

Beware 'bitcoin funding mania', investors told

Enterprise Ireland takes a tough stance as cyber currencies arouse greater scrutiny worldwide



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'Oakes, who founded Ireland's first regulatory technology support group, Fintech Ireland, is surprised by the absence of comment by the Central Bank'

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A former Central Bank regulator has warned Irish investors about the risks associated with a wave of unregulated "bitcoin-fuelled investment fund mania".

The warning comes after Enterprise Ireland ordered two fintech firms to remove website information and amend details in an investment prospectus that may have led investors to believe Initial Coin Offerings (ICO) valued at €2.5m were endorsed by the State agency.

Cryptocurrency firm MingoCoin - which is chaired by former Baltimore Technologies chief Fran Rooney and cites One Direction star Niall Horan as a shareholder and brand ambassador - aimed to raise €2m in a token presale which ended on October 9.

The pre-sale raised over €650,000 in the first hour alone.

The firm, which has received startup funding from Enterprise Ireland (EI), was contacted last week by EI officials and ordered to amend or remove promotional material linked to the ICO that could be misconstrued as an endorsement by the Stage agency.

Mingocoin founder and ceo Joe Arthur confirmed the firm has held talks with Enterprise Ireland about its use of the State agency's name in promotional material.

"They have asked us to clarify the position in relation to the ICO," Arthur said.

"We have discussed that with them and obviously we have clarified that in our prospectus."

A second Irish-based bitcoin startup, Confideal, which has already raised about €550,000 in a pre-sale and is preparing to start an ICO on November 2, was also ordered by Enterprise Ireland to remove website material that suggested the state agency was a 'partner' and had endorsed its initial coin offering.

Initial Coin Offerings are typically used by startups to bypass regulated venture capitalists and banks.

Enterprise Ireland is exercising caution as ICOs are arousing greater scrutiny from regulators worldwide, it is believed.

China and South Korea have banned ICOs and the UK's financial watchdog, the FCA, has cautioned investors and consumers.

Peter Oakes, a former director of enforcement at the Central Bank, believes that the lack of disclosure about the risks of investing in ICOs, including the loss of the entire amount invested, is not being explained clearly to Irish investors.

With bitcoin popularity taking hold in Ireland, and with investment in ICOs worldwide estimated at €2.4bn, Oakes said: "No wonder firms and investors are jumping on the bandwagon. And no wonder some regulators are finally catching up."

Oakes, who founded Ireland's first regulatory technology support group, Fintech Ireland, is surprised by the absence of comment by the Central Bank.

"On the one hand, you could take the simplistic view that it is a case of 'caveat emptor'," Oakes, pictured, said.

"On the other hand, you could ask if the Central Bank needs to consider doing more under its 'protecting consumers' and investor protection mandates, especially that it wasn't long ago that money managed by supposedly expert and regulated advisors was misappropriated," he said, referring to the collapse of Bloxham Stockbrokers and Custom House Capital.

The Central Bank said it is examining the potential risks posed by virtual currencies. ICOs currently fall outside the scope of Irish law.

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