

Howey Test

[Return to Glossary](#)

The **Howey Test** refers to the U.S. Supreme Court case for determining whether a transaction qualifies as an “investment contract,” and therefore would be considered a security and subject to disclosure and registration requirements under the Securities Act of 1933 and the Securities Exchange Act of 1934. Under the Howey Test, an investment contract exists if there is an “investment of money in a common enterprise with a reasonable expectation of profits to be derived from the efforts of others.”¹

The test applies to any contract, scheme, or transaction. The Howey Test is important for situating blockchain and digital currency projects with investors and project backers. Certain [Cryptocurrencies](#) and [Initial Coin Offerings \(ICOs\)](#) may be found to meet the definition of an “investment contract” under the test.

The Supreme Court established four criteria to determine whether an investment contract exists. An investment contract is:

1. An investment of money
2. In a common enterprise
3. With the expectation of profit
4. To be derived from the efforts of others

Source: <https://www.investopedia.com/terms/h/howey-test.asp>

From:
<https://www.omgwiki.org/dido/> - **DIDO Wiki**

Permanent link:
https://www.omgwiki.org/dido/doku.php?id=dido:public:ra:xapend:xapend.a_glossary:h:howey_test&rev=1648851432

Last update: **2022/04/01 18:17**

