In this lecture I want to help you understand a term - “ICO” - that you may have heard thrown around, or heard about crazy fundraising events where people are able to raise literally hundreds of millions of dollars in a matter of hours.

In this lecture, we’re going to talk about ICO’s, what they are, and a little bit about how they work.

At their core, ICO’s, or Initial Coin Offerings, offer potential investors such as you and I pieces of their new cryptocurrency or cryptocurrency token, in exchange for another currency such as bitcoin or Ether. These ICO’s are often put together to help fund these new cryptocurrency based projects whilst they’re in the development stage - which is generally time and resource intensive. What you can then do with these pre-created tokens is trade them on cryptocurrency exchanges such as Poloniex, providing they’re listed on there - which gives you a chance to profit whilst supporting projects you believe in.

Now these ICO’s can be deployed in different ways, all similar in their approach, but their funding can be static or dynamic depending on how the project creators decide to deploy there ICO - let me explain.

So an ICO can be set to achieve a specific funding goal, and every token they sell will have a pre-determined value that will not change during the period of the ICO, this also means the token supply would be static. But there are also ICO’s which are much more dynamic in there approach, where the more funds the project receives the higher the token price will be. On top of that, it’s also possible to create a new token upon the purchase of a token with a limit being set as to how many times this can be done. So as you can tell, the deployment of ICO’s are pretty flexible, but also a little confusing.

Now in terms of profitability, many investors have experienced great returns on their ICO investments, but it’s also true that many investors have been left short changed by shady ICO’s over over hyped ones with no real substance to them. For example if you got in with the Ethereum ICO which was sold at 0.0005 Bitcoin for their new currency, Ether - you’d be experiencing one amazing return on investment, as Ether recently topped out at .14 Bitcoin - a return of 280%!

But like I also touched on, there are many ICO’s which don’t end in such profitable circumstances, so you need to be careful about what ICO’s you get involved in. Don’t be fooled by fancy websites, and the promise of the next big blockchain based project - do your homework. You’ll want to know key things such as: the history of the team, what the project aims on doing, what are others saying about this project online, have they had any past successes and so on. Homework is key with getting involved in Initial Coin Offerings!

Just to touch on the most notable Initial Coin Offering, i’d say by far it’s the Ethereum ICO, which raised approximately $18.4 million dollars in Bitcoins, and it ran from the 20th of July 2014, to the 2nd of September 2014. The funds raised during that ICO then helped fuel the development of Ethereum, and it really did shine a spotlight on just how powerful ICO’s were.

Now I did just mention that the Ethereum ICO was the most notable, I stand by that, but that doesn’t mean it raised the most during its ICO period. That crown goes to EOS, who raised a staggering $185 Million dollars in just 5 days.

But let’s now move onto discussing the legality of Initial Coin Offerings, because it’s a real grey area - it’s not clearly defined. So over being sold as a financial asset which would be tightly regulated, ICO’s are sold as digital goods - essentially as discounts to the Cryptocurrency, and that’s the reason you see ICO’s referred to as Crowd Sales, it’s to get around that legal regulation.

Although don’t be fooled into thinking that regulators are ignoring the current explosion of ICO’s, some courts of law do regulate them in the same way as they would do with the sale of shares and securities. So whilst it’s a grey area in most parts of the world, do expect that to change in due course when regulators impose some sort of regulation upon them, but as mentioned it’s a grey area at the moment at is there isn’t a current regulation ICO’s can clearly fall into.

One thing that’s very intriguing at the moment, is the amount of interest that ICO’s are getting from Venture Capitalists. One of the key reasons for that, is because of the liquidity Cryptocurrencies provide. These VC’s could see substantial returns far quicker than they would with building a company up to get acquired or go for an IPO. One VC firm to keep an eye on in this space is Blockchain Capital: they raised $10 Million Dollars in just six hours with there ICO - making it the worlds first digital liquid venture fund. There Cryptocurrency token is known as BCAP.

As mentioned there is a lot of interest from VC’s, but for more lets say traditional investors, there shying away from ICO’s at the moment, simply due to the regulatory uncertainty, high valuations, and lack of control. Some cited as ICO’s currently being in a bubble - hence that links back to my point earlier, do your homework before investing, so you don’t get caught in a ponzi scheme, because they do exist in the ICO world.

Before I end on this lecture be sure to checkout these sites which will provide you more information on ICO’s - they’re super helpful. These are: ico-list.com, tokenmarket.net, cyber.fund, and smithandcrown.com.

So, that’s all about ICO’s, and now, you probably know even more about them than many of the people pumping money into them! I look forward to seeing you in the next lecture where we’ll discuss the business element behind ICO offerings.