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ASIC concludes investigation into Zucoins

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ASIC will not take enforcement action at this time.

Monday, 29 May 2023. ALBURY. In a letter dated 1 May 2023, Candice Harris, Senior Manager, Financial Services Enforcement at the Australian Securities & Investments Commission (ASIC) formally advised Mr Allan Paul Endresz (Founder of Zucoins L.P.) that:

> *"As you may be aware, the Australian Securities and Investments Commission (ASIC) has been conducting an investigation into suspected contraventions of sections 911A(1), 1041E, 1041G and 1041H of the Corporations Act 2001 (Cth), sections 12DA, 12DB and 12DF of the ASIC Act, section 18 of the Australian Consumer Law, section 192E of the Crimes Act 1900 (NSW) and section 400.3 of the Criminal Code Act 1995 (Cth) in relation to the offer and/or issue of crypto-asset products "Zucoins" in the period from 1 January 2016 and ongoing.*

> ***ASIC has concluded its investigation and will not take enforcement action at this time.*** *No inference should be drawn from ASIC's decision to conclude its investigation without taking enforcement action. Specifically, ASIC has not reached a conclusion that there was no breach of the law.*
>
> *ASIC may decide to review this matter at any time in the future should we consider it appropriate, necessary or in the public interest to do so. Accordingly, this letter does not constitute a no-action letter under ASIC Regulatory Guide RG 108 – No-action letters."*

Zucoins L.P. and its legal advisors have now closed the file on this matter. Nevertheless, Zucoins L.P. will be continuously monitoring the regulatory landscape to uphold the integrity of Zucoins and to stop all false claims that Zucoins is a scam.

Key Takeaways

1. ASIC's investigation spanned a total period of 12 months.
2. The suspected contraventions were expanded from 3 to 10.
3. Allan Endresz only became aware of the additional 7 suspected contraventions upon receipt of the 1 May 2023 letter from Candice Harris, Senior Manager, Financial Services Enforcement.
4. The suspected contraventions are serious allegations as referenced by the relevant sections in the civil and criminal statutes.
5. ASIC conducted a thorough investigation of the technology underpinning Zucoins and the Splitchain Layer 1 native protocol.
6. ASIC conducted an examination of Robert Novak on 24 June 2022 in accordance with a Section 19 Notice dated 15 June 2022.
7. Robert Novak supplied documents and technical material to ASIC in accordance with a Section 33 Notice dated 18 July 2022.
8. ASIC never conducted an examination of Allan Endresz as demanded by a Section 19 Notice dated 26 May 2022.
9. No inferences should be drawn from ASIC's decision.

10. ASIC has not disclosed the legal premise upon which it reached its conclusion.
11. Neither Zucoins L.P. nor Allan Endresz ever sought a “No Action” letter from ASIC under Regulatory Guide RG108.
12. Zucoins L.P. and its legal team considers that a “No Action” letter would be rendered futile should ASIC ever engage in any subsequent legal proceedings.
13. ASIC may decide to review this matter at any time in the future.
14. Zucoins L.P. stands by its innovative technology that satisfies regulatory obligations where Zucoins are not a financial product or considered to be part of a financial services business.
15. ASIC has expressly stated that it “***concluded its investigation and will not take enforcement action at this time***”.

Background

ASIC formally commenced a thorough investigation concerning the suspected contraventions on or about 26 May 2022.

On 1 August 2022, Zucoins L.P., issued a media release in response to ASIC's investigation which can be found here.

Zucoins L.P. always maintained that Zucoins and the Splitchain Layer 1 native network embraced an evolving world of regulatory challenges whilst attempting to solve Blockchain's trilemma of security, decentralisation and scalability.

From the very outset, Zucoins only ever considered Bitcoin as the holy grail of crypto. By solving the Blockchain Trilemma and Bitcoin's technical limitations, a truly "next generation" crypto could emerge. We believe that Zucoins and Splitchain are that next generation.

Bitcoin v Zucoins comparison

Statement from the Founder

On 26 May 2023, the founder of Zucoins L.P., Mr Allan Paul Endresz, issued the following statement upon receipt of ASIC's "***no enforcement action***" letter:

"When my legal team provided me with a copy of ASIC's "no enforcement action" letter, I was absolutely delighted. While ASIC may decide to review this matter at any time in the future, its regulatory oversight of the crypto sector is of paramount importance to the ongoing integrity of Zucoins and the Splitchain Layer 1 native network.

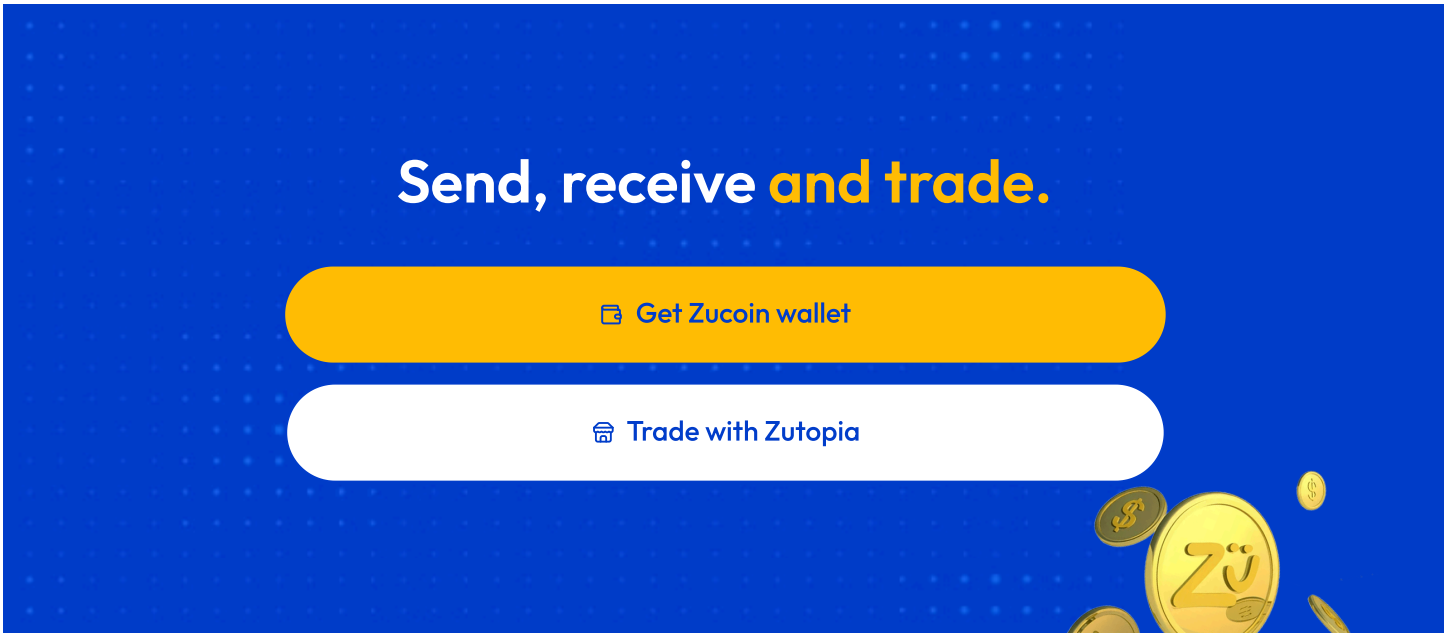
Significantly, ASIC's "no enforcement action" letter is a real shot in the arm for everyone that has dared to dream and believe in Zucoins & Splitchain.

Ever since ASIC commenced its investigations on or about 26 May 2022, Zucoins L.P. has been fully co-operative and only too pleased to provide ASIC with reasonable assistance, as demanded by the law, to justify and defend the legal and technical basis upon which Zucoins & Splitchain are built.

A huge congratulations and heartfelt thanks goes to Robert Novak who is the cornerstone of this extraordinary project. Robert's technical expertise, meticulous software coding, tedious record keeping, due diligence, extensive research and powerful retention of knowledge has paved the way for Zucoins & Splitchain to overcome the regulatory and technical challenges head on.

The entire team at Zucoins L.P. are thrilled with this latest development and will continue to oblige with immortal words of Walt Disney who once said:

"If you can dream it, you can do it".



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