



Are All Token Useless ?

Post-ICO mania Tokenomics
EthCC Paris - 2019

Disclaimer

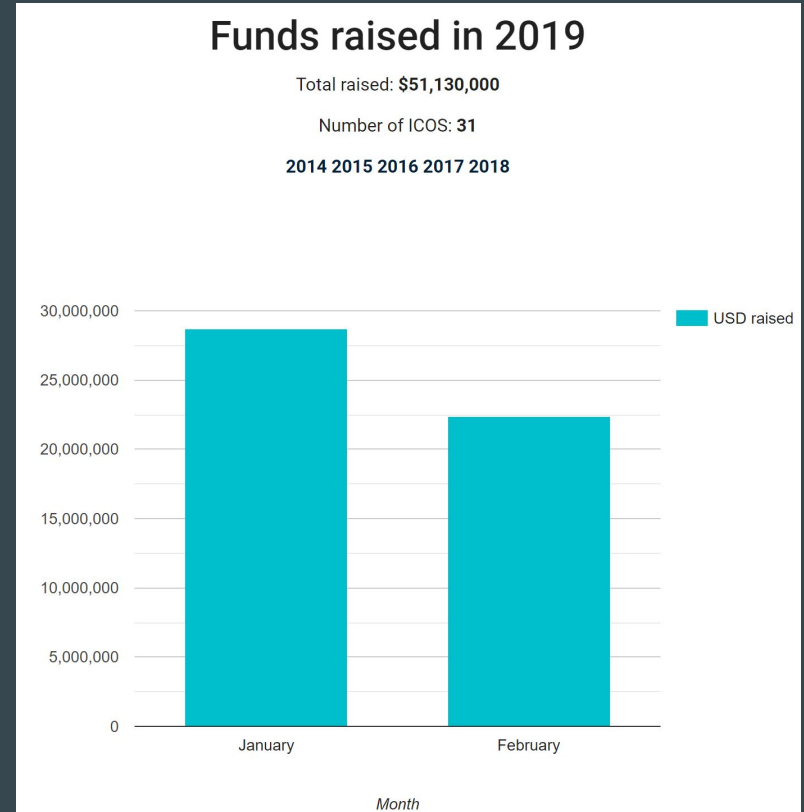
- As a user trying out stuff, i own some of the tokens mentioned.
- My Employer **Coinhouse** sell some the token mentioned

But...

- I'm poor much less than 0.01% of supply
- It's NOT an investment Advice/Shill Talk
- Do your own research

Context : ICOs are 💀

- ICO market is in Despair phase
- 22M\$ raised Feb 2019 vs 1.3B\$ Feb 2018
- Concentration of funds raised in a few projects
- On the Top 15 ICO-minted tokens of 2018 (raised >100M\$)
- ...15 have a current market price below ICO price.
- Ecosystem have moved forward another models.



Source : icodata.io

Context : Early signs of “Token Fatigue”

Sun Apr 02 2017 16:53:48 GMT+0200 (heure d'été d'Europe centrale)



Posted by u/xyrrus [1 year ago](#)

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Addressing token fatigue and management

Maybe my concerns are unfounded but it feels as if every dapp in development has an interest in issuing their own tokens. I get it... it's a great way to gauge interest, get initial funding and manage its business within the dapp. As Ethereum matures into a widely adopted platform, there's undoubtedly going to be a lot of new dapps with bold promises but little substance to lure in the next wave of investors and it worries me how this could end. It's reminiscent of the dot com bubble. We're already starting to see people passionately throwing chunks of their savings into tokens without due diligence.

Source : [Reddit](#)

Context : Kudos to Julien Prat

“Fundamental Pricing of Utility Tokens”

January 2019, Paris

Julien Prat (CNRS, CREST and Ecole Polytechnique)

Vincent Danos (Ecole Normale Supérieure)

Stefania Marcassa (Université Cergy-Pontoise)

Conclusion

- General pricing model that endogenizes the velocity of money.
- Main insights:
 - Tokens are valuable only if they cannot be immediately acquired in case of needs (**Tokens-in-advance constraint**).
 - Price of service lower than marginal utility in Fiat, **discount** is the actual cost of ICOs.
 - Discount is proportional to the agent's impatience: compensate token holders for the lack of financial rewards.

Source : Meetup and EthCC talk, soon Online ?

What can be Salvaged ?

- Utility tokens in the form of “In-game currency” adds friction, most will be forked out.
- Emergence of Stablecoins such as DAI will reinforce the process providing Seamless UX

1. Tokenless systems
2. “Fair Fund Raising” STOs & Hidden Securities
3. Skin in the game Staking/Work utility tokens

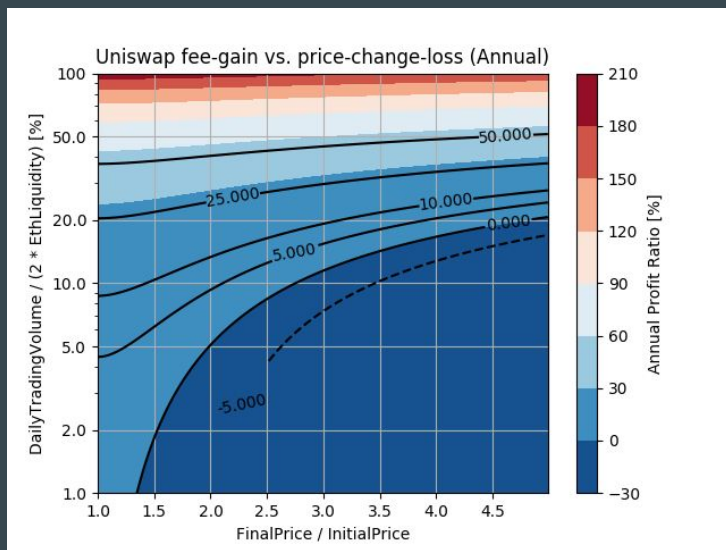
Source : [Reddit](#)

Tokenless systems



Uniswap

- UNI-V1 token are minted for liquidity providers
- They are a 50/50 position on a token pair + Bonded curve risk + spread fee reward collected
- Derivative, not risk free.
- No business model for the Dev but EF grantee
- How to invest ? Actively provide liquidity and take risks.



“Fair” Fund raising : STO

- Security Token Offering are securities
- Adds layers of complexity (Time + \$ + Stress)
- Volume ? Regulation ?
- Centralized
- Accredited investor only
- Not an IPO ? It's a **derivative** and a voucher

- ☐ I have had [individual income](#) exceeding \$200,000, or joint income with a spouse exceeding \$300,000, in each of the last two years, and have a reasonable expectation of the same income level in the current year.
- ☐ I have an [individual net worth](#), or joint net worth with a spouse, that exceeds \$1 million, excluding the value of my primary residence.
- ☐ I swear under penalty of perjury that the above is true and correct.
- ☐ By clicking Create My Account, I agree to the [Terms of Use](#) and [Privacy Policy](#).

Source : [Factor-805](#)

Hidden Securities : burner model

- Money Supply tricks
- Part/All of “Revenue” = buyback and burn
- Skin in the Game governance
- “Decentralized enough”
- DAO-Friendly
- Regulators **will react**

The Good



The Alternative



The Ugly



Hidden Securities : burner model

The Good



- MKR is the governance token of MakerDAO
- All of “Revenue” = buyback and burn of MKR
- Revenue = Stability fee on DAI debts
- Transparent model, easily auditable
- MKR supply goes towards 0
- MKR was distributed to early active community
- In case of DAI debt crisis MKR is minted and every holder diluted.
- **Skin in the game + incentive to stay active + shared risks.**

Source : [MakerDAO](#)

Hidden Securities : burner model

The Ugly



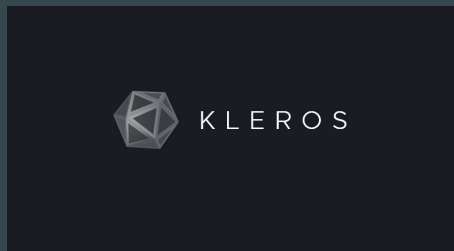
- BNB is the Binance exchange token.
- 20% of “Revenue” is burned
- Heavily Centralized
- Non-Transparent model, hardly auditable
- BNB supply goes towards 50%
- BNB was distributed to ICO investors
- Doesn't cost anything to Binance.
- **Not a share of Binance + lack of long-term plans**
+ Heavy centralization.

Source : [Binance](#)

Utility tokens are not Dead

- ETH or DAI is not the only answer
- A utility token might be useful
- Staking or Work

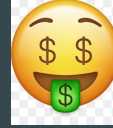
With



... Or without an ICO



Livepeer : Appear And collect

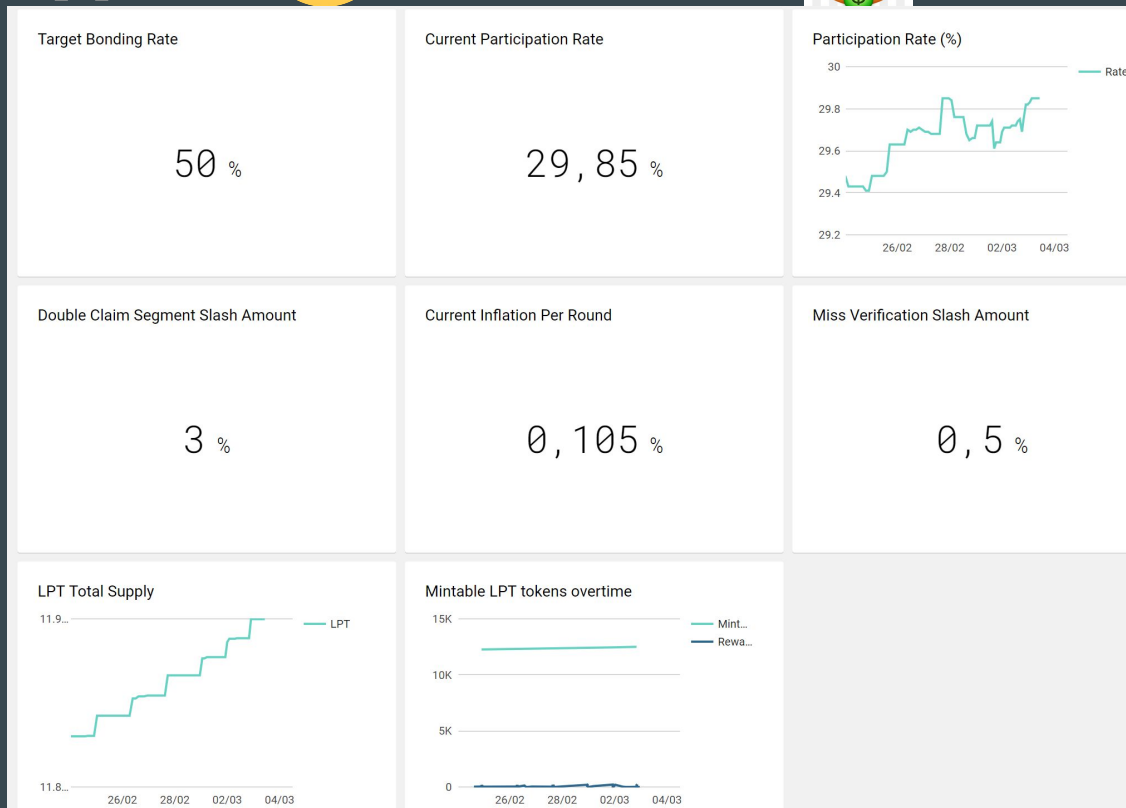


- LPT distribution : Send 2.44 LPT all => 0.1 ETH balance address
- Sold a small chunk of supply to investors : short term cash
- Rule “50% of LPT should be staked”
- Inflation diluting non-active holders (most of air drop)
- Inflation heavily collected by active community (Team + investors + Early community)
- **No ICO... Still Money**



Source : [Livepeer](https://livepeer.io)

Livepeer : Appear And collect



Livepeer : Appear And collect

- Current market cap around 10m\$
- Early investors : 19% of initial supply
- Team 12.35% of initial Supply
- Current supply/Initial supply = +19%

But...

- Vesting : They are partly diluted too !
- Careful design rewarding early community
- Countdown to launch a product **before** inflation stop
- **Victimless system + good incentives design + Money without ICO**

Kleros : How to design a Utility Token

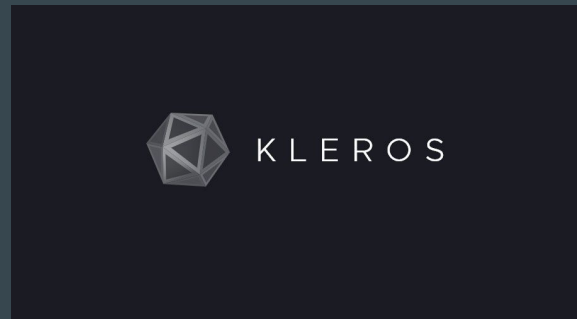
- Dispute Resolution System
- PNK staked by jurors, minority decisions = loss of PNK
- Costly to attack with PNK - Bag of valueless token post-attack
- Designed to reward active holders (jurors) = Skin in the game
- Jurors paid with ETH (DAI soon ?)
- Biggest **curated** TCR of Ethereum with MVP [Doges on Trial](#)
- End-Users don't use PNK = Seamless UX **without hurting the tokenomics**



Kleros : How to design a (I)ICO

- Interactive Initial Coin Offering
- Investors have a Personal max cap
- If Personal max cap > end of round max cap ETH is sent back
- “Long” ICO 2 month - anti-FOMO design
- No private rounds - Clear “Bonus” Design
- Transparent allocation
- ICO rounds based on roadmap and results.

“Real” Utility Token + Skin in the game Asset + Hard to forkout token.



Small tour Conclusions

- Investors are more sophisticated = **useless tokens will fade away**
- Emergence of Tokenless system
- For now Traditional funding > STOs
- Hidden securities are hype... but **regulation risks**
- Being Active is rewarded
- “Utility tokens” are not dead if carefully designed with or without ICOs

Call to Action

- New assets-class need serious economic/risks models !
- STOs are hype but regulation Lag.
- “Utility Token” needs more precise Legal & Economic classification
- Investors & Projects needs more educational material.