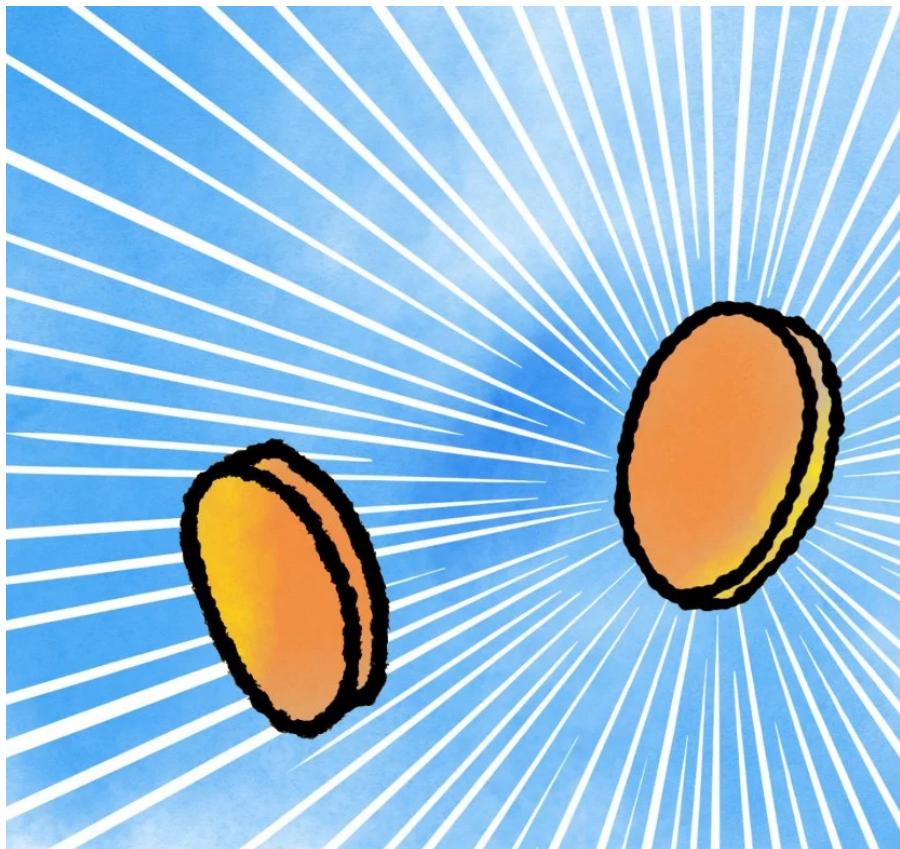


WTF is an ICO?

Alex Wilhelm

@alex / 2 years ago



t wasn't very long ago that bitcoin felt n
the ensuing years bitcoin has matured |

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in 2009, and certainly since i [first wrote about it in 2010](#), the ecosystem of cryptocurrencies has exploded.

Cryptocurrencies have expanded since the days bitcoin media's spotlight with litecoin and the [silly-by-design dogecoin](#) [Gox ruled](#), cupcake shops could [become media darlings](#) currency and pizza was a [critical bitcoin-pricing metric](#).

Now, there are [dozens of cryptocurrencies worth eight figures](#) and new entrants is accelerating.

In that particular milieu of freshly launched coins is a newly famous transaction type we need to understand called the “Initial Coin Offering” or ICO. An ICO is akin to an IPO, but in temporal reverse (sort of). Although confusing, it has recently acquired prominence as a favored way to launch a new cryptocurrency.

But as is typical of nascent cryptoproducts, there are legal questions and unethical players in the mix. So let’s explore what an ICO is in the current cryptocurrency market.

ICO basics

An ICO is a fundraising tool that trades future cryptocurrencies of immediate, liquid value. You give them tokens and you get some of Billy’s New Super Great Coin or [tokens from a startup](#).

The *Financial Times* [calls ICOs](#) “unregulated issuance,” meaning investors can raise money in bitcoin or other [cryptocurrencies] especially if you underline the word “unregulated.” We’re

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easily be traded, although unlike shares they do not confer ownership rights. [...] Investors hope that successful projects will cause tokens’ value to rise.

The referenced value increase is critical to understand are not transactions of love. They are investments mac returns.

Notably, not all ICOs are for cryptos that will maintain t to [the crypto-focused Smith + Crown research group](#), s “launching ‘meta-tokens’ built on Ethereum, Bitcoin, N

After all, why not.

So ICOs can be coins on top of coins funded by the tra accounts in the hunt for what’s next. That might sound crypto world.

And that heat is keeping ICOs bubbling. The same *Eco* April of 2017, notes: “[n]early \$250m has already been \$107m alone has flowed in this year,” a metric that it al Smith + Crown.

That is a lot of money, making ICOs large in terms of t therefore not hard to understand why more traditional t paying attention. Following the money is their jam.

In short: ICOs are the new funding slingshot by which i the world.

Thieves, lies and laws

As with any boom, there are bad actors to be found in and the larger cryptocurrency world’s [deep tradition of](#) a surprise that ICOs are attracting humans of base inte

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advertisements from this year to date.

In the world of ICOs, fraud is never hard to find. Add in that any new venture could fall prey to, and ICOs feel even more like a wild west.

Laws

But what about regulation, you reasonably protest. Sure, consumers?

Returning to [Smith + Crown](#), skirting usual rules concerning securities law is normal in the realm of ICOs — at least partially explaining why most ICO offerings may remain a homegrown affair:

Most ICOs today are marketed as ‘software presale tokens’ rather than an online game to early supporters. In order to try to avoid legal issues with any form of a security sale, many ICOs today use language such as ‘donation’ instead of ICOs.

So regulation is out of the mix for now.

There is an argument to be made that a dearth of regulation is not necessarily a bad thing. It’s good, as it allows the ICO market to iterate and innovate. It’s also a reasonable(ish) argument and likely technically correct, given the potential for unsophisticated investors to be preyed upon by unscrupulous operators.

Caveat emptor and *moral hazard* are fine arguments in favor of regulating ICOs and cryptos, but if the market wants to keep growing, it needs to attract consistently larger pools of capital.

Bubble me this

Is there a chance that ICOs will slow? Of course, but the reasons are deeper than we might have first guessed.

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Regardless, the point doesn't mean that cryptomarkets ICOs would eventually get ahead of themselves and bi technology niches was predicted [at least since last October](#). Whether that will last isn't obvious. But the correction will come, as a way to see which cryptos have a real shot.

Take this away

The cryptocurrency market is hot once again. And while records, a host of altcoins will demand its slice of the market.

Should you buy into an ICO? Only if you have a massive amount of capital, are not afraid of losing your capital and are willing to take a flying chance.

Then again, crowdfunding has similar risks and seems

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