

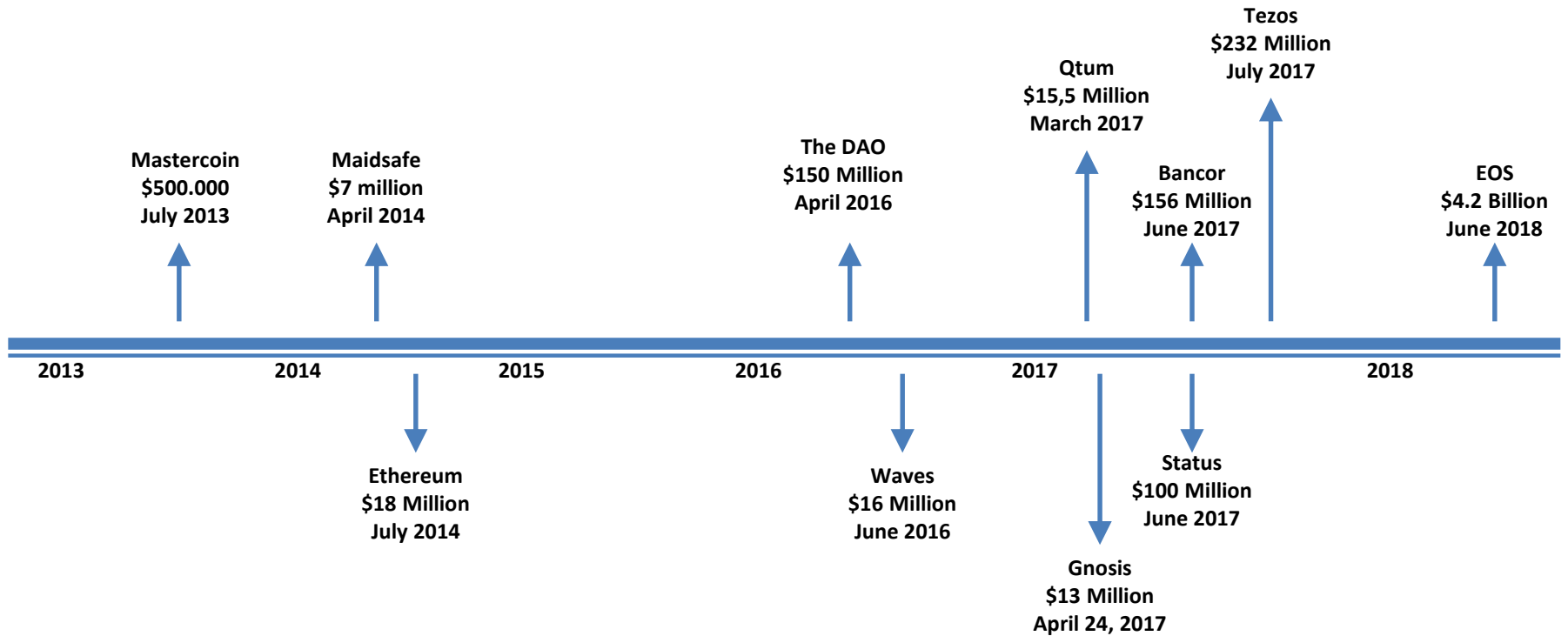
Initial Coin Offerings (ICOs): a new, innovative way to raise funds

Daskalakis, 2019

Fundraising in crypto markets

- One of the most important functions of the financial system is fundraising.
- Traditional financial system:
 - Initial Public Offerings (IPOs),
 - Seasoned Equity Offerings (SEOs)
 - Corporate bonds.
- The equivalent of this fundraising process in the crypto market is done via Initial Coin Offerings (ICOs).

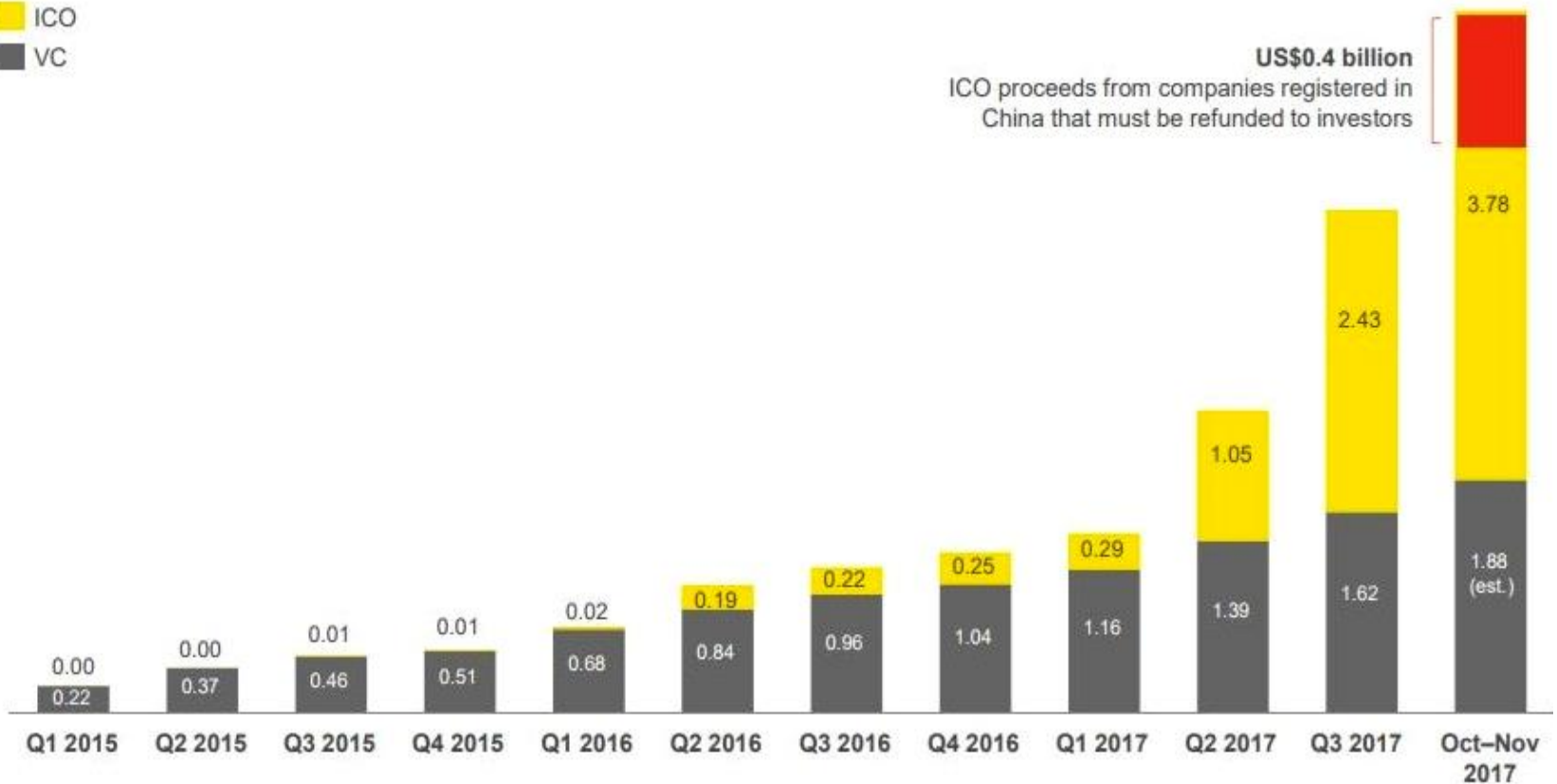
10 most important ICOs during 2013 – 2018



VCs vs. ICOs 2015-2017

Cumulative ICO/VC funding
US\$ billion

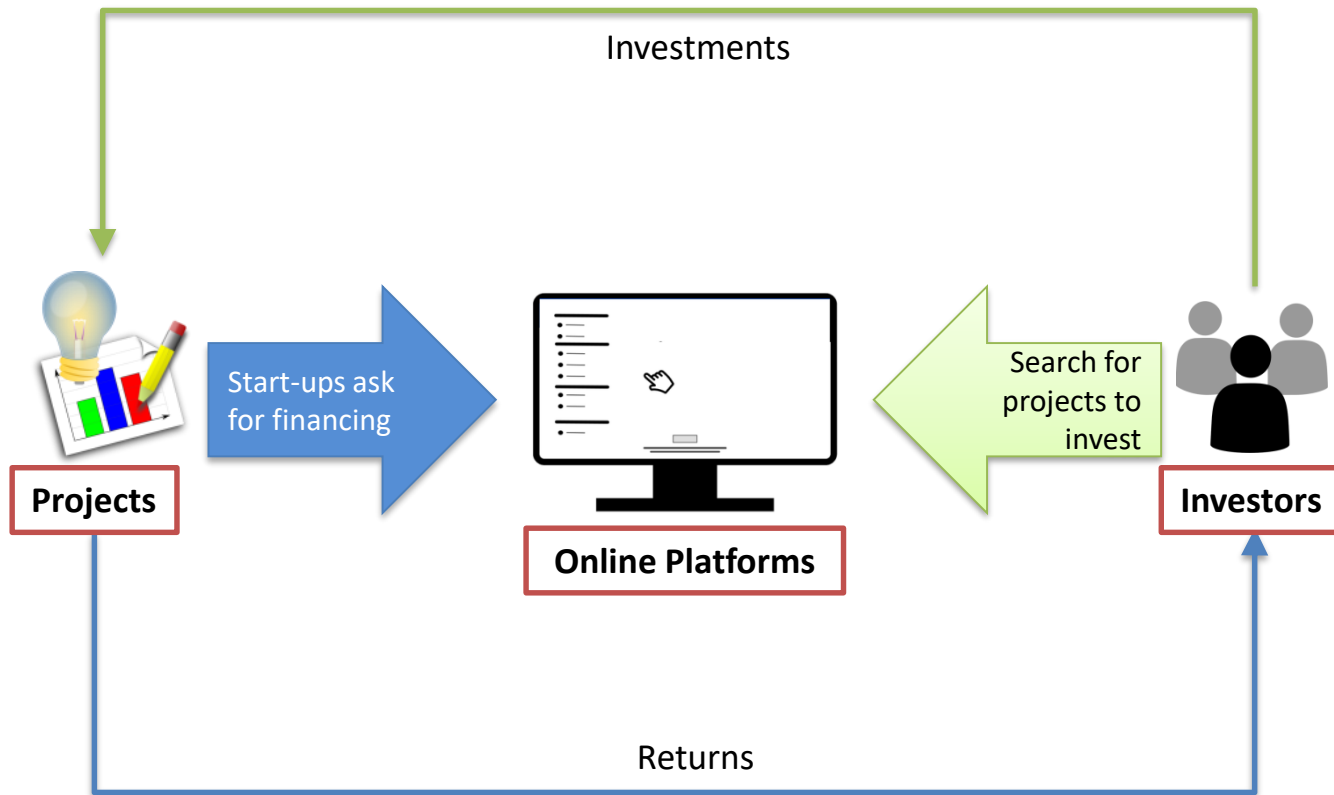
ICO
VC



Main ICOs features

- ICOs are:
 - Quick
 - Bancor: \$153εκ. (in 3 hours)
 - Brave: \$35,5εκ. (in 30 seconds)
 - Global
 - Gnosis: \$12,5εκ. (in 12 minutes)
 - FirstBlood: \$5,5εκ. (in 2 minutes)
 - Easy
 - Not categorized
 - Used for a very broad scope of project financing
 - Not regulated
 - Extremely risky for investors

ICO's Main participants



Main ICO steps



Pre-announcement: announcements on forums and websites (reddit, telegraph, twitter etc.). Provide brief overview of the idea. Important for feedback.

Offer: the final version of the project. Officially presented and offered to the public. Central component is the Whitepaper

PR Campaign: key factor to ICO success. Communication experts are hired, delivering speeches and online presentations. Marketing strategies are launched (AirDrops)

Crowdsale: two different approaches: a. tokens are issued first and offered to investors, b. project is financed via fiat and tokens are created later

Trading on Exchanges: last step is to list the coin on an exchange. This requires filling in a lengthy form (team, project, etc.) plus providing legal and security documents

ICOs VS IPOs

	ICOs	IPOs
Issuers	Start-ups	Established Companies
Investors	Mainly retail Investors and backers/ Blockchain Supporters Globally	Mainly Institutional and Private/Mutual funds
Investors receive	Tokens	Shares
Return On Investment	Access to / privileged usage of a future product / service / Capital gains	Dividends / Capital gains
Duration of offerings	Short	Long
Access to offerings	Open to anyone	Limited availability
Pricing	Challenging Valuation	Certain valuation methods
Track record data	No track records	Financial statements
Intermediation	Blockchain platforms / Advisors	Investment banks / underwriters
Regulation	Not currently directly regulated	Regulated by financial authorities

ICOs VS Crowdfunding

	ICOs	Crowdfunding
Issuers	Start-ups, mainly at pre-seed stage	Start-ups and established companies / non-entrepreneurial projects
Investors	Mainly retail investors and backers/ Blockchain supporters	A mix of retail and institutional investors/ Early Supporters
Investors receive	Tokens	Donation/Reward/Shares/Debt claims
Product Development	Concept / Idea	Concept / Idea / more advanced level
Secondary Markets	Yes	No
Intermediation	Blockchain platforms / Advisors	Online Crowdfunding platforms
Fundraising Channels	Blockchain technology	Bank accounts / credit cards
Funding Currency	Crypto	Fiat
Risk	Very High	High/Medium/Low (depending on the type)
Regulation	Not currently directly regulated	Regulatory requirements per type

Regulation

	2008-2015	2016	2017			2018-2019
			Jan - June	July - Aug	Sept - Nov	
US						
UK						
SWISS						
CHINA						
S.KOREA						
SINGAPORE						
JAPAN						
CANADA						
AUSTRALIA						

No position for ICOs

Active ICO support and Blockchain Technology

Active discussions and warnings

ICOs regulated by the relevant legislation according to their nature

Prohibition of ICOs