

What is an ICO Initial Coin Offering?

An ICO or Initial Coin Offering is for a cryptocurrency what an initial public offering is for a bond: In order to raise public capital for the first time, the publishers of the cryptocurrency offer a certain share of their new tokens to the masses of private and business investors in exchange for money or other cryptocurrency for purchase.

The aim of the investors is to participate in the future success of the new company by buying the tokens early on in the new company.

Similar to the stock market, when you buy shares, with ICO you also have the prospect of making price gains if the value of the token or coin increases. Originally, only new coins coming onto the market were supposed to be financed by ICOs. Currently, however, it has also become a form of corporate financing.

Advantages of ICOs:

- A simple and cost-saving financing alternative for companies, which is also particularly advantageous for start-ups
- Hardly dependent on traditional capital markets
- ICOs are not only for investors. Anyone can participate with small amounts of money.
- If the company is successful, the coins will increase in value. The coins can then be sold on the crypto market and can make profits but also losses

Disadvantages:

- Currently still a relatively new form of financing. There are various tax and legal uncertainties. high consulting effort.
- For investors: Possibility of total loss. The market is currently not regulated. Investors can lose everything
- Many scammers are on the market with SCAM projects. A total loss is possible.

Conclusion: Exciting new form of financing and easy to raise money for startups. Both opportunities and risks for investors.

Risk of total loss for investors.