CryptoGraphic tokens on Blockchain

Bitcoin, Ethereum and ICOs
Economy, Cryptography and Blockchain

ICOs
Initial Coin Offering

The first cryptocurrency, bitcoin, was launched in 2009, the market currently has over 800 digital currencies and assets with their market capitalization exceeding $100 billion dollars.

Initial Coin Offerings or ICOs are key incentivisation mediums through which cryptocurrencies enter the market.

At the end of the session: You would've understood

- The basics of ICOs
- Their history
- Advantages and risks
- Evaluation
- Trading tips along with insights into the surrounding regulations and future of ICOs.

What’s an ICO ?

Initial Coin Offering

- ICO is a fundraising tool.
- Similarity with an IPOs
- Trade Liquidity similar to Stock

- Synonymous to Crowdsale, crowdfunding and token sales

ICO vs IPO

2010	2015	2010	2015
Initial Coin Offering	**Action**	**Track Record**	**Initial Public offering**
Fund raising before building Product to initiate any growth.	May or may not exist	Pre existing track record would help establish a predictable valuation.	Fundraising from Public to sustain growth.

ICO vs IPO

IPO

- IPOs are organized by established private companies with previous history.
- IPOs are organized by companies based on proven track records.
- IPOs have to stick to strict regulatory guidelines and obtain regulatory. approvals from different authorities.
- IPOs offer dividends to their shareholders.

ICO

- ICOs are organized by startups to raise seed money.
- ICOs are based on product idea and utility, described through white papers.
- ICOs are conducted on decentralized platforms and are not even restricted by international borders.
- ICOs offer a promise of increased value in future.

Pre ICO

ICO Presale or also known as Pre-ICO, is the token sale event that Blockchain enterprises run before the official crowdsale or ICO campaign goes live.

The fund-raising targets for Pre-ICOs are often lower as compared to that of the main ICO and tokens are usually sold cheaper. For the purposes of prudence, Pre-ICOs ideally make use of separate smart contracts from the main ICO event

This is informed by the need to avoid a mixture of Pre-ICO funds with the main ICO to enable proper and easy account reconciliation and audit.

Some projects run Pre-ICOs as a way to accrue funds to cater for the expenses incurred on the way to launching the main ICO. Some of the expenses include paid promo ads, strategic recruitment and meet-up costs to help whip up investor interests.

Downsides of Pre ICO

- Dumping upon Tokens being tradable

Early investors or adopters tend to dump tokens as soon as they become tradable on exchanges.

- Profiting off Price difference between pre ICO and ICO price.

They often sell the tokens at ICO price when in fact they got the tokens for less than the price of the main ICO.

This way, they make substantial profits whiles the value of the project token subsequently takes a downward hit.

ICO Life Cycle

2008	2009	2010	2011
Pre Announcement	**Offering**	**Marketing and PR**	**Initial Coin Offering**
Release of White Paper - Economic prospect - Roadmap - Team - Benefit to society	- Contract details - Terms of the transaction - Project Life cycle - Target investment amount - Project deadlines	Marketing Streams: - Reddit - Medium - Quora - IRC - Linkedin - FaceBook - Twitter	Accepting Tokens by: - Bitcoin - Ethereum - Other Cryptocurrencies

History and evolution of ICOs

- The first reported ICO was conducted by Mastercoin in 2013, with the fundraising event running for almost one month.
  Mastercoin raised close to 5,000 bitcoins, valued around $500,000 at the time.

- Since the first ICO in 2013, there has been a flood of ICOs with a new ICO launching every other day.
  In 2016 alone, 54 major ICOs raised close to $103 million dollars, with ICONOMI ($10 million) and SingularDTV ($7.5 million) being the front runners.

- The current year, 2017, has been phenomenal for ICOs, raising around $1.25 billion in 92 ICOs.
  Tezos and Bancor are among the top ICOs of 2017, with the earlier raising $230 million and the latter raising $153 million.

How to participate in an ICO ?

Step 1	Step 2	Step 3	Step 4
Research	Acquiring Cryptocurrencies	Cross Reference	Transact

Step 1: Research

- What ?
- Why ?
- How ?
- When ?
- Who ?

Step 2: Acquiring Cryptocurrencies

- Bitcoin
- Ethereum
- Dogecoin
- Litecoin
- Others

Step 3: Cross Reference

- Verify currency
- Verify Standard (ERC20 / ERC223)
- Check Team
- Verify Address

Step 4: Transact

- Double Check for consistency
- Initiate transaction
- Verify that tokens have been received

Advantages vs Risks

One of the foremost advantages of investing in ICOs is the chance of investing in a new or upcoming technology. Every single ICO is established to revolutionize an industry in one way or the other. A careful analysis of ICOs could help investors get on board to the right startup. Most of the ICOs price their tokens modestly, allowing even small investors to participate in the sale. Un-like a traditional IPO, small investors have a chance to invest little money, and in the event that the underlying project does well, the investor reaps tremendous returns in the future. ICOs follow the limited supply-demand principle, allowing their cryptocoins to gain value in the future. Its initial investors could leverage the economic prominence of the principle, increasing their chances of profiting exponentially. In the current cryptocurrency environment, you can use crypto-tokens to purchase the services offered by the underlying company. If the cryptocurrency gains popularity and market trust, chances are that you can use it for third-party purchases, just like Bitcoin.

Starting with the risks involved in ICO investing, first one is the complete or absence of regulations. Unlike IPOs which are monitored by regulatory bodies, ICOs neither follow any regulatory requirements nor is it easy to regulate them. ICOs do not fall under any particular geographic location, making it a challenge to regulate them. ICOs hardly go through professional due diligence or vetting. In the financial industry, due diligence is the first step taken before making any investments at all. It helps investors understand the investment risks, offers a comprehensive view of the company's financial condition, and analysis the business model of the company. ICOs, on the other hand, have an equivalent of an investment prospectus in the form of a website or whitepaper. Most ICO projects do not have a proven business model and in most of the cases, not even a ready product. The industry experts agree that most of the ICOs are a longshot at best, which makes it risky to invest in them. ICOs are not restricted by geographical borders; in this case, if the issuer absconds with the money, there is very little an investor can do to retrieve their funds. If you have plans to invest in ICOs, understand that these are high-risk investments with little or no guarantees.

How to evaluate an ICO ?

The best way to evaluate an ICO is to analyze every single aspect of the project and narrow it down to its precise execution strategy.

Some critical factors to consider include:

- Business Model
- Project Team
- Community Feedback
- Current state of product
- VC involvement
- Market Niche

How to Spot a Scam ICO ?

The major factors that show illegitimacy:

- Lack of Public team profiles
- Compromised or missing escrow
- No technical details in the whitepaper
- Unrealistic goal
- Missing code repository on Github
- Vague Promises
- Illegitimate affiliations
- Too good to be true Incentives

Where to Trade tokens ?

Regulations of Cryptotokens

What to do before investing in ICOs ?

What to do before setting up your own ICO ?

Technical resources for Running your own ICO

- Waves Platform
- Open Zeppelin
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Who’s Doing ICOs

- UNICEF
- Brave - Mozilla
- Bancor
- Tezos
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