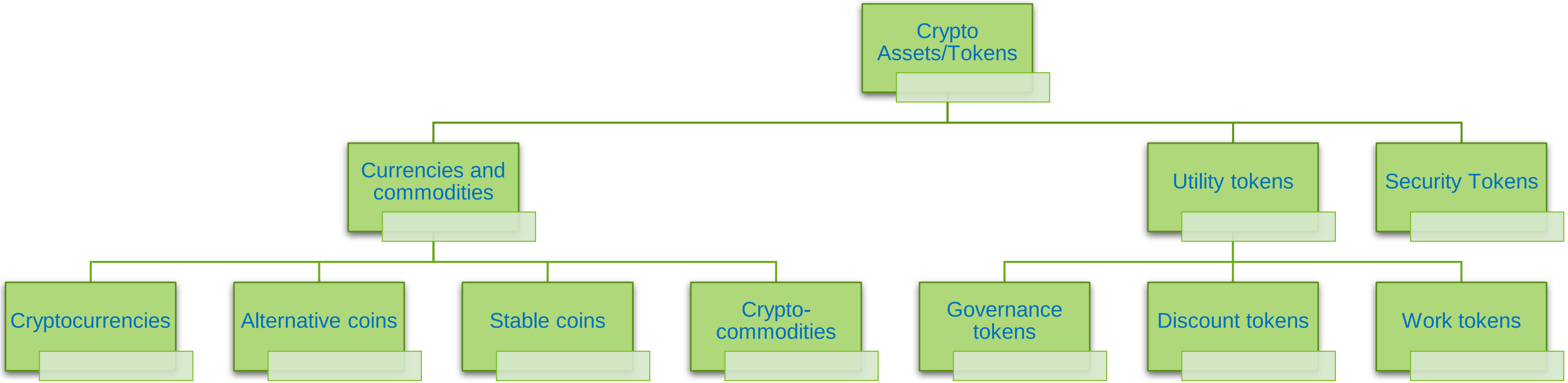
IV- Cryptocurrency and Initial Coin Offerings

Different types of crypto assets/tokens



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How Initial Coin Offerings (ICOs) work

A new cryptocurrency is created on a protocol such as Counterparty, Ethereum, or Openledger, and a value is arbitrarily determined by the startup team behind the ICO based on what they think the network is worth at its current stage.

Then, via price dynamics determined by market supply and demand, the value is settled on by the network of participants, rather than by a central authority or government.

Source: Kastelein, Richard (2017) What Initial Coin Offerings Are, and Why VC Firms Care. Harvard Business Review

Why most ICOs are not regulated

ICOs are the Wild West of financing — they sit in a grey zone where the U.S. Securities and Exchange Commission (SEC) and many other regulatory bodies are still investigating them.

- Most ICO's don't actually offer equity in start-up ventures; instead, they offer discounts on cryptocurrencies before they hit the exchanges. Therefore, ICOs don't fit into the current definition of a security, and are technically outside of traditional legal frameworks.

- ICOs are global instruments — not national ones — and they are funded using bitcoin, ether and other cryptocurrencies that are not controlled by any central authority or bank. Anyone can invest, and they can even do so pseudo-anonymously (it's not impossible to find out who people are, but it's not easy, either). Currently, there's no Anti-Money Laundering (AML) law or Know Your Customer (KYC) framework.*

**Though AML authorities in many countries have started investigating suspicious transactions on famous Blockchains such as Bitcoin*

Source: Kastelein, Richard (2017) What Initial Coin Offerings Are, and Why VC Firms Care. Harvard Business Review

Different stages in launching an ICO

Form a team of enthusiasts from virtual or physical forums

Write the whitepaper and launch the idea to gather feedback and get interest from the crypto community.

Recruit technical, legal, business and marketing advisors who have worked with crypto issues before.

Publish your whitepaper and launch your website to clarify legal, technical and organizational issues.

Launch public relations campaign on crypto forums, conferences, and community channels. Set your target for sales and time frame.

Start negotiating with exchanges for listing.

Launch your digital wallets and other necessary infrastructure.

. Buyers send cryptocurrency to the digital wallet address and are issued a smart contract.

Finalize negotiations with exchanges for listing.

Finalize your project.

Get listed on exchange and start trading your token project.

Continuously monitor and enhance your security