

**PRESENTATION FOR
BLOCKCHAIN ECOSYSTEM INDIA 2018.**

4TH MAY 2018.

FOUR SEASONS HOTEL, BOMBAY.

BY

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ICO'S

THE SERIOUS DISRUPTERS
A paradigm tectonic shift



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Initial Coin Offering (ICO) - An (un)regulated means by which funds are raised for a new cryptocurrency venture.

An **Initial Coin Offering(ICO)** is used by start-ups to bypass the rigorous and regulated capital-raising process required by venture capitalists or banks.

An Initial Coin Offering, a fundraising mechanism in which new projects sell their underlying crypto tokens in exchange for Bitcoin and ether. Similar to an Initial Public Offering (IPO) in which investors purchase shares of a company.

ICO is a **means of crowd funding** centered around cryptocurrency, which can be a source of capital for start-up companies

The Economist also took a look at the financing mechanism,

ICO “coins” are essentially digital coupons, tokens issued on an indelible distributed ledger, or Blockchain, of the kind that underpins Bitcoin, a crypto-currency. That means they can easily be traded, although unlike shares they do not confer ownership rights. Investors hope that successful projects will cause tokens’ value to rise.

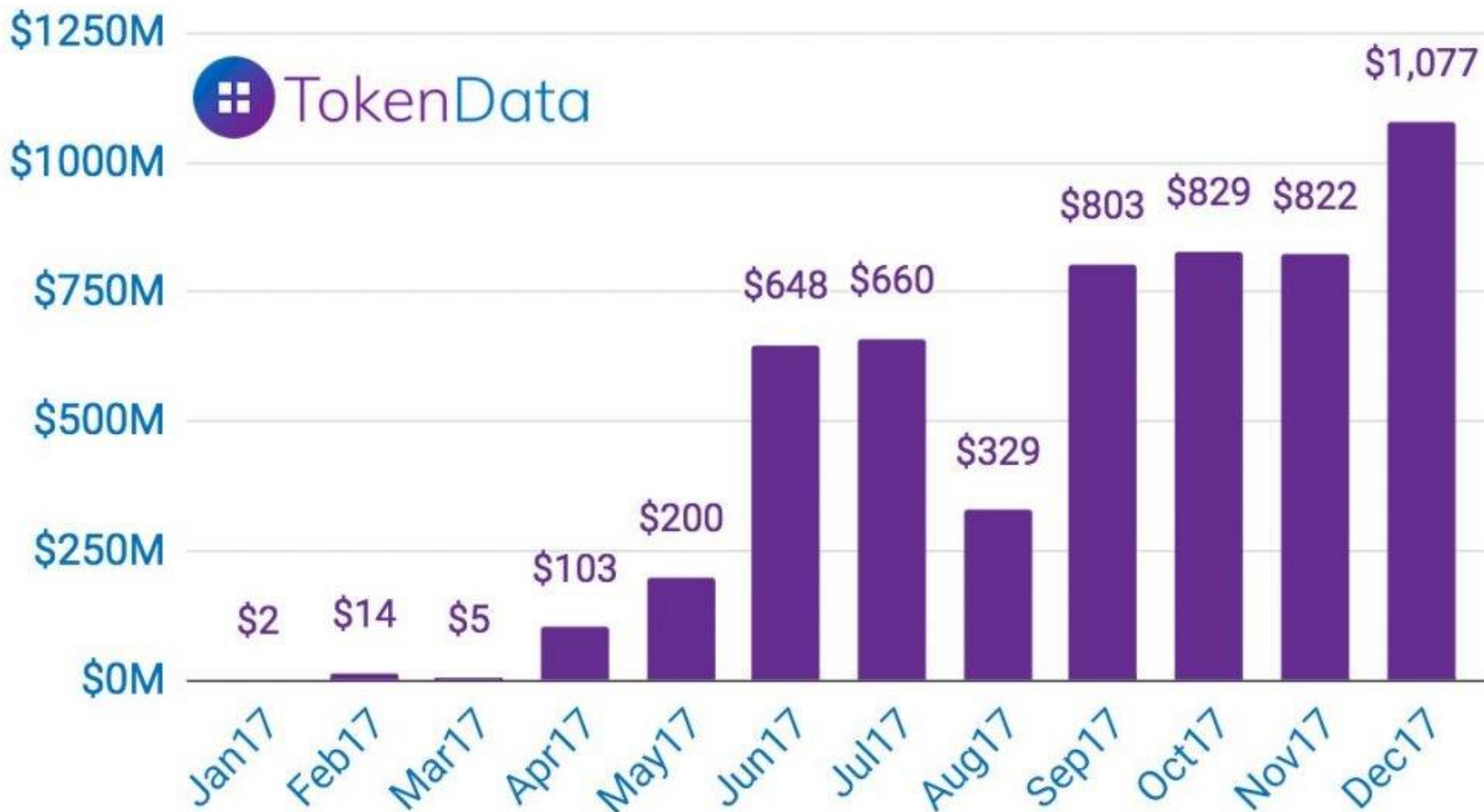
The ICO is becoming an increasingly popular fundraising vehicle. Traditional businesses are starting to look to this crowd funding mechanism and bypassing other traditional forms of financing. Despite increased scrutiny from regulators, signs point towards 2018 being another bumper year for Initial Coin Offerings.

Drivers of ICO's and Crypto Currencies -

Influx of massive investments from

- 1. Retail investors from China, ASIA - Korea, India, Russia and Japan**
- 2. Accredited/Institutional investors**
- 3. Heavy investments from US retail**
- 4. Traditional investors - hedge funds, family offices, HNIS's/UHNI's**
- 5. Traders/Speculators on Futures Market**

USD Raised by ICOs in 2017 - Monthly Totals



According to [Tokendata](#), a total of \$5.6 billion was raised from ICOs in 2017, based on 442 completed ICOs, with a median of \$4.5 million raised, From 2014 to 2016 combined, only \$265 million raised. December 2017 was the first month that ICOs raised over \$1 billion.

HIGHEST AMOUNTS OF ICO RAISED BY COMPANIES IN 2017

Highest
amounts of
money raised
via ICOs

Filecoin	\$250M
Tezos	\$232M
EOS	\$185M
Bancor	\$153M
Status	\$108M

**Tezos, Bancor and EOS have raised
more than \$625 million**

Coins with
highest gains
since ICO

NXT	+3173835%
IOTA	+960058%
Ethereum	+142474%
Stratis	+114672%
Neo	+106301%

FOR 2017

Tezos: \$232 mln raised - Returns since ICO (USD): +1,138%

Bancor: \$153 mln raised - Returns since ICO (USD): +108%

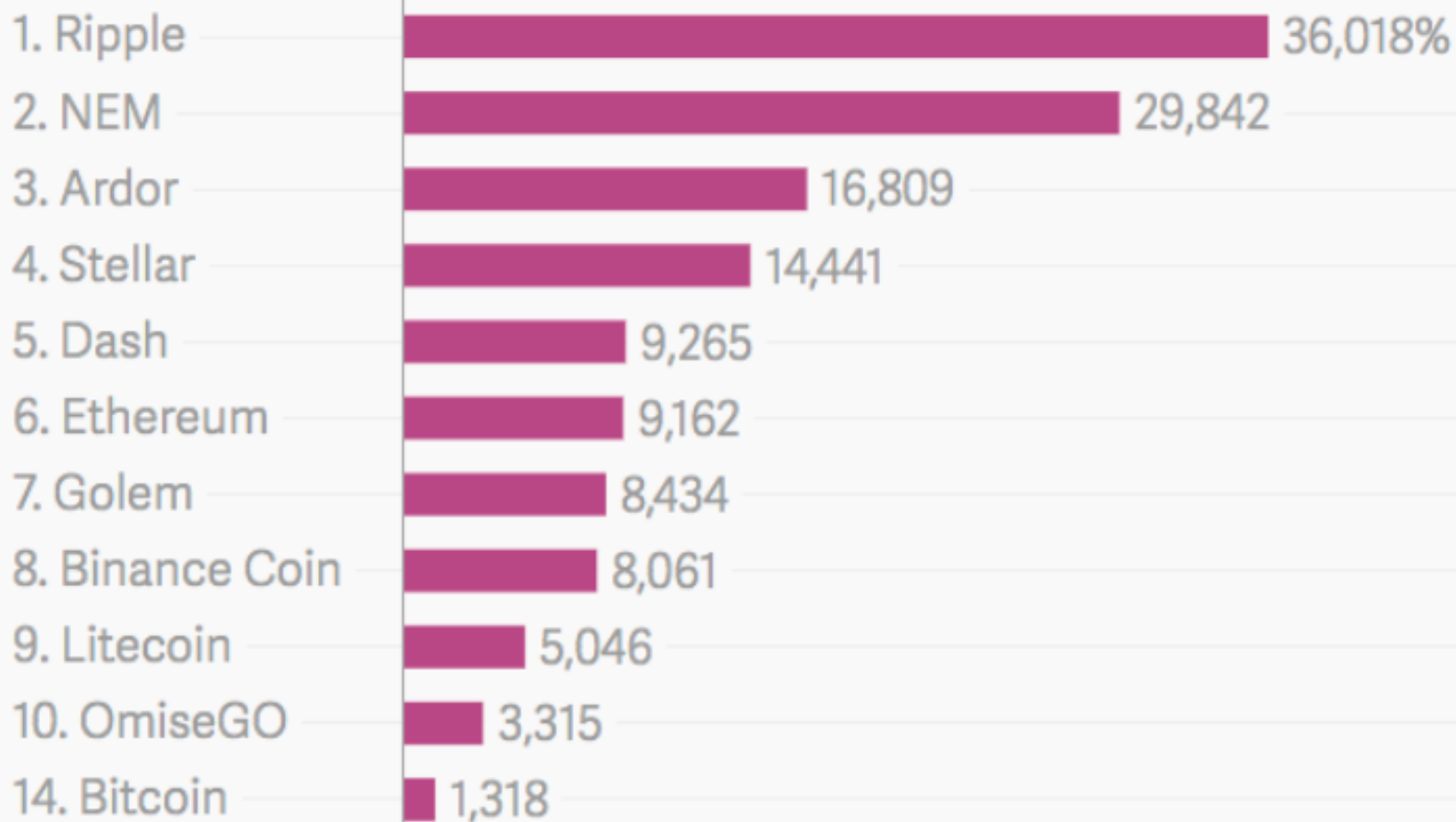
Status: \$100 mln raised - Returns since ICO (USD): +1,521%

Kin: \$98 mln raised - Returns since ICO (USD): +1,023%

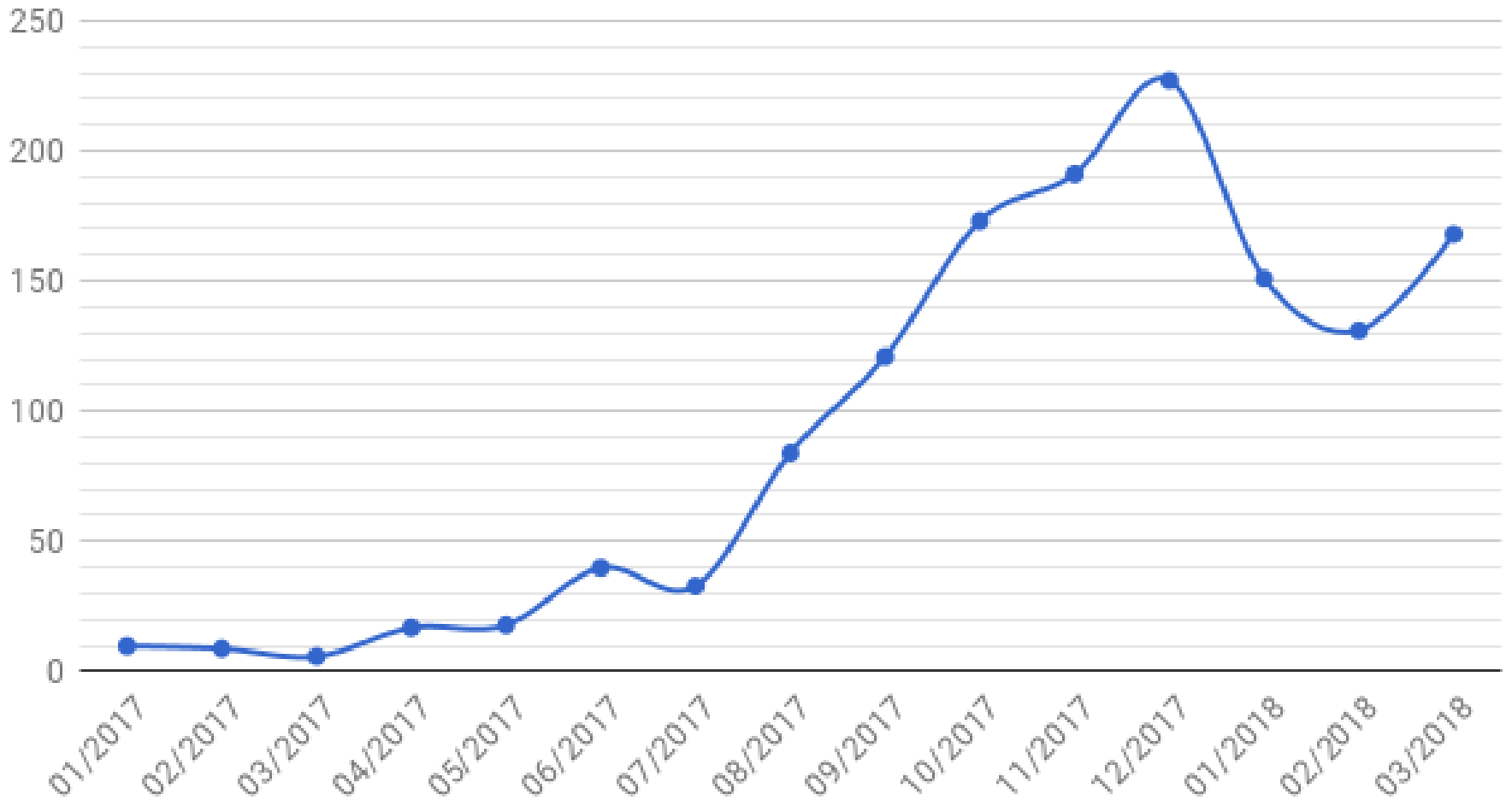
TenX: \$80 mln raised – Returns since ICO (USD): +550%

2017's biggest cryptoassets ranked by performance

2017 gain



Number of Initial Coin Offerings

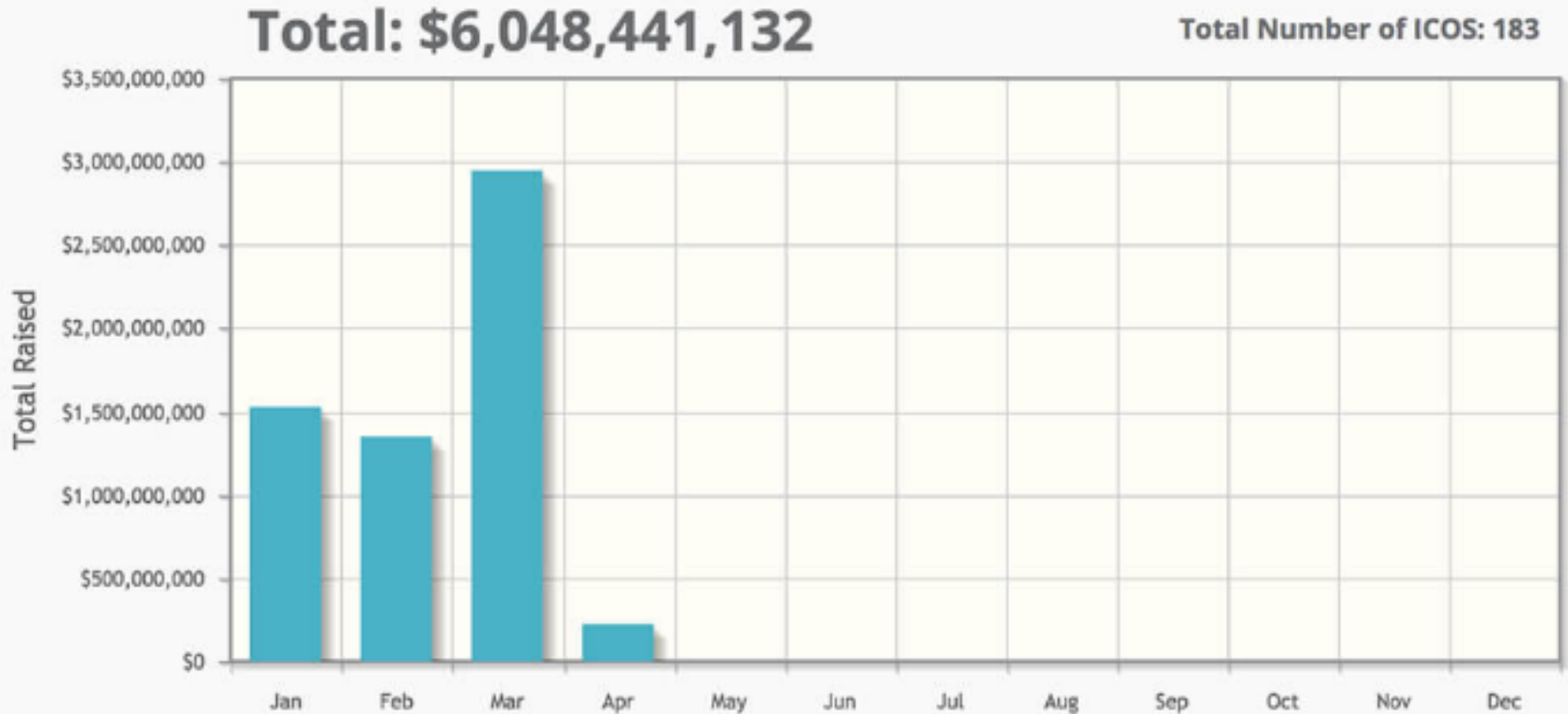


A recent investigation by [Tokendata](#), one of the more comprehensive ICO trackers, lists 902 crowd sales held in 2017 –

- **142 failed at the initial funding stage**
- **After a period of time, an additional 276 projects bombed**
- **An additional 113 ICOs can be classified as “semi-failed”**

Of the 902 token sales launched in 2017, 46% of them have failed. If 113 ICOs taken as “semi-failed”, then 59% are confirmed failures.

Raising \$6.3 billion in the first quarter of 2018, have outstripped the total raised in 2017, \$5.6 billion.



Source: [CoinSchedule](#)

The first quarter of 2018, ICO's raised approx \$6 billion, more than amount raised in 2017.

According to facebook.com/letsforkk, the estimates of fundraising of ICO projects in 2018 could be a phenomenal \$8-10 billion plus.

ICOData.io [indicates](#) the funding for ICOs throughout April 2018 was very low, at \$543 million, generated in token sales, a 44% decline compared to March 18, an ongoing downtrend, as the amounts raised have been on the decline since January of 2018.

Telegram's pre-ICO raised a whopping \$1.7 billion.

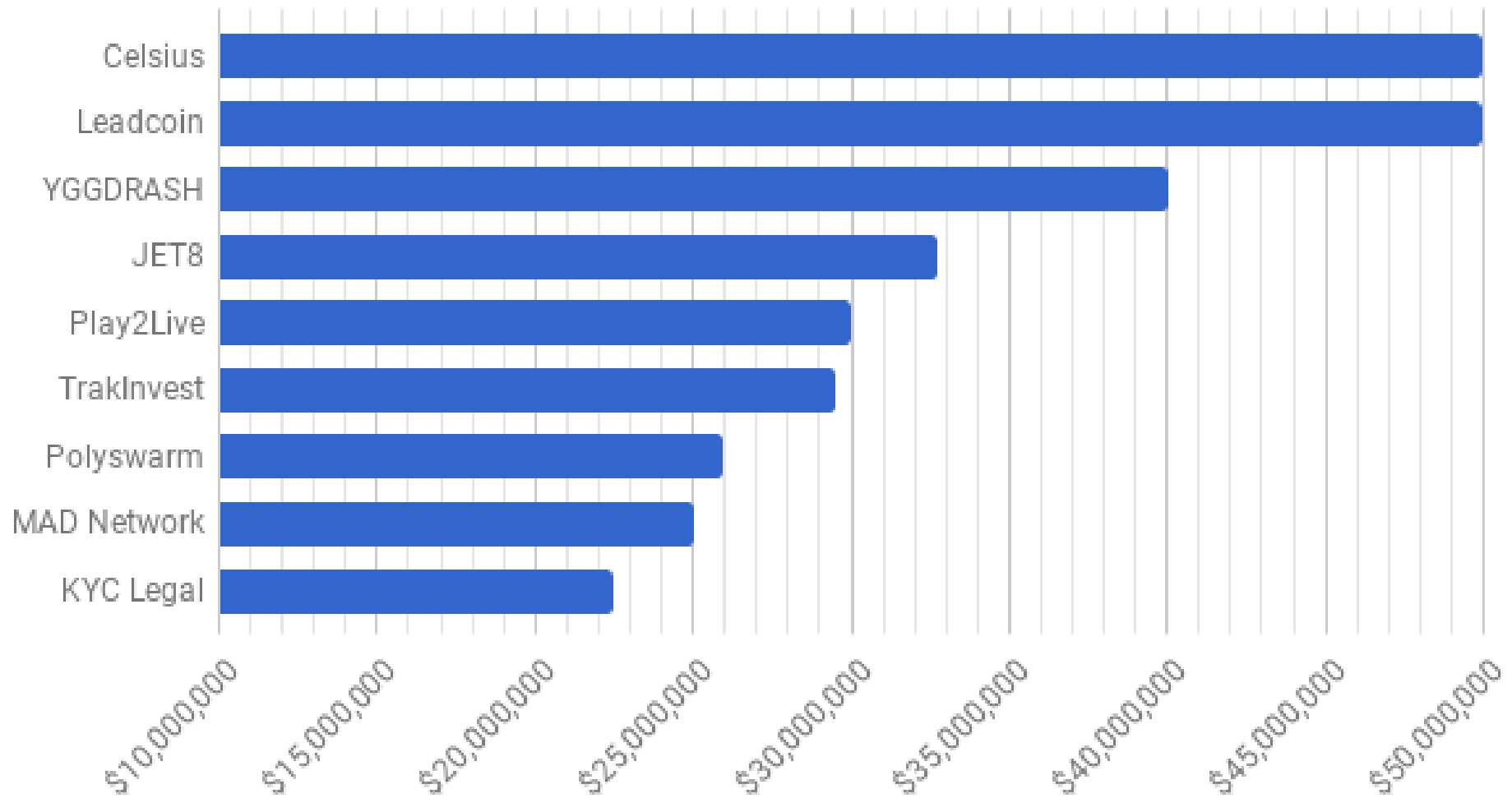


Telegram

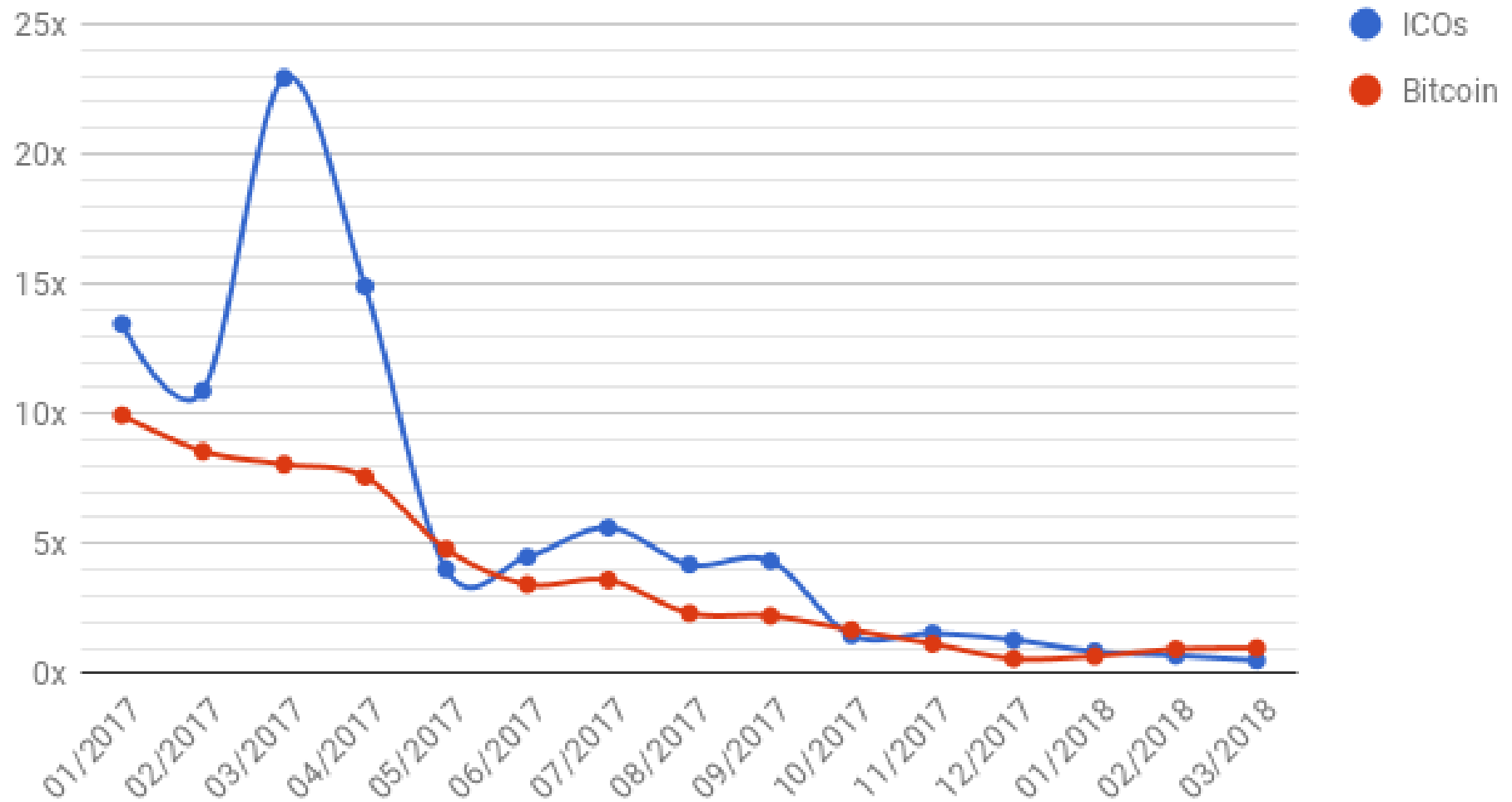


Venezuelan President Nicolas Maduro said the presale of the country's cryptocurrency "Petro", has raised over 5 billion U.S. dollars.

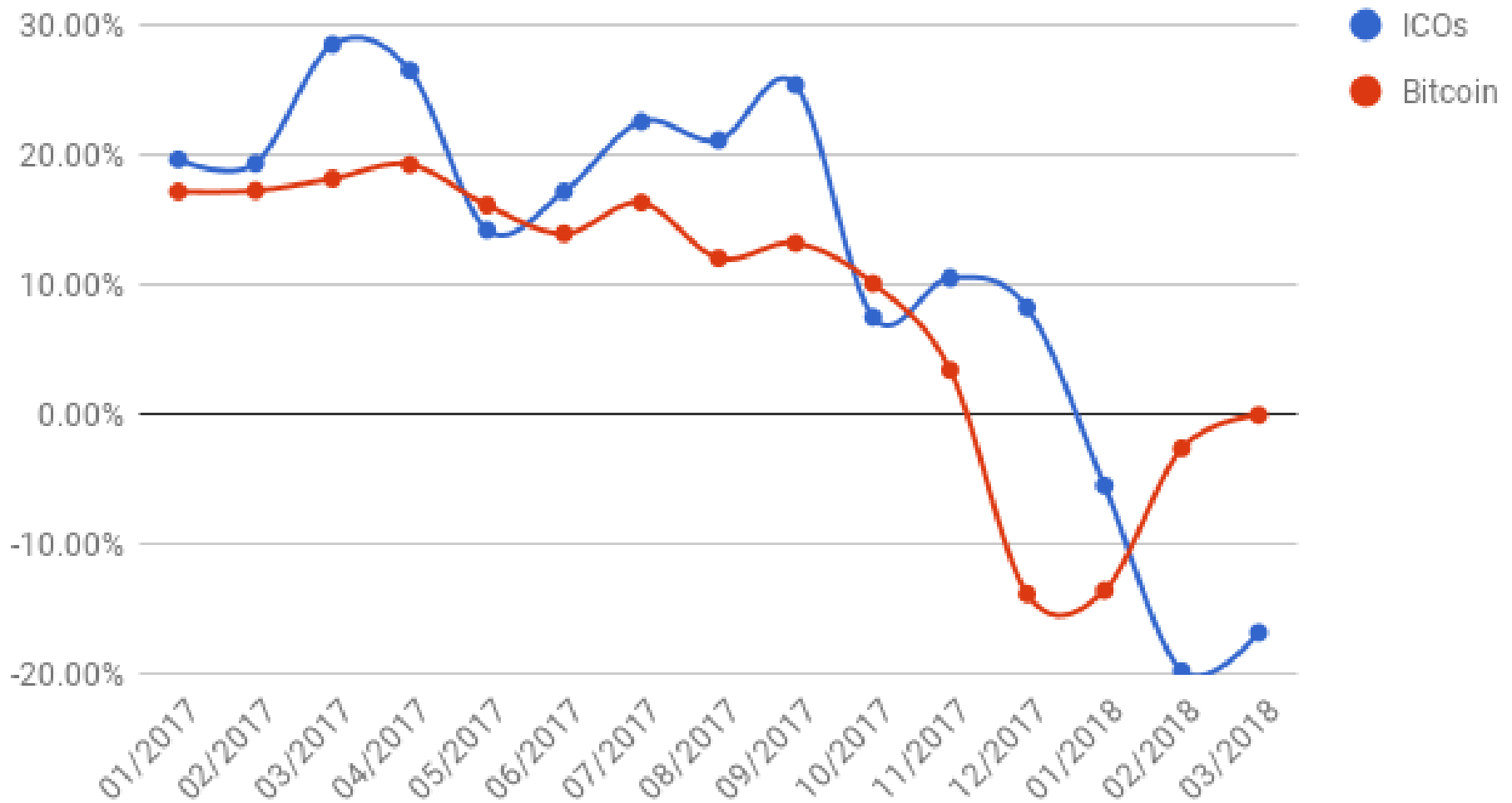
Top 10 ICOs in March 2018 by Deal Size



Return on Investment (Bitcoin vs. ICOs)

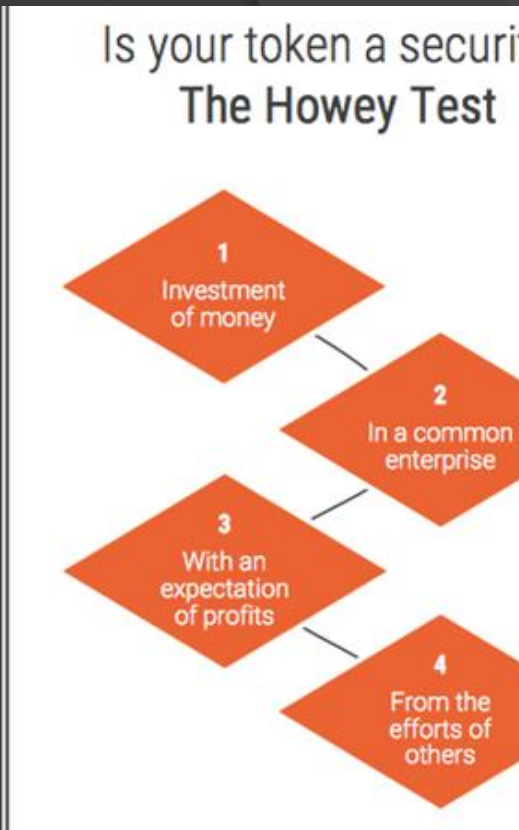
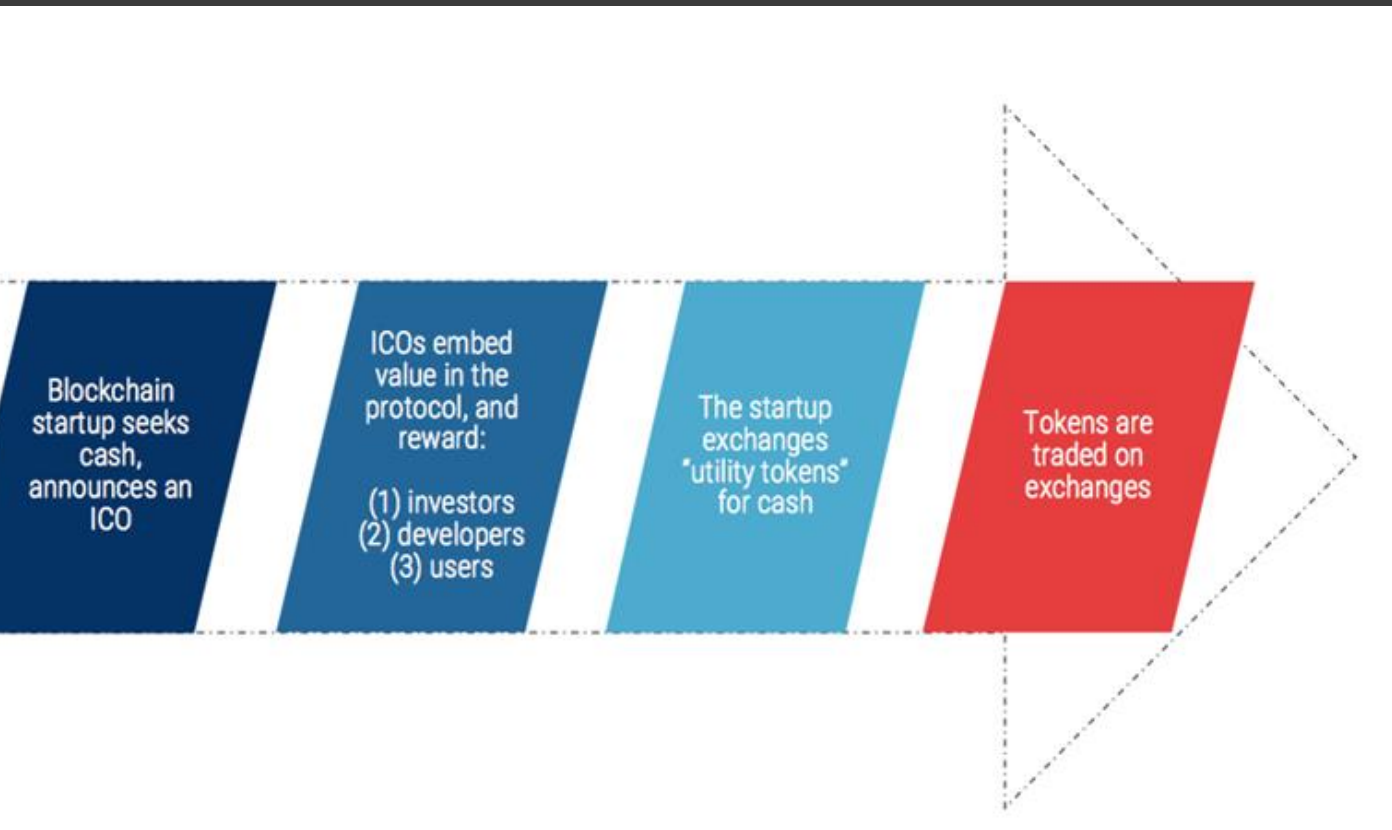


Average Monthly Return on Investment (Bitcoin vs. ICOs)



"ICO as a new business model leveraging Blockchain technology will sustain as the digital way, combining crowd funding and (a) new hybrid asset class of equity ownership and currency," Oliver Bussmann, a former chief information officer at UBS said.

Howey Test used by US SEC to determine a securities product.



The Howey Test determines that a transaction represents an investment contract if "a person invests his money in a common enterprise and is led to expect profits solely from the efforts of the promoter or a third party,"

Howey test is, why it matters, the breakdown.

First know that a transaction will be considered a security if all of the following requirements are met:

- 1. There is an investment of money**
- 2. There is an expectation of profits from the investment**
- 3. The investment of money is in a common enterprise**
- 4. Any profit comes from the efforts of a promoter or third party**

ICO IS THE HOLY GRAIL FOR THE GLOBAL ECONOMY

A new financial architecture and ecosystem

The crypto industry is shifting to so-called Security Token Offerings (STO) as regulators crackdown on ICOs.

An STO represents actual ownership in a business or asset, providing investors access to dividends and governance rights, in certain cases.

With an ICO, an investor is only guaranteed the future value of a token they purchased (which of course can go to zero).

Industry players develop their own principles to fill in regulatory gaps. One of the most notable is SAFT (Simple Agreement for Future Tokens), according to which investors receive an option until the utility token can actually be used as a means of payment.

Simple Agreement for Future Tokens (SAFT) is an investment contract offered by cryptocurrency developers to accredited investors. It is considered a security and, thus, must comply with securities regulations.

The most common type of token sold during an ICO is for means of payment on a Blockchain platform or “utility token.”

Polymath Network CEO Trevor Koverko explains it this way:

Almost every token that exists today is a utility coin. Bitcoin, Ethereum, Ripple are all utility coins. A utility coin is simply just access to a protocol. They're not technically considered a security by regulators because they're products. You don't actually invest in them. You buy them and you use them to access the protocol. That's why they're called utility coins. Security coins are financial products. These are tokenized funds, tokenized real estate, tokenized commodities. These are tokens that literally represent ownership in a real asset.

In July 2017, the U.S. Securities and Exchange Commission (SEC) issued formal guidance stating that the offering and sale of digital tokens “are subject to the requirements of the federal securities law.”

For security tokens to launch, full regulatory compliance is required, including KYC (Know Your Customer) and AML (Anti-Money Laundering) compliance.

SPiCE Venture Capital founder Carlos Domingo shared his thoughts about the potential size of the security token market:

It's inevitable that security tokens will transform equity just as bitcoin has transformed currency, because they afford the owner a direct, liquid economic interest and the expedited delivery of proceeds. Every type of ownership can be tokenized, which is a massive multi-trillion dollar addressable market.

REGULATION OF ICO's and CRYPTOS

May 2017

August 2017

September 2017

October – December 2017

Simple Agreement for Future Tokens (SAFT)

The Investment contract between ICO organizer and accredited investor, developed by Protocol Labs. It offers options for the token purchase compatible with US law. The option is valid until the platform is started, then it is exchanged for utility tokens.

Russian Association of Blockchain and Cryptocurrency

An association of developers, users and products of blockchain technology that promotes the spread and integration of blockchain into the country economy, and coordinates business activities of association members, as well as protection of their property interests.

ICO Code of Conduct

The Crypto Valley Association (Switzerland) initiative to develop an official ICO code that will help to avoid risks and misconduct by ICO organizers.

ICO Governance Foundation (IGF)

An International organization with the purpose of protecting ICO investors and promoting the formation of ICO capital. IGF initiated a voluntary registration form for ICO (Form IGF-1). The foundation cooperates with national regulators (SEC, ESMA, CSRC, MAS) to create methods and standards for ICO regulation that complements existing regulation.

Token Alliance

A chamber of Digital Commerce initiative aimed at developing standards for the ICO as well as solving issues related to SEC regulation.

Initiative for ICO Regulation

Waves driven association that will develop standards for reporting, tax and accounting, compliance with "know your client" procedures, and various legal and regulatory aspects for the ICO and the blockchain industry.



ICO Transparency Initiative

An initiative of 16 blockchain projects aimed at disclosing data on project-controlled wallets and explaining any costs exceeding 0.5% of collected funds.

Security Token Offerings (STO) will require the issuer to underwrite their own deal via third party audits, prepare marketing materials, generally solicit investor interest, and have high confidence in their security & regulatory compliance.

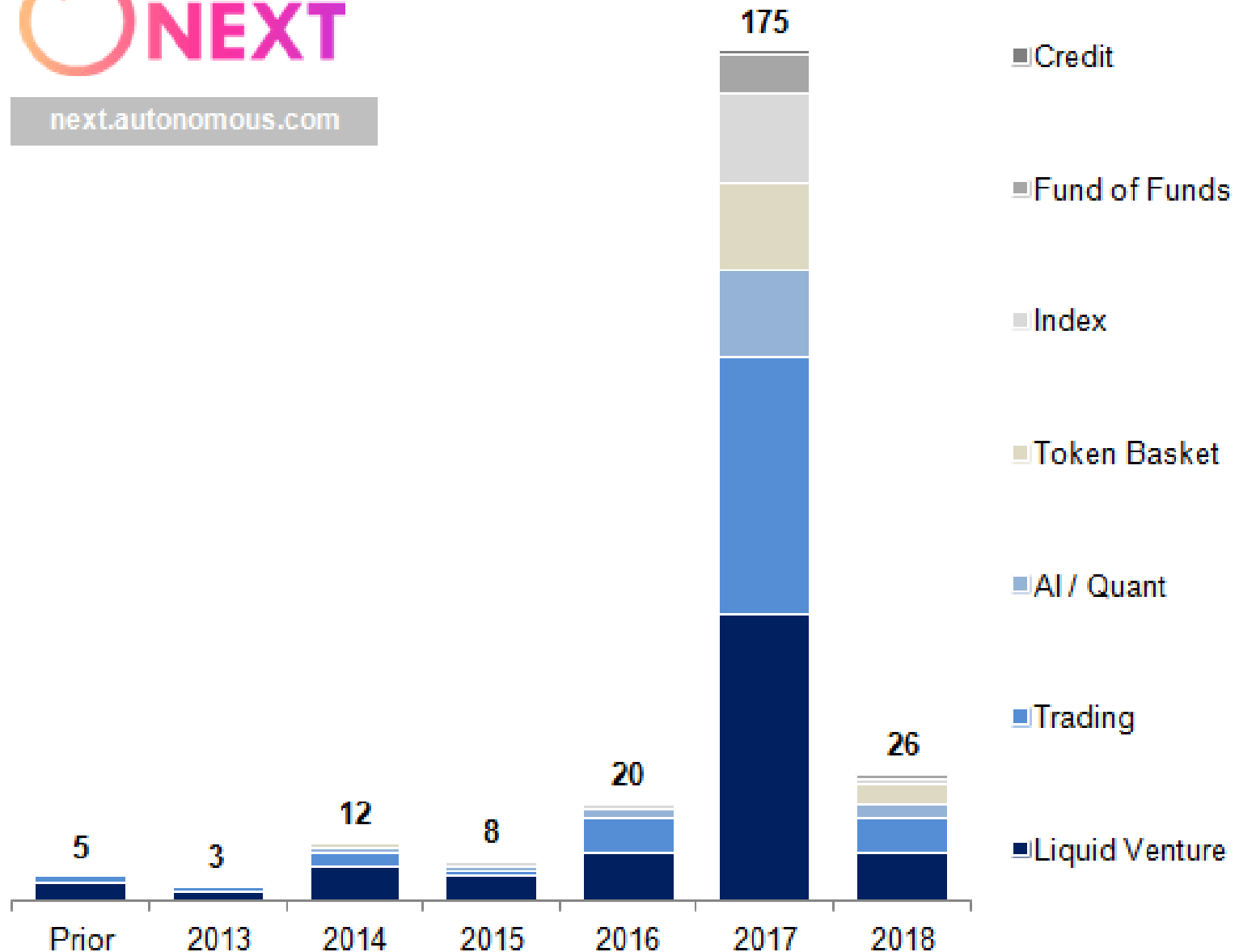
Tokenization is the process of converting rights to an asset into a digital token on a Blockchain.

Crypto Funds by Inception Year and Strategy

(As of Apr 05, 2018)



next.autonomous.com

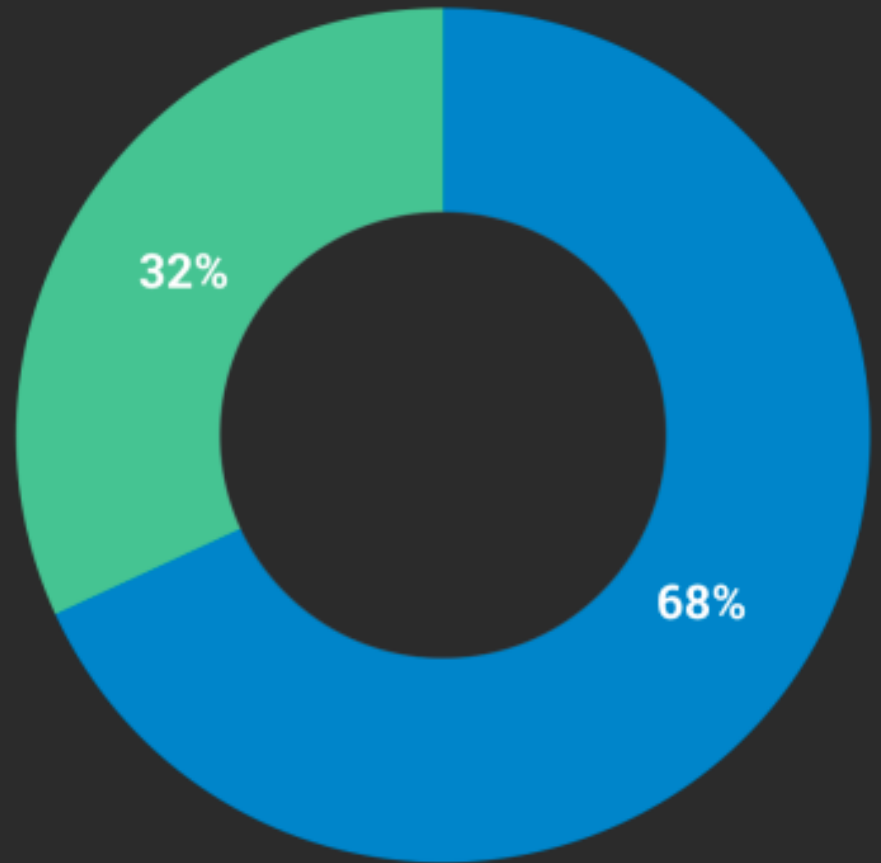


Blockchain And Blockchain-Adjacent Deal Volume By Funding Round Type, 2017-2018 YTD

2012 through late February 2018; data sourced from Crunchbase.

- Venture Capital
- ICO

crunchbase news



For 2018, amount of money being raised by Blockchain/Blockchain-adjacent companies via traditional VC rounds, on pace to surpass 2017's highs. With more than \$900 million in recorded venture funding in 2017, and more than \$375 million in known venture funding for the first two months of 2018 so far, traditional VC rounds — convertible notes seed, angel, Series A, Series B, etc. — now pale in comparison to ICOs in terms of dollar volume.

The ICOs have also many practical advantages compared to traditional funding:

- access to worldwide market of potential investors compared to a small elite of venture capitalists;
- eliminating the usual barriers/constraints that make accessing traditional VC funding difficult - geographical limitations, language/cultural barriers, social class barriers and networking barriers.
- VC has also high costs of funding in terms of equity share to be given up and high share capital dilution;
- the liquidity for boundless worldwide secondary market - tokens/coins, shares, bonds, commercial papers, derivatives of any type of assets, could be traded;
- the flexibility in designing the token-instrument – features & rights that one can attach to it – is unconstrained;
- just as the ICOs will “democratize entrepreneurship”, tokens will “democratize investing”.

TOKENS will do to the investment market what the internet did to the media.

This as the biggest risk? Because the financial sector stands to lose big if they do not get soon a firm grip on the sector.

Just think for a moment: a boundless, decentralized, liquid market where you can trade any assets. There will be no need for brokerage houses or intermediaries as we know them today, which may well be replaced by an open source node software like the XU. The trades will settle in seconds, with direct peer to peer payments made via mobile phone and without need of a bank account.

Tokens will obliterate stocks as the most traded instrument in a large, open, decentralized, transparent market running 365days/24hours on the Blockchain.

While securities' laws will clearly apply to this category of tokens, the attraction for mature businesses is to tap into a highly liquid, borderless and decentralized market.

Just imagine if US\$188billion IPO market slowly migrates to STOs and then just a tiny fraction of the current global debts, derivatives and commodities market follows suit (difficult to quantify, it is a mind-boggling number in the quadrillion league.

Tokens will also allow corporations to run a much more decentralized business model.

Disclosure is the key

ICO issuers should clearly lay out how raised funds, profits and assets will be distributed among owners of tokens, equity and debt. It also calls for project plans to be tracked and changes documented.

No need for new regulations. Existing regulations are sufficient to regulate even recent creations such as tokens/coins or cryptocurrencies. This is known by legal practitioners as *Analogia legis* – a fundamental principle shared by all civil law jurisdictions – whereby the interpretation of existing laws can be extended to new cases if they are analogous.

The future of the ICO's is likely to shape the future of the Blockchain. The two are locked together. Real innovation on the Blockchain can happen only if creators will remain flexible and unconstrained in their ability to raise funds. It is no coincidence that Ethereum made it with an ICO. Which VC firm would have funded Vitalik Buterin's dream back in 2014 with ca. US\$18m? None.

Disruptive innovations will not come from big industry players: IBM did not create Apple, Hilton did not create Airbnb, Wal-Mart or Metro did not create Amazon, and bankers did not create Bitcoin or Ethereum. It will be the young creative start-ups which will shape the future and they desperately need a simple and flexible funding mechanism to leverage their ideas.

“I want to go back to separating ICOs and cryptocurrencies. ICOs that are securities offerings, we should regulate them like we regulate securities offerings. End of story.”

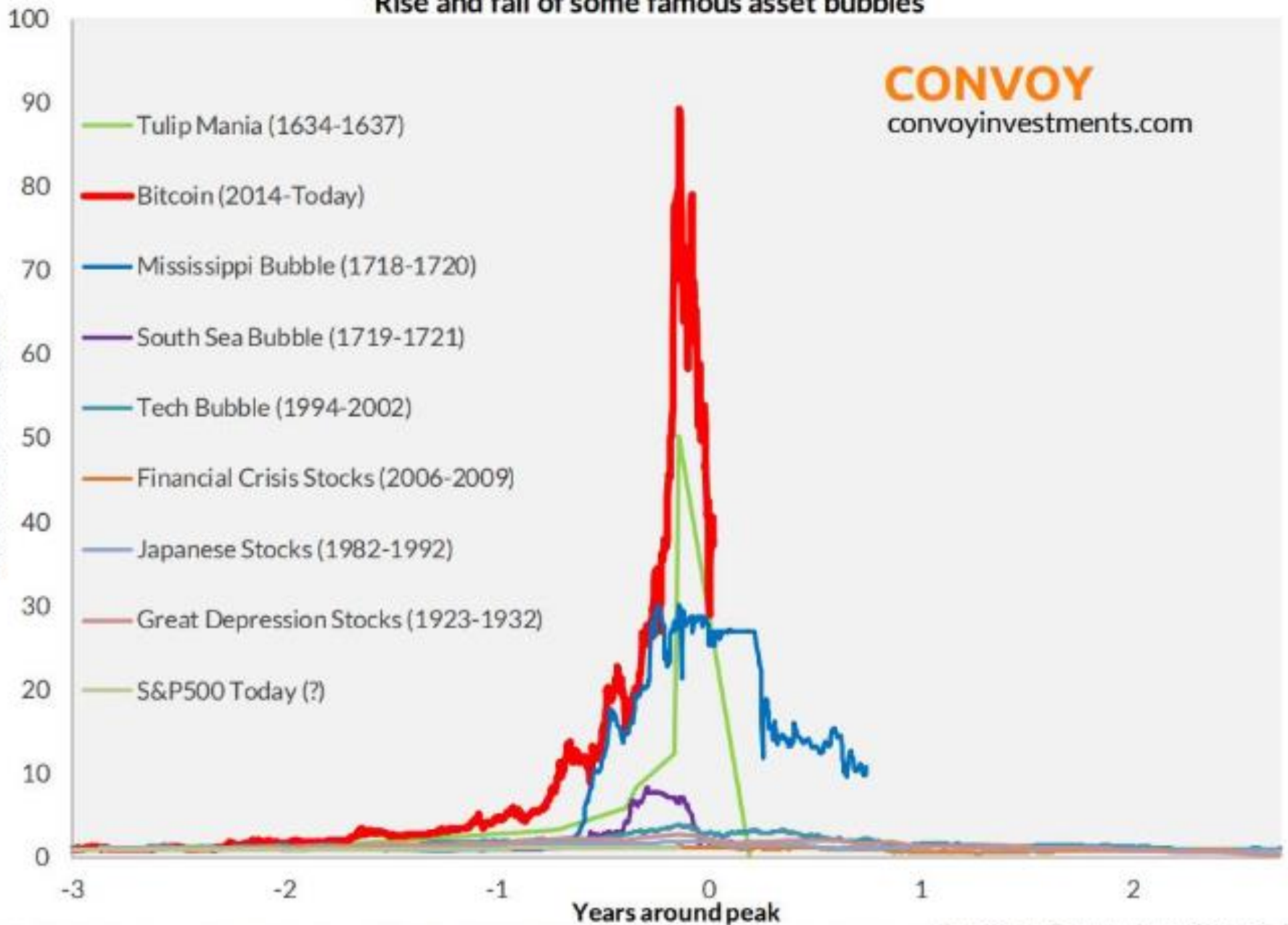
– SEC Chairman, Jay Clayton

Rise and fall of some famous asset bubbles

CONVOY

convoyinvestments.com

Multiple of starting price



As of 2/12/2018. Source: Elliot Wave International, Yale SOM, St. Louis FRED, Global Financial Data, and Convoy Analysis. *Courtesy Convoy Investments LLC*

BTC (USD)

Valuation



Dr. Jean Paul Rodrik, Dept. of Economics & Geography, Hozata University

Time

IF THE WEALTH SHIFT HAPPENS, CRYPTO CURRENCY SECTOR WILL GO BALLISTIC.



HOW BIG WILL THE BUBBLE GET?

- Some size markers:
 - Gold \$8 trillion market cap
 - US M1 money supply -- \$3.8 trillion =20% of \$19 trillion GDP
 - Dot-com bubble -- \$4 trillion
 - South Sea Company at peak £200 million (= \$40 billion or \$30 trillion)
- Lower bound of peak: \$80 trillion world GDP x5% x 20% = \$800 billion
 - -- That's crypto value only as means of payment
- Upper bound: between M1 and Gold -- \$4-8 trillion.
 - Anything bigger will be only very short spike
- Forecast based on past growth Crypto Market cap \$3.8 trillion at YE 2018.
- Crash sometime in next 18 months
 - But that's not the end, any more than in 1720

The only way to consistently stay ahead of the game is to adopt a long-term view and, if appropriate, with a strong contrarian spin.

— *Mark Mobius* —

“Change is the law of life. And those who look only to the past or present are certain to miss the future” – John F. Kennedy

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BECON is a global and cross-sector platform for collaboration, networking and advancing Blockchain industry solutions.

Headquartered in Ireland, and active across Europe, North America and Asia, BECON's portfolio of events and publications demystifies Blockchain technology and provides crucial insight on how Blockchain technology disrupts existing businesses models and industries.

Nils Veenstra is Co-Founder of the global Blockchain Ecosystem Network (BECON) & strategic investment, advisory and development of ICOs.

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