



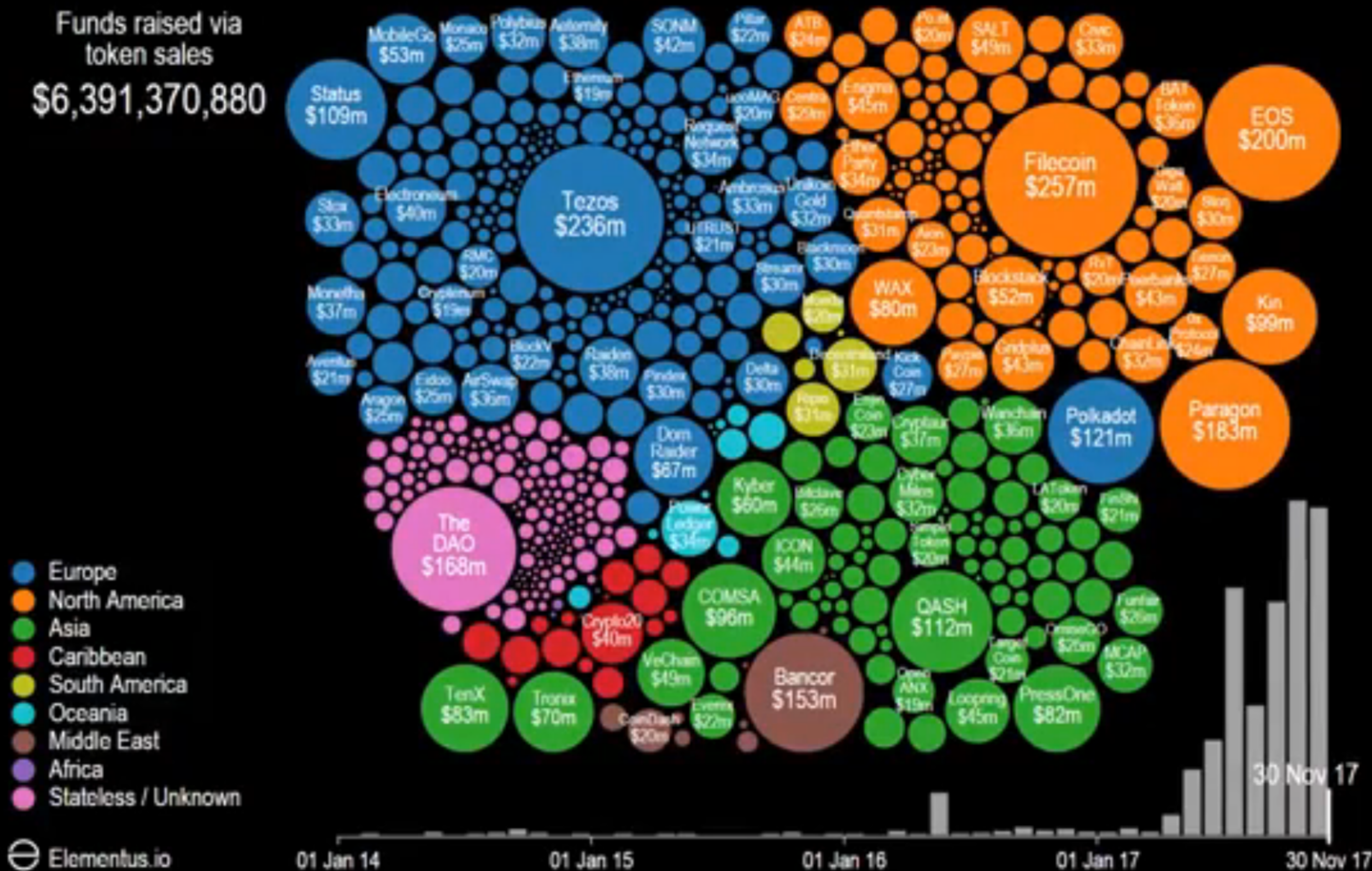
# The Exciting & Crazy World of ICOs













**Nitin Sharma**  
**Founder, Incrypt Blockchain**  
**Feb 2018**



Funds raised via  
token sales  
**\$6,391,370,880**



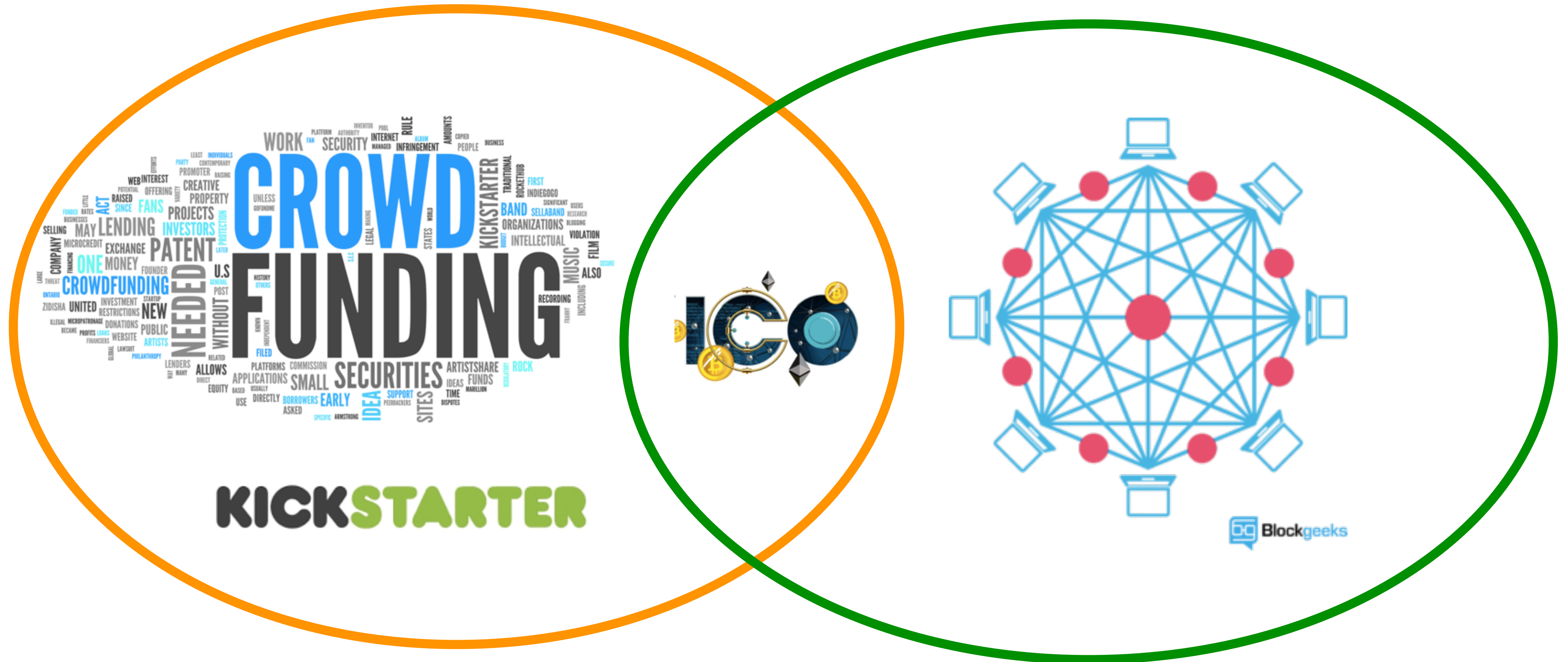


	Project	Country	ICO volume	Duration of ICO
	<b>Tezos</b>	Switzerland	<b>\$206.33M</b>	14 days
	<b>EOS</b>	Cayman Islands	<b>\$200M</b>	341 days
	<b>Bancor Protocol</b>	Switzerland	<b>\$153M</b>	3 hours
	<b>The DAO</b>	Stateless	<b>\$152M</b>	n/a
	<b>Status.im</b>	Switzerland	<b>\$95M</b>	17.2 hours
	<b>MobileGo</b>	USA	<b>\$53M</b>	1 month
	<b>Basic Attention Token</b>	USA	<b>\$35M</b>	30 seconds
	<b>Polybius</b>	Estonia	<b>\$31.64M</b>	6 weeks
	<b>Aragon</b>	Estonia	<b>\$25M</b>	15 minutes
	<b>æternity</b>	Liechtenstein	<b>\$24.75M</b>	3 weeks

# “Decentralised Fundraising”

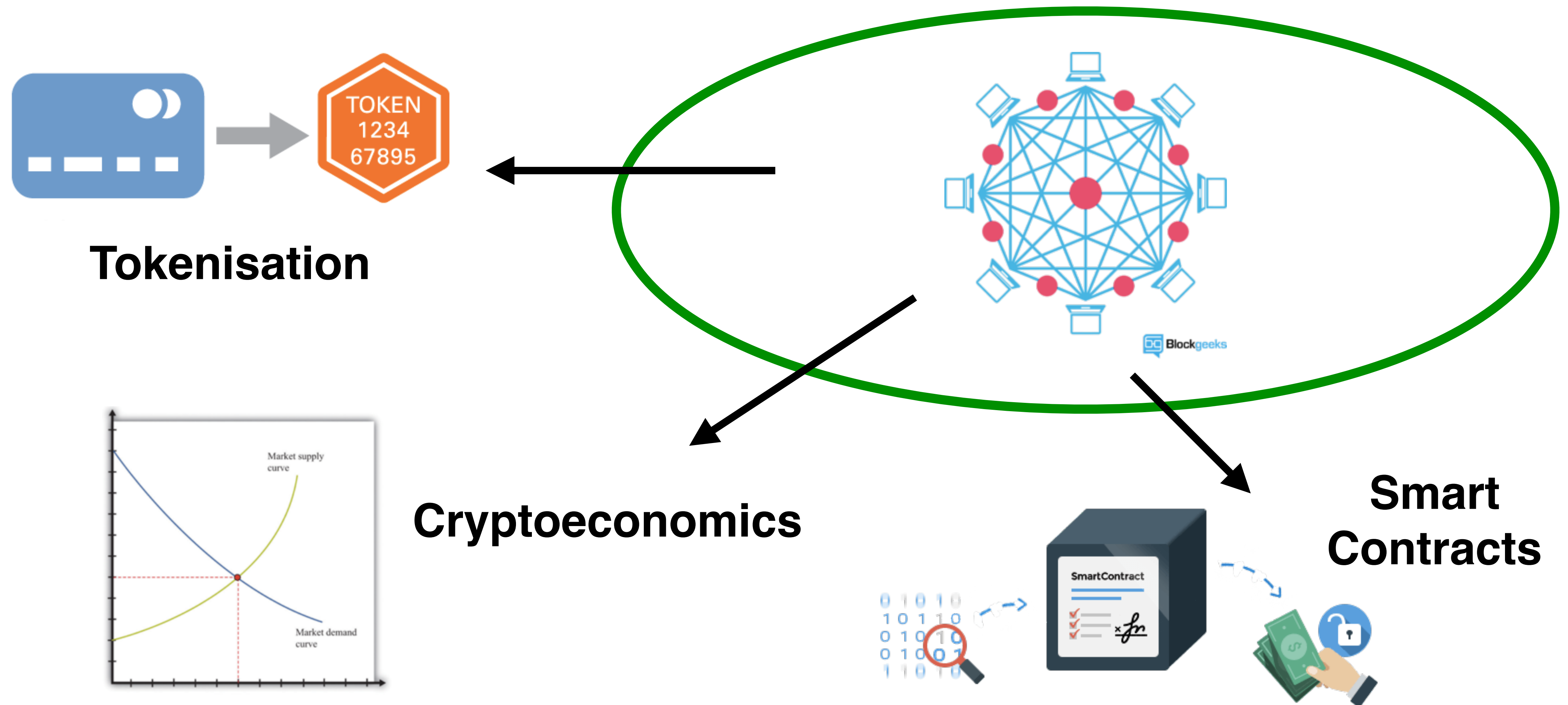
## How Did this Happen?

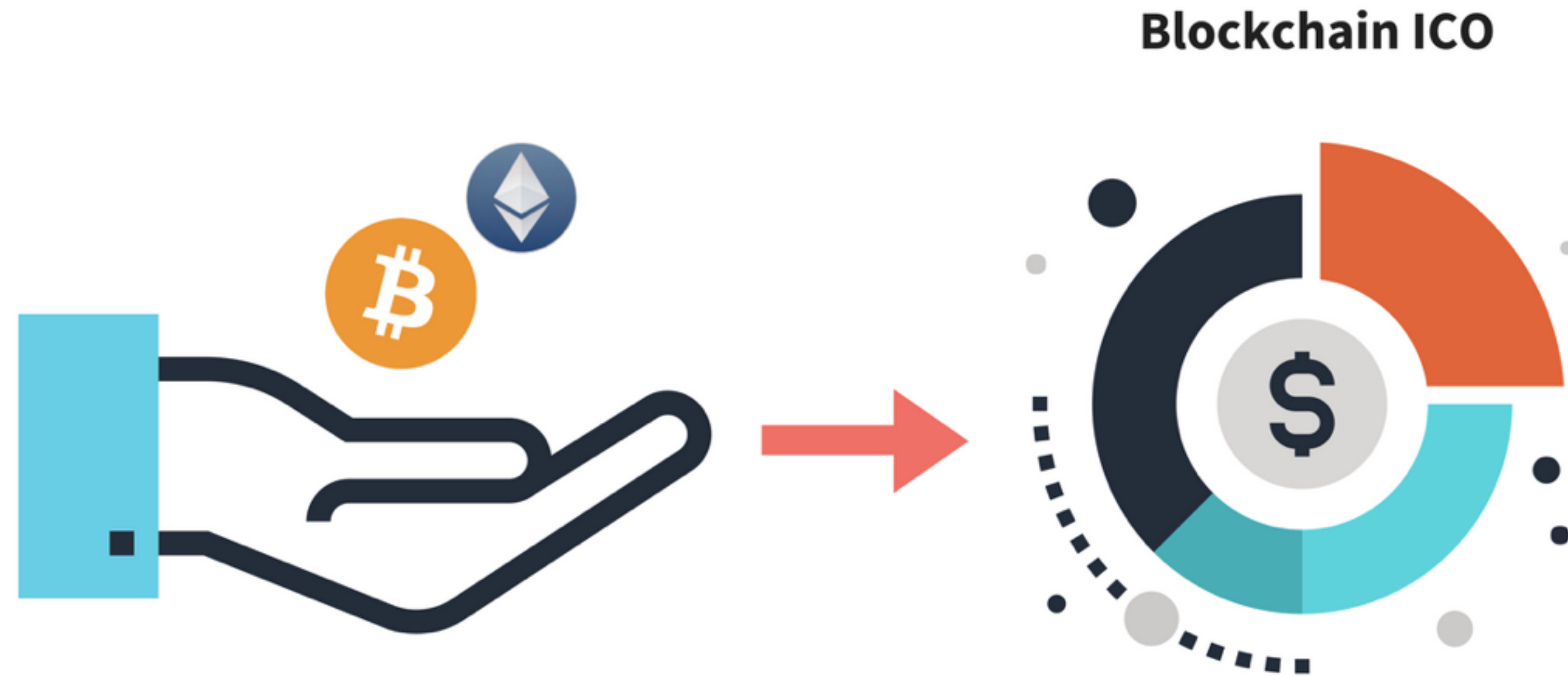
# Two Trends Converged





# How Blockchain Made it Possible





An ICO is a **fundraising tool** that involves **selling a new digital currency or a “token”**, trading future cryptocurrencies **in exchange for cryptocurrencies of immediate, liquid value**.

The inherent idea is that **the new cryptocurrency will have a purpose** within a platform, or in some way **will appreciate in value**.

The token usually **does “not confer any ownership rights** in the tech company, or entitle the owner to any sort of cash flows like dividends.

# What's Been Fueling This Craze??



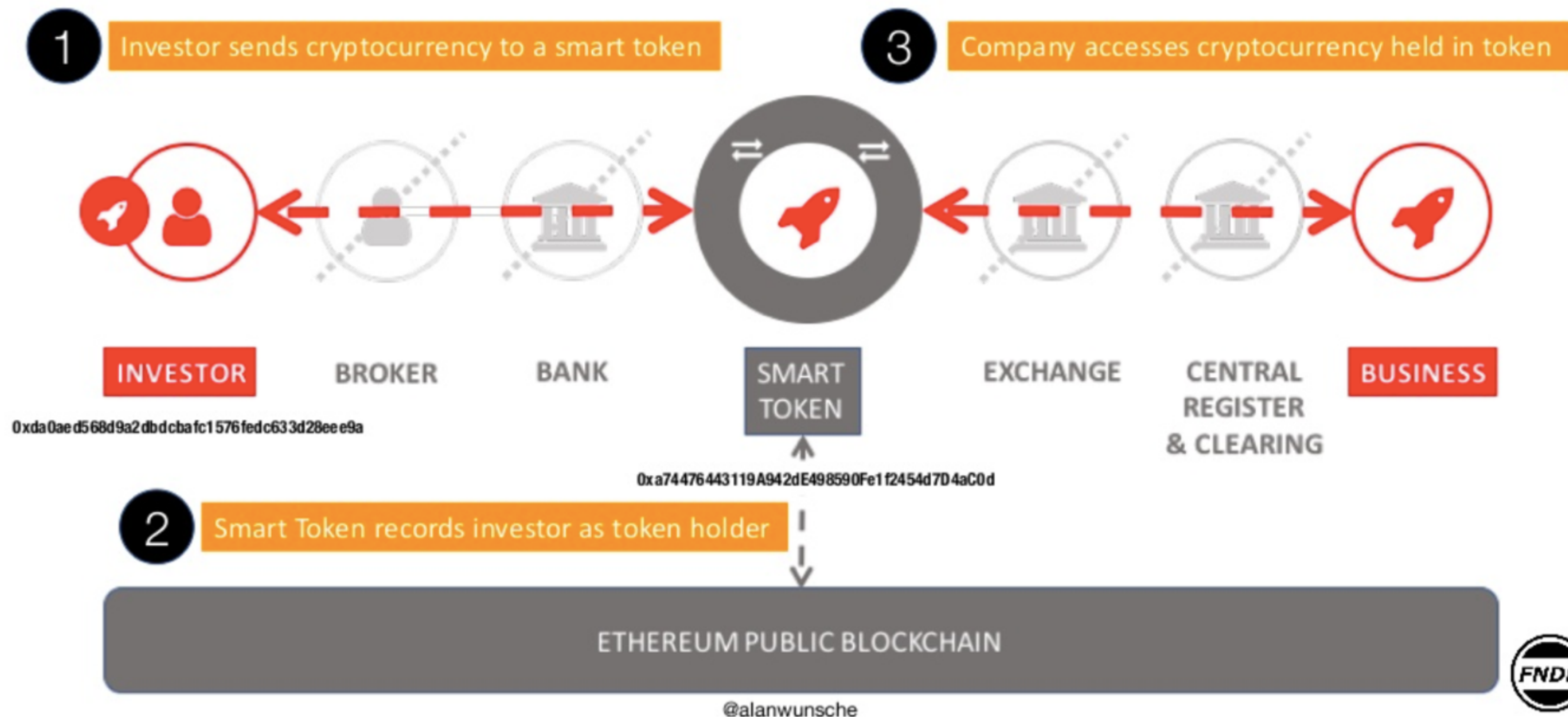
# From the Entrepreneur's Perspective...

**Vs. UX of  
Venture Capital**

**Cheaper, Faster**

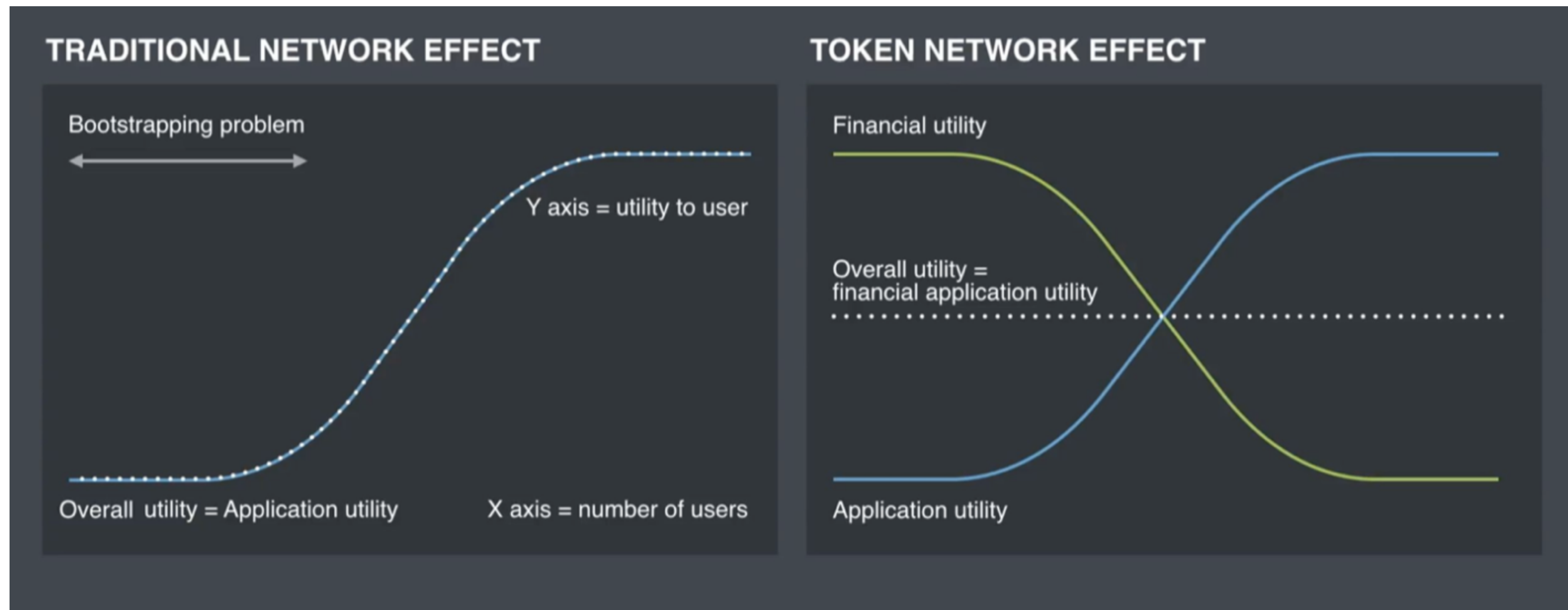
**No Equity  
Given Up**

**Currently  
Unregulated**



# But Perhaps Even More Importantly...

## CREATING NETWORK EFFECTS: “Universal Solution to the Bootstrapping Problem”



***Tokens help overcome the bootstrap problem by adding financial utility when application utility is low***



# From the Investors' Perspective...

**For the first time in history, for the average person interested in tech....**

**Why ICOs  
are so  
popular?**



**GLOBAL, DEMOCRATIZED ACCESS**



**DIVERSIFICATION, ESP. OF CRYPTO**

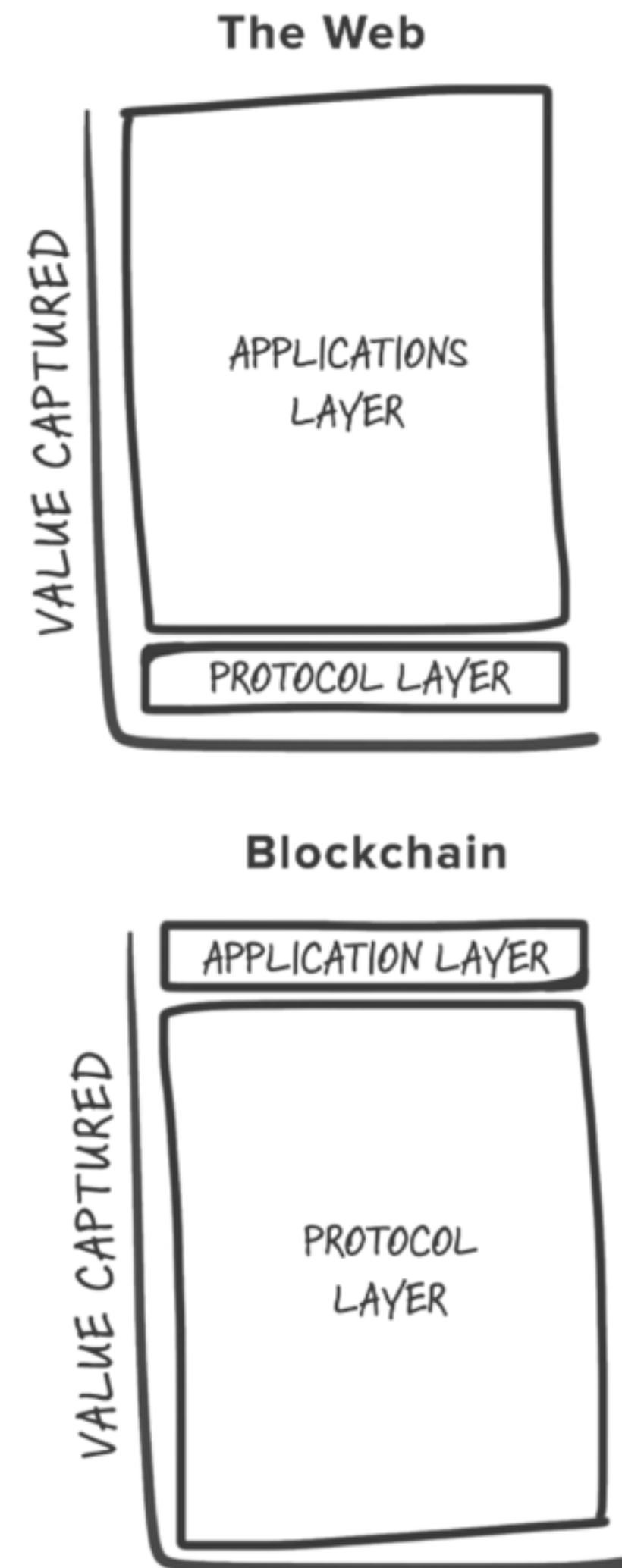
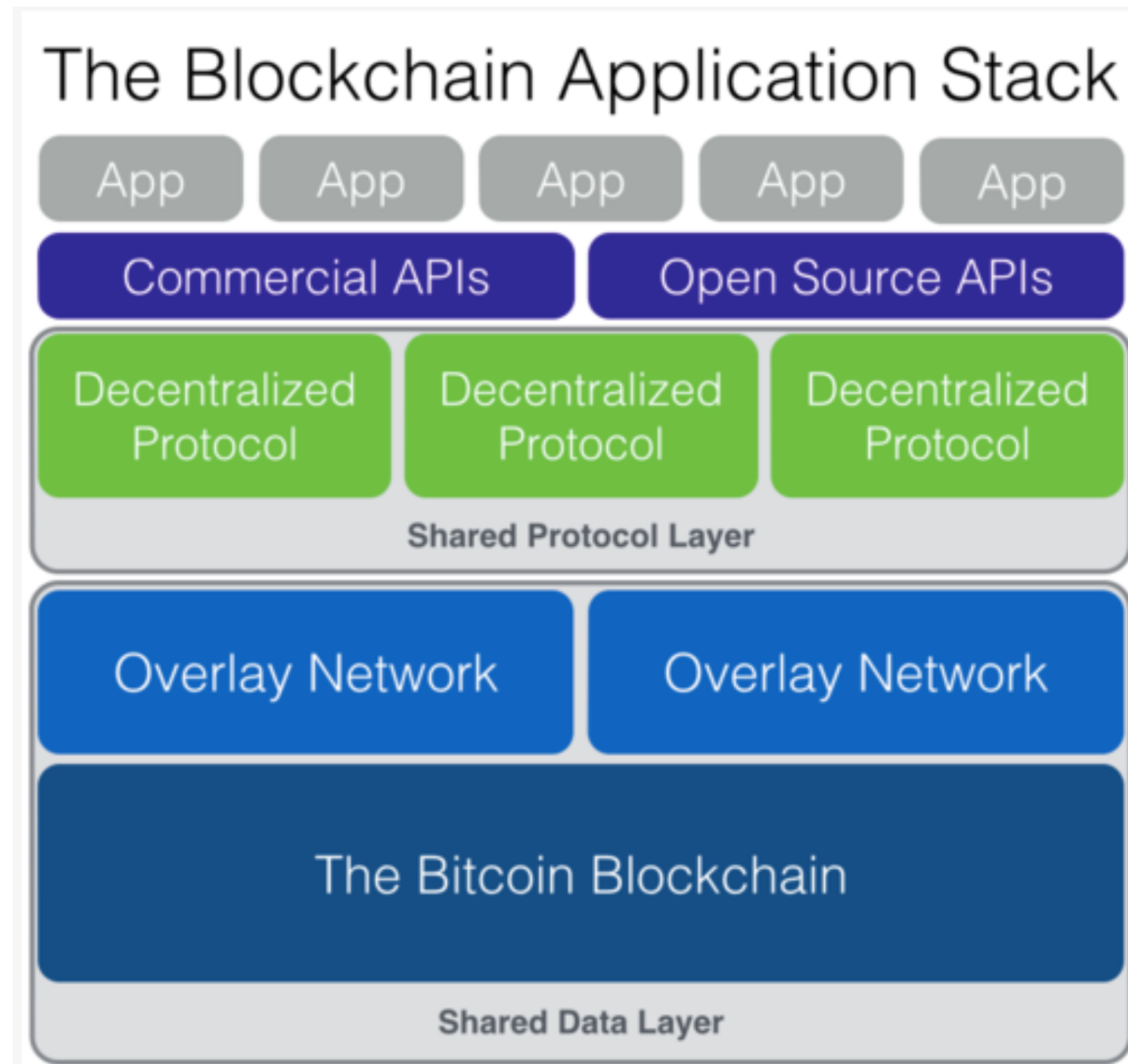


**LIQUID, TRADEABLE**

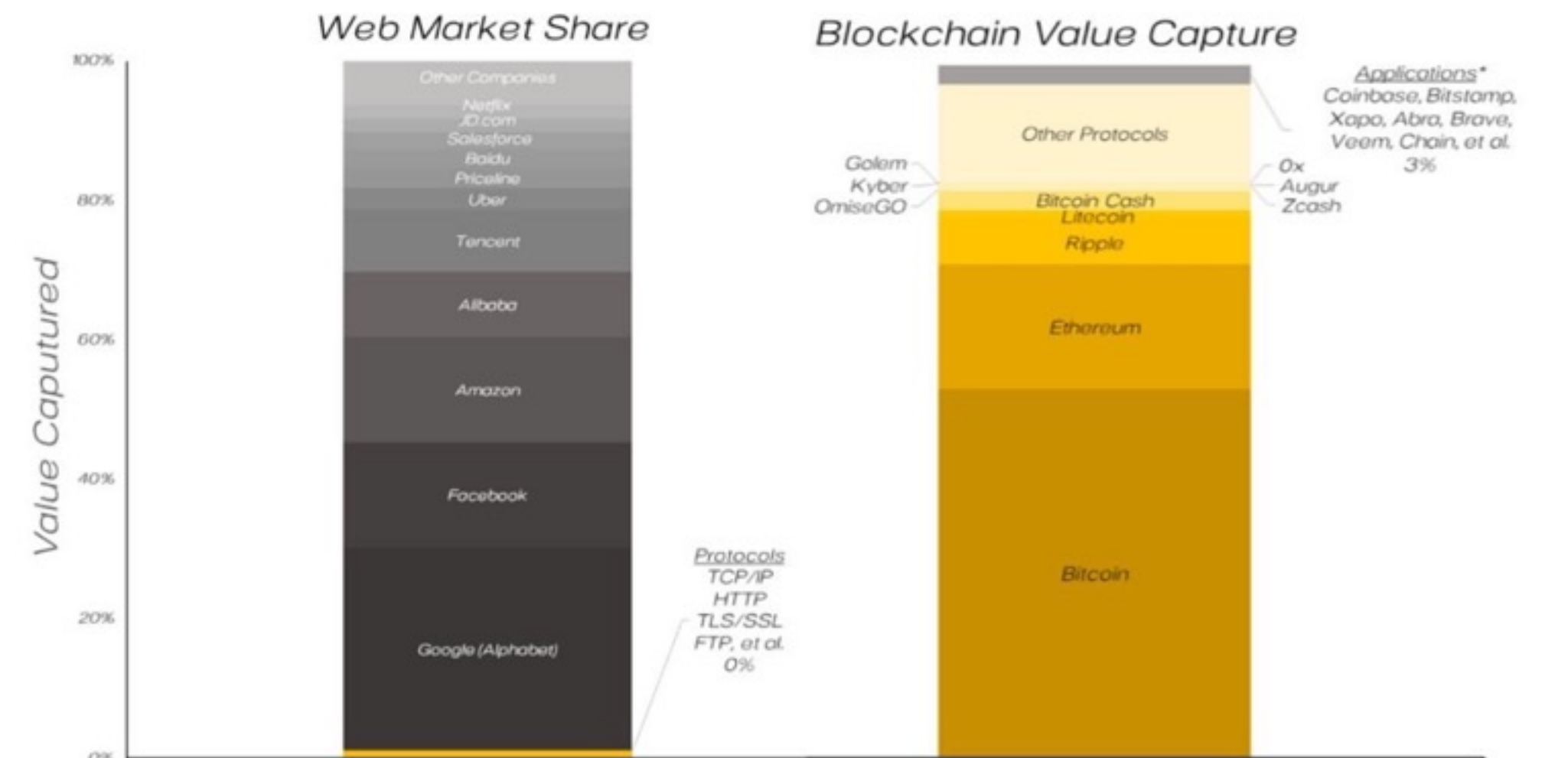


**EARLY-STAGE, DISRUPTIVE TECH PROJECTS**

# What about the Developer?



Protocol Value 97% >> Application Value 3%



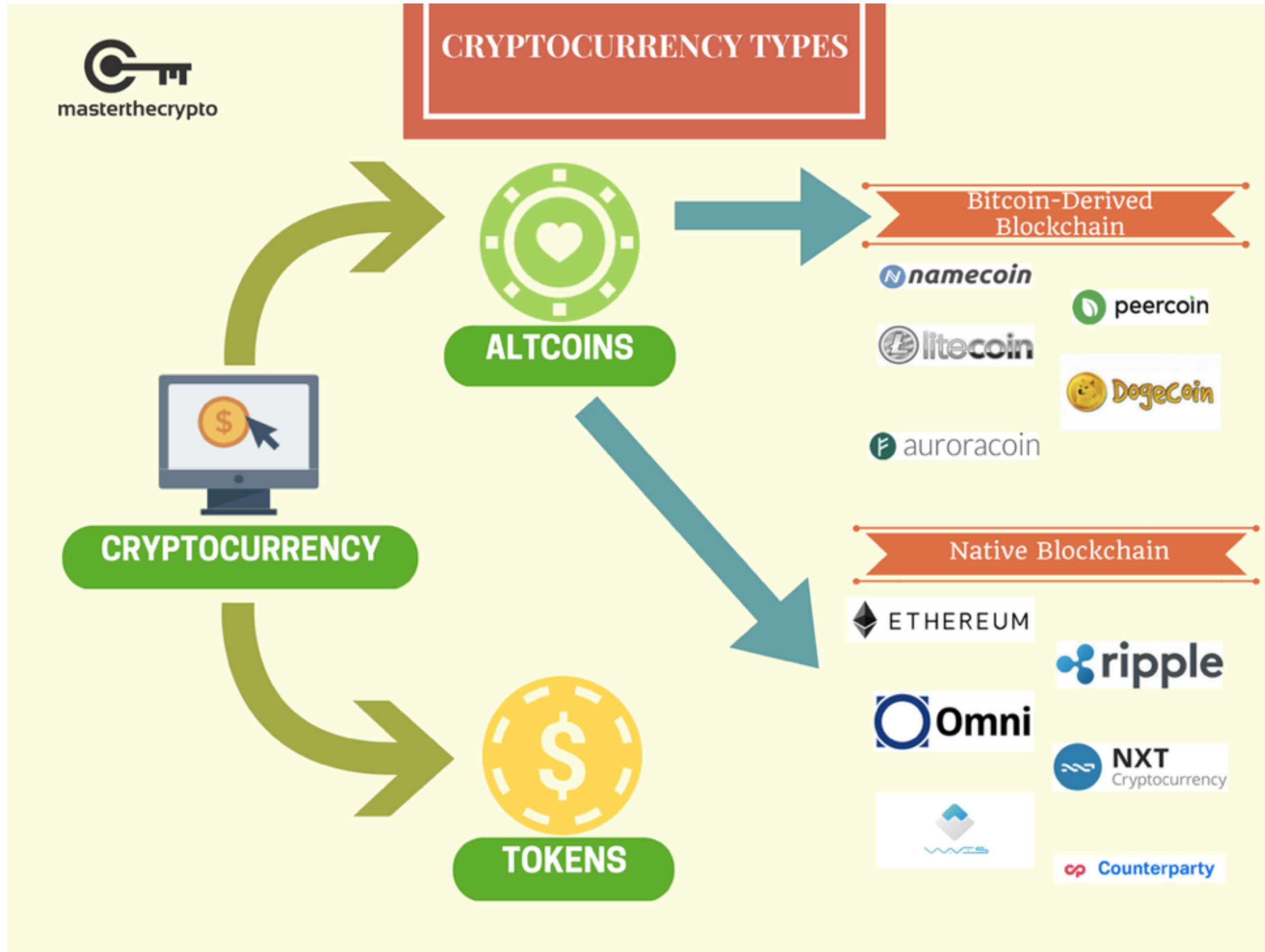
\* Ripple is the most valuable company in crypto space. As the vast majority of its value is a pass-through of its ownership of 62bn of the XRP protocol tokens, it is not included as an equity/application.

Source: Coinmarketcap.com, Wikipedia, Pantera data



# Altcoins, tokens, utility...

# Let's Cover Some Key Terms...



## SECURITY TOKEN VS UTILITY TOKEN

Ownership of asset

Investors (expecting profit)

Regulated offerings - KYC

Access to protocol

Purchasers

Unregulated crowdsales

### *Howey test for “investment contract”*

*S.E.C. v. Howey Co.*, 328 U.S. 293 (1946).

- investment of money
- in a “common enterprise”
- with an “expectation of profits”
- “solely on the efforts of others”



# But is all this “Allowed”?

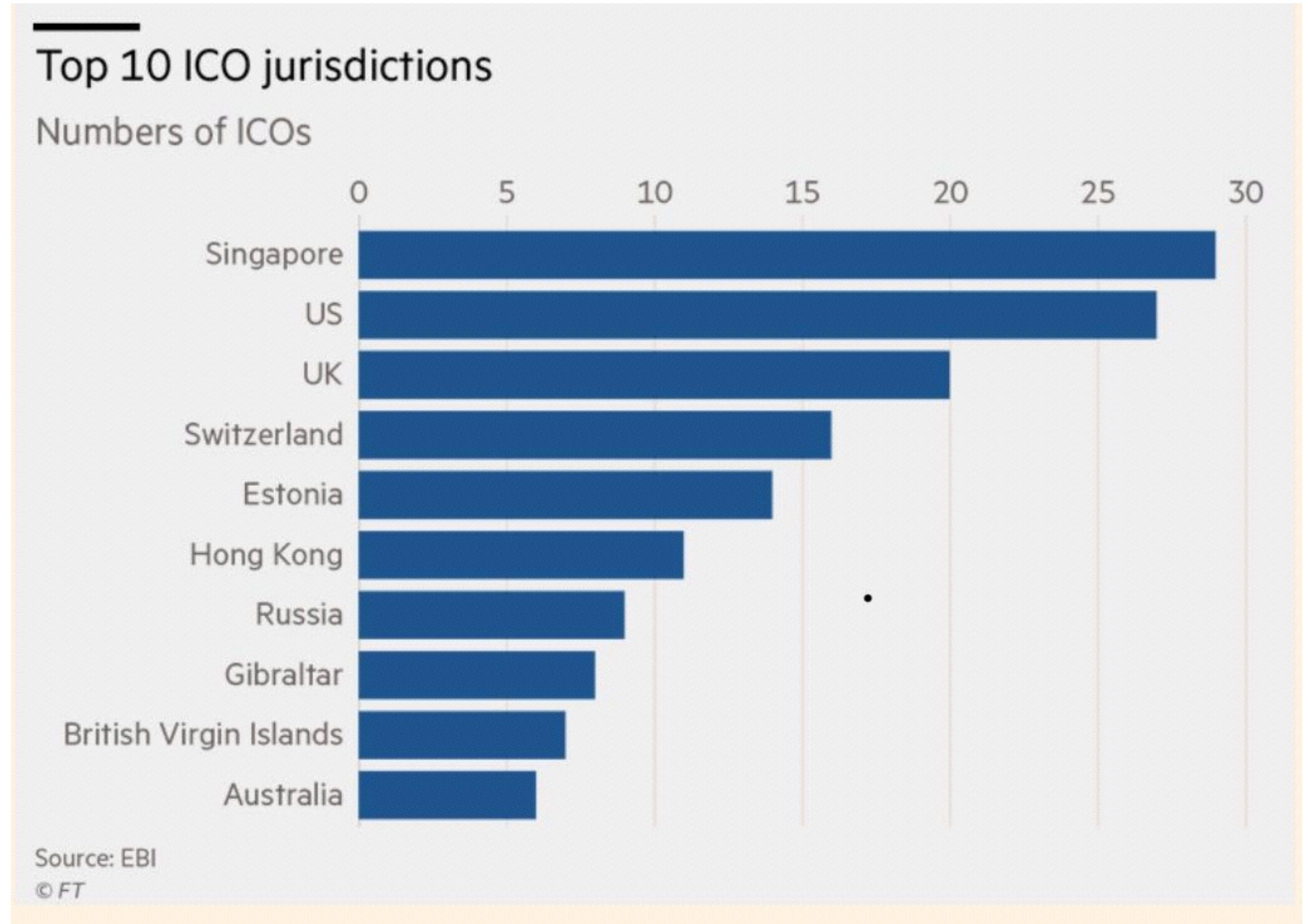
## India

No regulations currently  
Beware of scams

## Other Countries

US, China

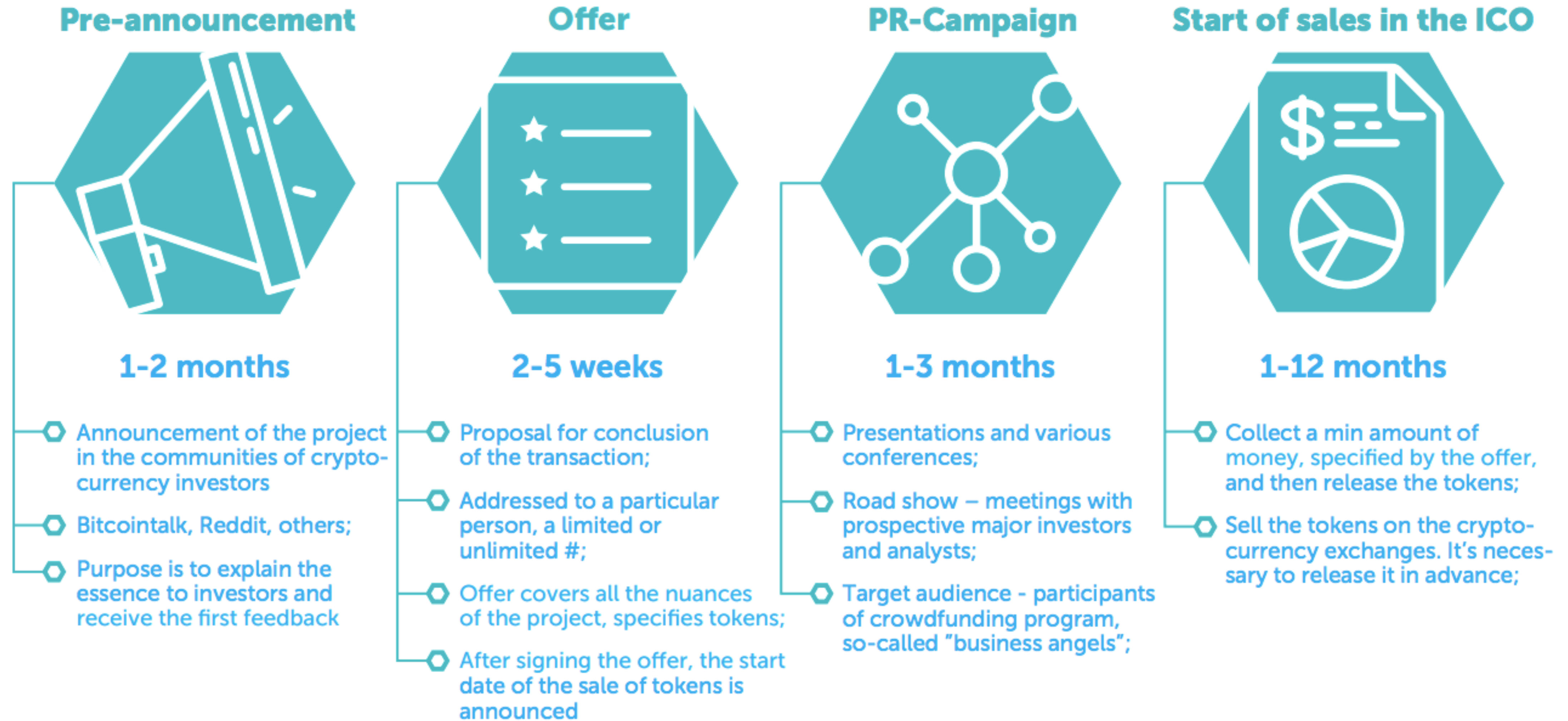
Accredited Investors



***“Can I ICO too...”***

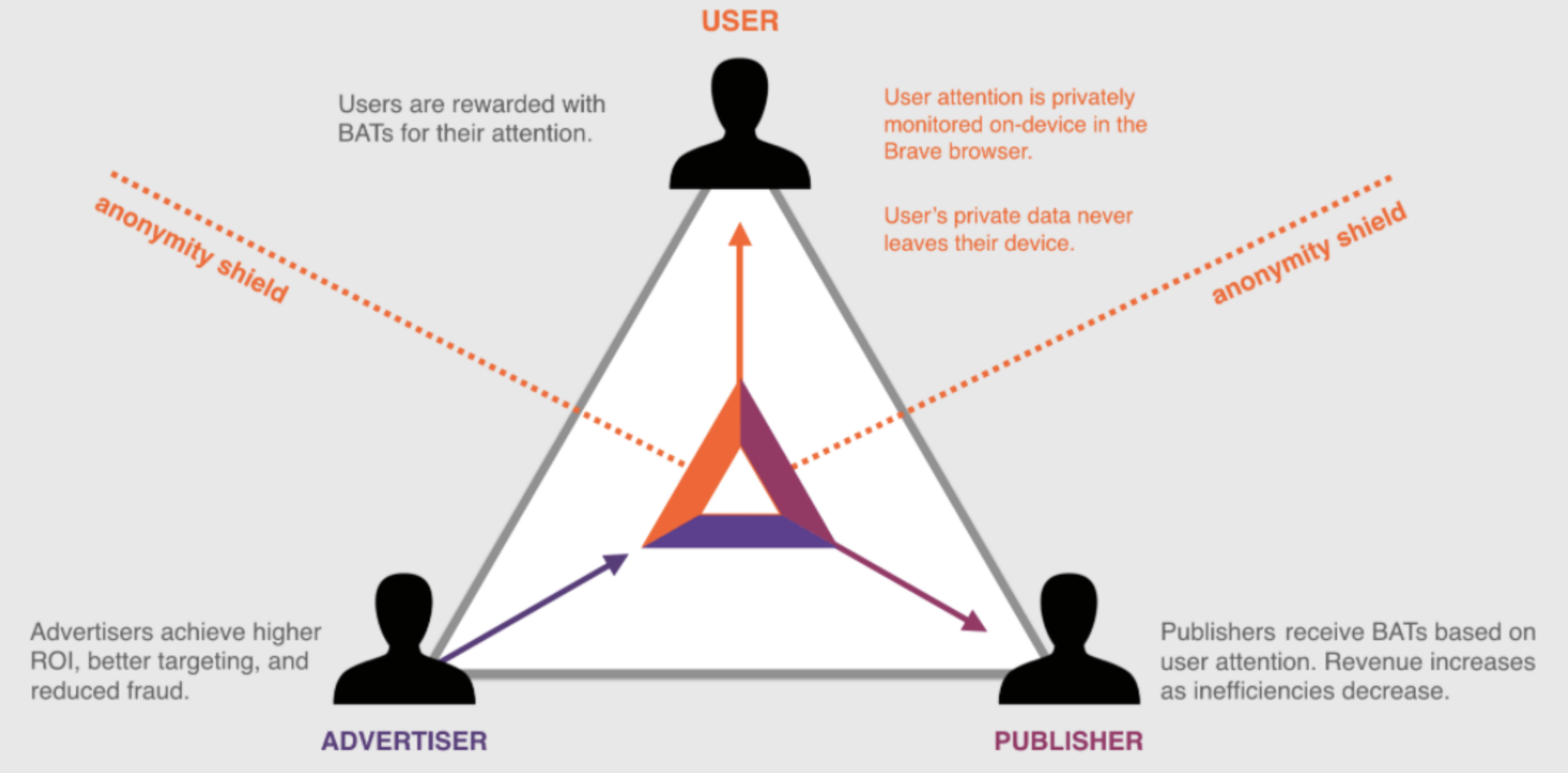


# The Basics of the Process



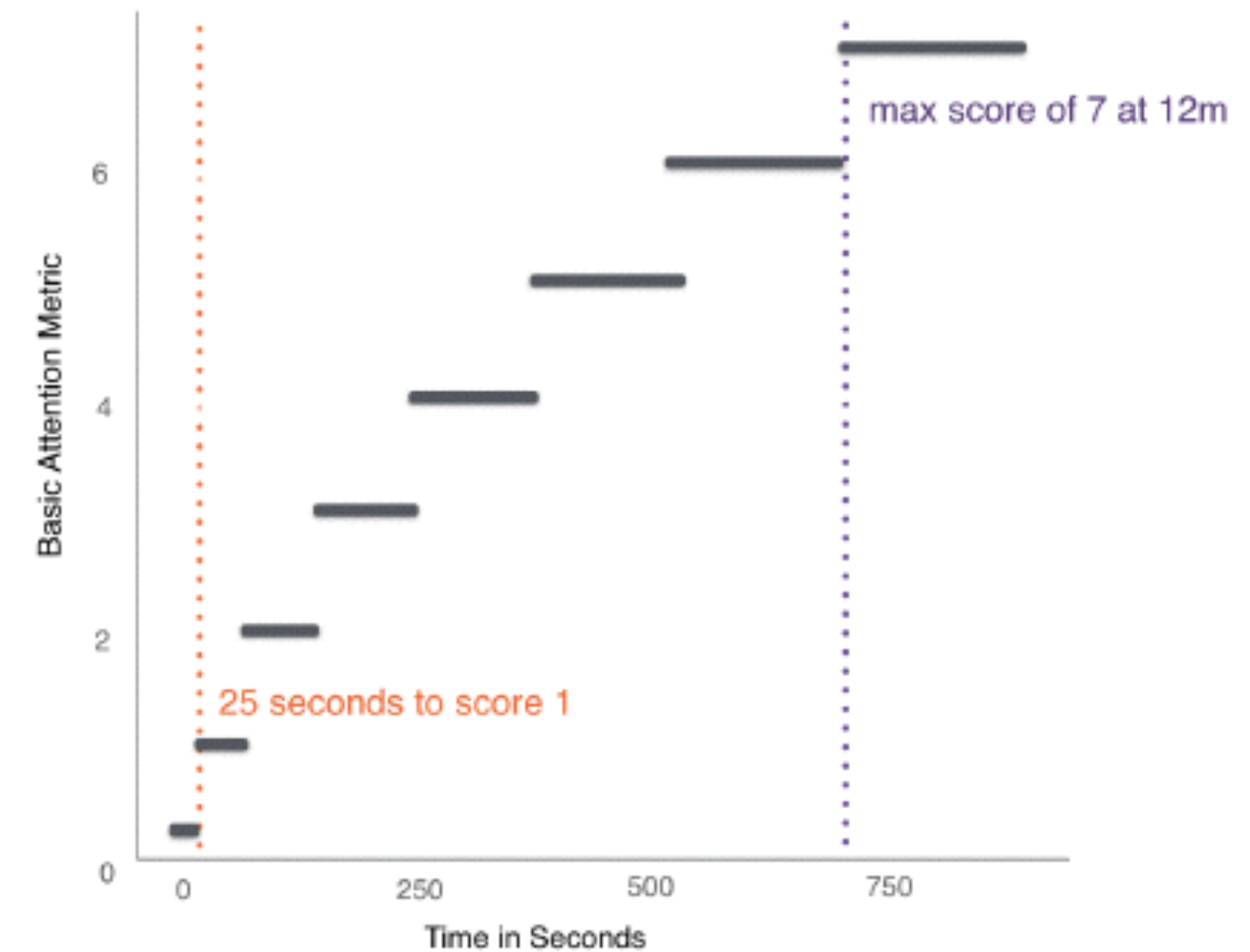
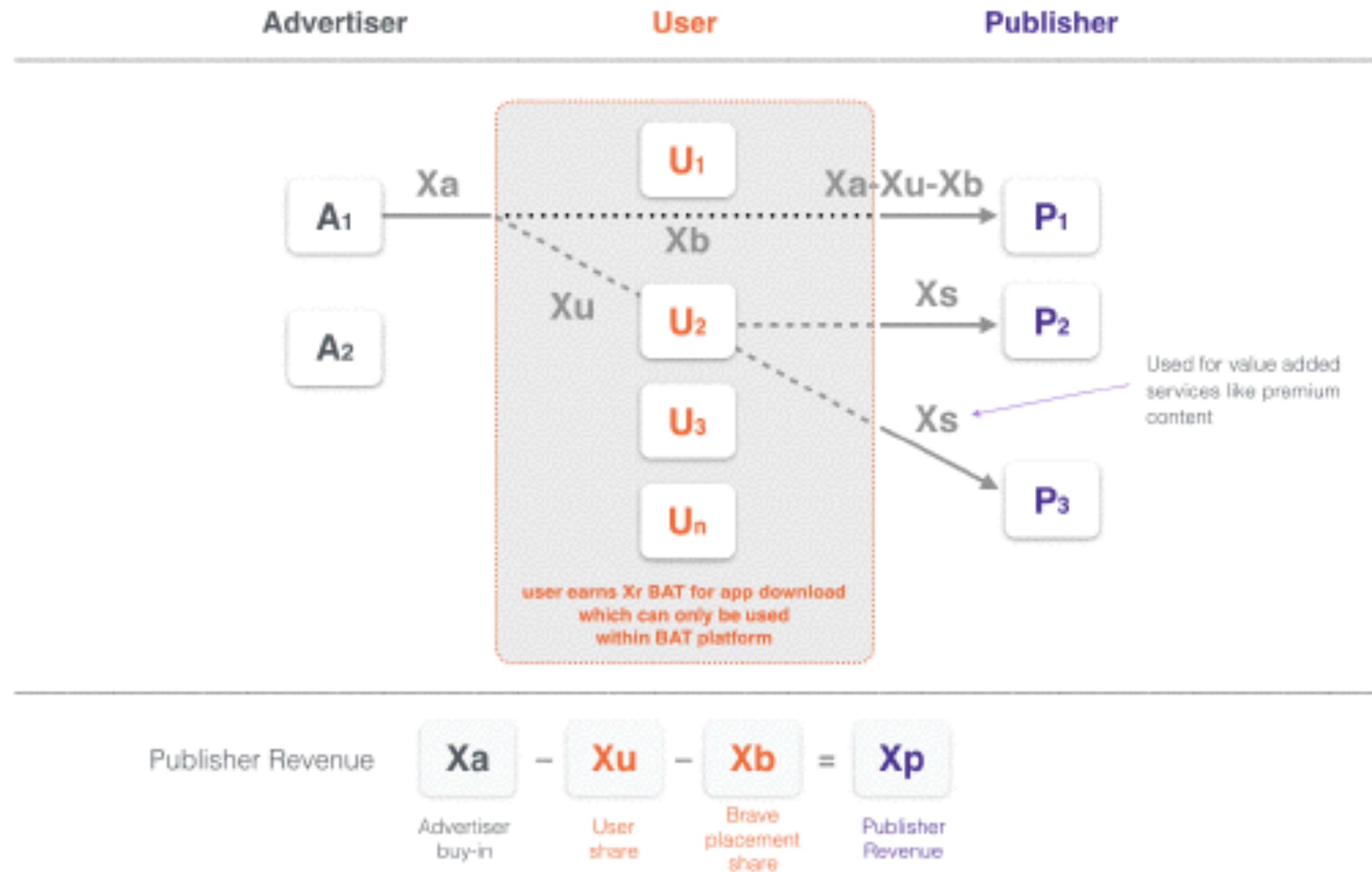
# Case Study: Basic Attention Token

The Brave browser anonymously monitors user attention, then rewards publishers accordingly with BATs.





# Designing a Token Economy



$$\text{score} = \frac{-b + \sqrt{b^2 + 4a * \text{duration}}}{2a}$$

***“I Just Want to Invest in  
These and Retire..”***

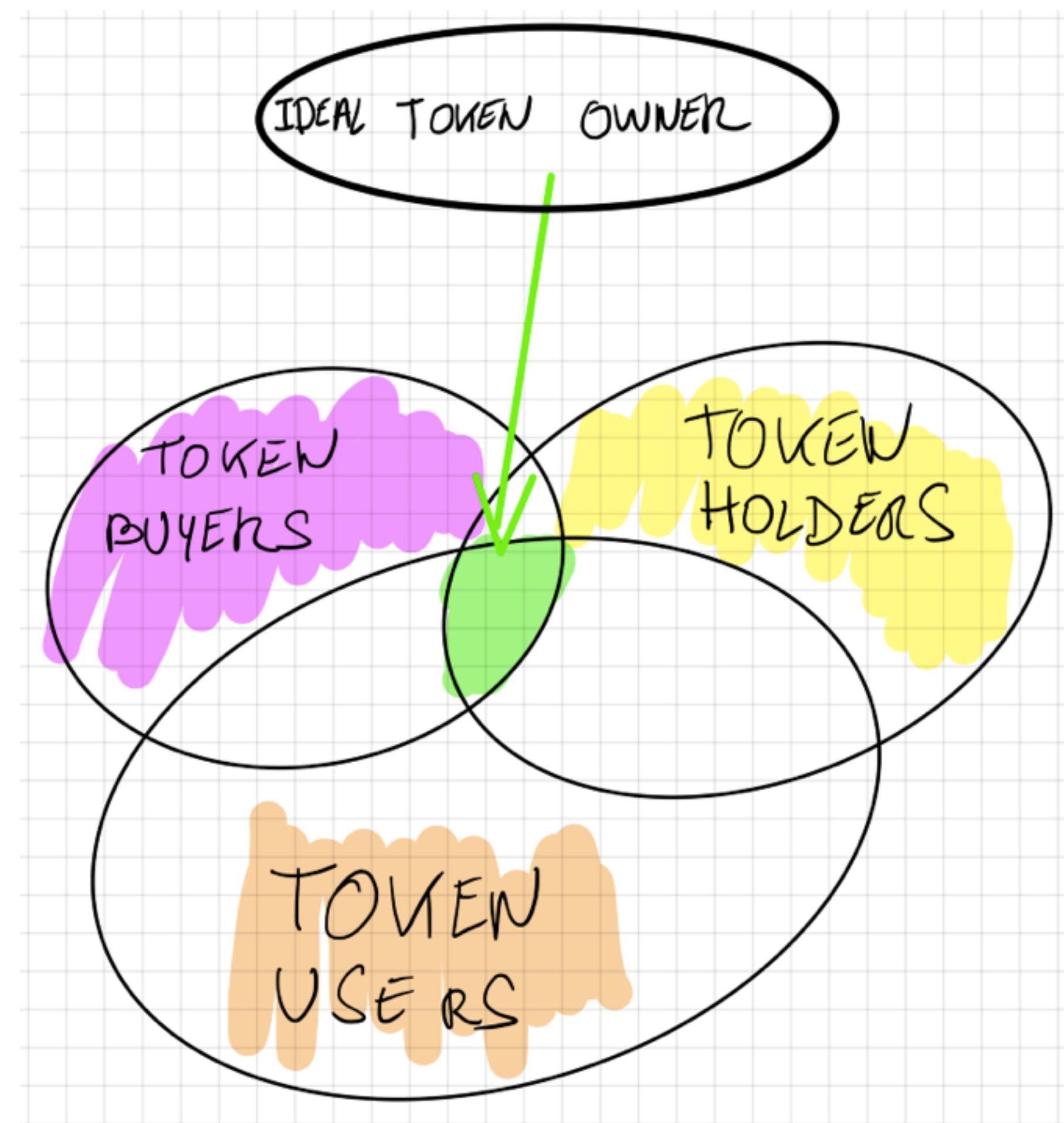
# Signals & Red Flags: What to Watch Out For (1/2)

## THE FUNDAMENTALS

- Solving a problem? World needs this token
- User will find utility? Large numbers of people will want to be in this token economy?
- Decentralisation makes things better?
- Can't be done via Ether or Bitcoin?

## THE PEOPLE

- Check that they exist !!
- Backgrounds relevant?
- Blockchain experience?
- Team vs. advisors
- Paid advisors?





# Signals & Red Flags: What to Watch Out For (2/2)

## THE PROGRESS

- Prototype? Something in testnet?  
Timeline to mainnet?
- GitHub commits? Frequency of updates?
- Prior existing business or customers?

## THE COMMUNITY

- Quality of Telegram discussions
- Serious buyers or traders?
- Founders participating?

## THE TOKENSALE

- \$\$ being raised
- Soft cap, hard cap
- Economics of the team
- Vesting / lock-in
- Inflation, burning unsold
- Listing on exchanges (but not too many)



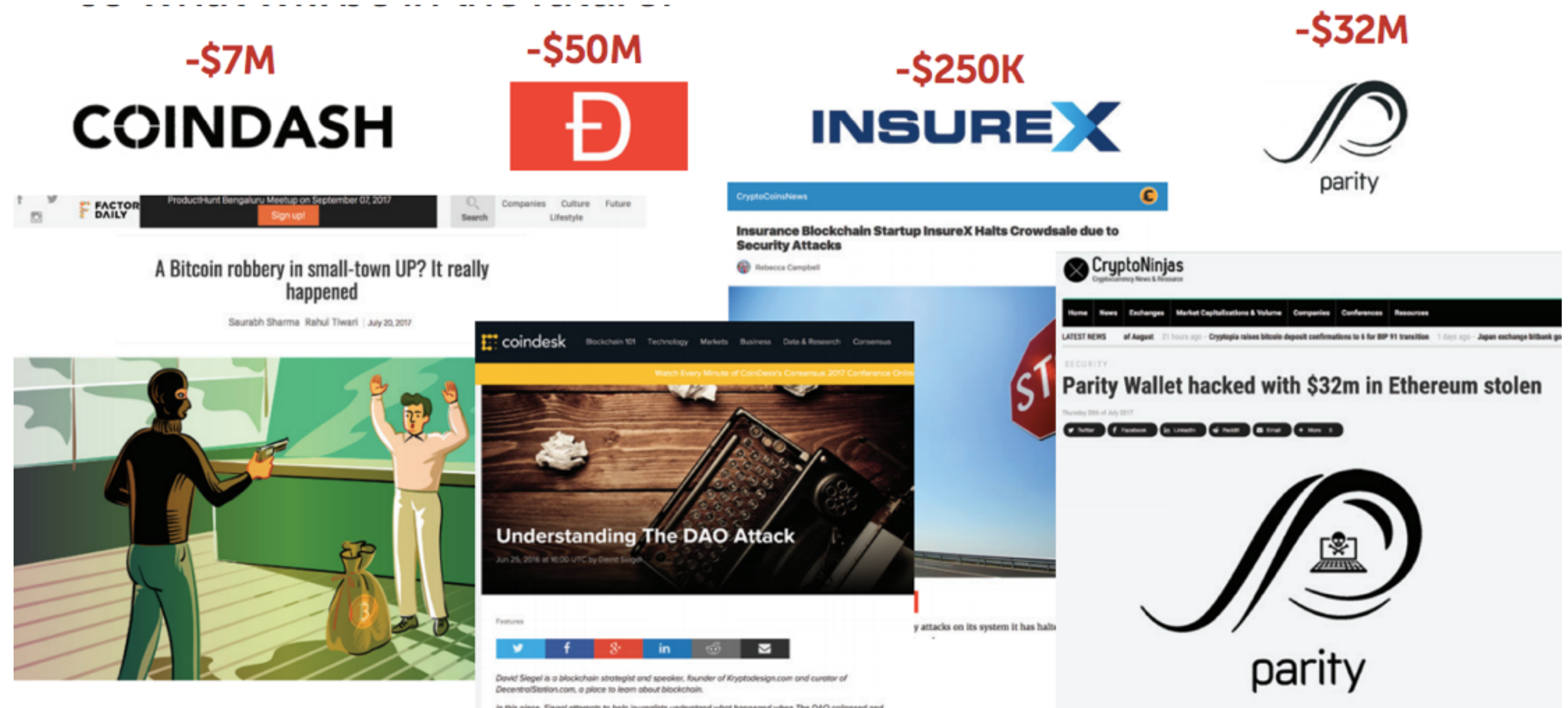
# Scams, Jokes Everywhere. Buyer Beware.

- **Dentacoin** - Dentacoin aims to improve dental care worldwide and make it affordable by utilizing the blockchain.
- **PotCoin** - PotCoin is an ultra-secure digital cryptocurrency, network, and banking solution for the \$100B global legal marijuana industry.
- **BitCoen** - Vyacheslav Semenchuk, a Russian entrepreneur, created the world's first kosher crypto currency.
- **PutinClassic** - PutinClassic (PUTIC) is digital souvenir. Digital versions of this coin are made unique by use of the blockchain. Truly, who wouldn't want one of these beauties.



- **KarmaCoin** - By supporting good causes and helping others through Karma, Karma developers aim to make it the primary digital currency for rewarding good deeds and spreading good karma. I suspect there's an overlap between users of KarmaCoin and Potcoin, #synergy.
- **Whoppercoin** - Whoppercoin is the new cybercurrency of Burger King Russia, launched this week, according to local news reports. The company has released 1 billion Whoppercoins using Waves, a cryptocurrency platform. You get one every time you buy a Whopper.
- **Coinye** - This was made to honor Kanye West but it was sued and so it is no longer trading 😞

Source: CB Insights



# Looking into the Future..



# Still Early Days...

Phase	Internet	Digital Currency	Reach
1. Protocol	TCP/IP, SMTP, etc	Bitcoin, Ethereum, etc	1M People
2. Infrastructure	ISPs, lay fiber, etc	Exchanges, secure storage	10M People
3. Consumer Interface	Browser	User Controlled Wallet	100M People
4. Decentralized Apps	Web 2.0	Finance 2.0	1B People

The evolution of two open networks (the internet and digital currency).

*Source: Coinbase blog*

# Looking Ahead...

## **Powerful Concept**

- Democratization of the value that the Internet creates
- Creation of a new digital asset economy
- Powered by cryptoeconomics & new revenue models
- Universal solution to the bootstrapping problem and early network effects
- Separation of money & advice

## **But Current Reality Quite Unfortunate**

- Low quality teams, projects: Unclear why certain tokens need to exist
- Scams and governance concerns
- Infrastructure - Too early for mass consumer apps
- Hazy or no regulation
- Little data: Overlap of token holders & users
- Security of assets

## **2018 - Reckoning??**

- Regulation in many countries
- 1 year mark
- Lawsuits
- Taxes
- Overall crypto market

**90%+ of the ICOs Will Probably Fail**

**But for the Right Projects,  
the Concept is Amazing.**

**And Here to Stay...**