regulate crypto trading or crypto exchanges? If so, please provide an overview of the regulation.
- 12 Does your country offer any unique or important benefit to crypto-focused companies (for example, clear regulatory guidance)? If so, please describe the unique/ important benefit.
- 13 Please identify a point of contact at your firm for cryptocurrency- related matters.

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1 Does your country allow or prohibit ICOs and Token Sales?

ICOs and token sales are neither prohibited, nor specifically allowed or regulated in Ukraine.

However, the financial authorities in Ukraine consider the possibility of regulating cryptocurrency and related activity, including ICOs, given the current technology developments and approaches of regulators from other countries. The financial authorities declare that the main purposes of such regulation are as follows: protecting consumers, fighting against money laundering and other criminal activity, and setting up clear procedures for taxation of cryptocurrencies. The Ukrainian financial authorities also voice concern about the possible chilling effect that such regulation may have on the development of new technologies in the financial sector.

2 Does your country regulate ICOs and Token Sales?

No.

3 If your country regulates ICOs and Token Sales, what are the names of the government agencies responsible for regulating them?

N/A

4 If your country regulates ICOs and Token Sales, please provide a short summary of the regulatory framework. For example, do ICOs and Token Sales need to be registered or comply with any rules;

N/A

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or can they only be sold to certain types of purchasers/investors.

5 Please provide any additional information you feel is important to understanding ICO and Token Sale regulation in your country.

Although there is no specific ICO and token sale regulation in Ukraine, organisers of ICOs and token sales should be mindful of the broader traditional legal framework that may apply. Depending on how ICOs/token sales are promoted, what commitments are made and how offerings are structured, the following aspects should be considered.

1.The ICO/token sales prospectus may be regarded as a form of public contract and thus be subject to the usual civil treatments of contracts. Accordingly, organisers may be recognised as being contractually bound by the undertakings they assume.

2.Usually, ICOs/token sales are ways of raising capital for financing projects or enterprise. However, given that ICOs/token sales do not fall under the established forms of raising of capital and crypto assets have no particular legal status, crypto assets can be treated as a form of property. If so, transactions with crypto assets may have taxable consequences that differ from those resulting from the use of established forms of raising capital.

3.In the course of the activity, funds raised in the form of cryptocurrency will generally need to be converted to fiat currencies, and spending will have to be made, accounted for and taxed. Unless a proper structure is established for this and duly administrated (in many practical instances we observed, it is not), there may be associated tax or compliance risks.

4.It is conceivable that ICOs/token sale offerings may be subject to consumer protection laws. The disclaimers and liability limitations specified by organisers in their prospectus papers may be not fully enforceable

5.If crypto assets offered in an ICO are to be treated as debt obligations giving the right to claim the return of

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6 If a foreign entity conducts an ICO and offers tokens to residents of your country, will your government require the foreign entity to comply with any rules and regulations? If so, please provide an overview of how ICOs conducted by foreign entities are regulated by the government of your jurisdiction.

7 What is the legal nature of crypto in your country (for example, is crypto considered a security, commodity, currency etc.)?

debt to a crypto asset holder, then such ICO/token sale may fall within the scope of financial services regulation and be subject to licensing requirements.

There are no specific regulations in place on this issue. However, offerings and acceptance of such tokens to/from residents of Ukraine may have a number of legal implications under general Ukrainian law, depending on the facts and circumstances of each such ICO.

The legal nature of cryptocurrency is not defined yet.

In 2017 the National Bank of Ukraine, the National Commission for State Regulation of Financial Services, and the National Securities and Stock Market Commission made a common statement regarding the status of cryptocurrencies in Ukraine.

In particular, Ukrainian financial authorities have stated that, because of their complicated legal nature, cryptocurrencies cannot be defined under Ukrainian law as legal tender, foreign currency/asset, currency substitute, e-money or securities.

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8 Has the government of your country prosecuted, civilly or criminally, any ICO issuers, token developers or crypto exchanges for violating your country's laws? If so, please provide an executive summary of the most significant prosecution(s).

We are not aware of such cases.

9 In your country, are there any significant commercial disputes or civil cases (non-government) involving crypto? If so, please provide an executive summary of the most significant dispute(s)/ case(s).

We are not aware of such cases.

10 Does your jurisdiction tax crypto transactions? If so, please provide a basic explanation of how and at what rate they are taxed.

There is no specific regulation applicable to taxation of crypto transactions.

As for corporate income taxation, all taxable income shall be taxed at 18%.

As for individual income taxation, all taxable income is subject to tax at the rate of 18%. Also, an individual is required to pay a martial tax on taxable income at the rate of 1.5%.

There is no specific VAT law or guidance on the VAT treatment of cryptocurrencies. However, it is possible that Ukrainian courts may use the CJEU case of Skatteverket v David Hedqvist (C-264/14), where the CJEU held that

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VAT exemption extends to Bitcoin exchange activity even though it is not legal tender.

11 Separate from ICOs, does your jurisdiction regulate crypto trading or crypto exchanges? If so, please provide an overview of the regulation.

No.

12 Does your country offer any unique or important benefit to crypto-focused companies (for example, clear regulatory guidance)? If so, please describe the unique/important benefit.

No.

13 Please identify a point of contact at your firm for cryptocurrency-related matters.

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