**WHAT IS KNOWN AS AN ICO & HOW IT WORKS**

**WHAT’S AN ICO?**

The acronyms correspond to Initial Coin Offering, which corresponds to the Initial money supply offering by a Cryptocurrency project.

It is a method by which a Cryptocurrency investment match a project. It can be used to raise a considerable capital to assemble the project behind.

It would be like acquiring stakes in a developing company. Cryptocurrency acts like an instrument, to raise a Company money and invest in them.

In the case of an ICO what is intended to finance is the creation of a new Cryptocurrency, within the Blockchain.

One of the problems is that on several occasions scams have already been presented using this method: someone assembles a false project, raises a substantial sum of capital through an ICO and then disappears. This creates a lot of hesitation regardless investing on ICOS.

That is why it is advisable not to invest in ICOS, without prior study, the team, the counselors, the community behind them, and above all the verification by portals specialized in ICO'S, and by the Cryptocurrency experts themselves.

**HOW IS AN ICO CREATED?**

Cryptocurrencies are created over time by a process that is called "mined." The "miners" make available to the project computational power, which allows the system to function and receive prizes: both "mined" coins that appear spontaneously and randomly as by the commissions they receive when verifying commercial transactions that occur between users of the currency.

When someone decides to create a new Cryptocurrency, first makes a design of the code and then implements it through software. There are other coins as Ethereum than gives their codes

of blockchain to create new coins.

Finally, it makes this software available to the community so that the miners that support the activity of the same appearance.

Therefore an ICO is to offer some initial investors the new currencies in exchange for money. Hence its resemblance to an IPO, although it could be very similar to a crowdfunding since it is a community of users who finance a project without any intermediaries.

**WHAT IS AN ICO USED FOR?**

It is clear that the objective of the creator of the token when performing an ICO is to raise money.

On the other hand, are those who participate economically in the ICO. What the participants want is, of course, to make a profit.

**WHAT ARE THE ADVANTAGES OF AN ICO?**

**Project Makers:** Having the possibility of launching an ICO to fund a project has some advantages. The ICO creators of the Cryptocurrency do not have to obtain financing by the habitual circuit, from banks or investors. ICO makes it possible to achieve more advantageous conditions.

**Investors:** For individual investors, it also has an advantage: to be able to finance very innovative companies directly. The usual financing channel for projects is usually not available to private investors or only for substantial capital.

**WHAT ARE YOUR RISKS?**

Indeed, there are some losers if and when the ICO wins.

A group, as Wilson knows: venture capitalists. Much of the power of investors stems from their supposedly superior judgment: they finance projects that are considered valuable, and if the venture capital industry decides that its start-up is not promising, there is no choice but to carry out a task Starting or crowdfunding. ICOs offer another option to founders who are reluctant to hand over control of their baby to outsiders driven primarily by financial performance.

"All VC companies will have to carefully analyze the value they bring to the table and how they remain competitive," said Brian Lio, director of Smith & Crown, a cryptocurrency research firm. "What do they have other than prestige? What are you offering these companies that are more advantageous than going to the community?

But Lio pointed out that buyers are also possibly in danger and should be cautious: the risk is higher than the purchase of shares, given the complexity of the system. And it can be difficult to investigate an investment or the technology behind it. Other experts have long been concerned about fraud in this unlimited space.

**DOES THE GOVERNMENT AGREE WITH THIS?**

That is to decide.

In the USA UU., The Securities and Exchange Commission requires private companies to file a return each time they collect private cash. After mainly allowing the ICO market to develop without guidance, the SEC warned this summer to new companies that could be violating securities laws with token sales.

How governments choose to regulate this new type of transaction is one of the big pending questions in the field. The IRS has said that the virtual currency, in general, is subject to taxes, as long as the currency can be converted into a dollar amount.

Some expect the SEC to begin to restrict UCIs before the cash is raised strictly. That already happened in other countries, especially in China, which this month banned the practice. ICOs, although they are housed in a specific state, is not limited to a particular jurisdiction and can be commercialized anywhere they can be connected online.