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THE BLOCKCHAIN REVIEW

A COMPREHENSIVE GUIDE OF ALL YOU NEED TO KNOW

How to launch an Initial Coin Offering

CONTENTS

Introduction

This comprehensive guide has been developed by Intrepid Ventures for serious entrepreneurs with a vision and commitment to their long-term projects. If you are reading this to find a get-rich-quick scheme or as a last resort to save a financially struggling company, then you should probably look somewhere else. You won't find what you are looking for here.

The content sections below cover a broad set of considerations you will need to address when launching an ICO. This guide focuses on strict legislation compliance, trust, transparency, credibility, and long-term development. These are not part of the glamorous blockchain world we usually find in the media. However, they are essential to the long-term success of a project.

ICO frenzy

If you work in the technology space or at least keep up to date with its news, the chances are that by now you've come across the terms ICO (Initial Coin Offering), token sale, or token generation event.

Initial Coin Offerings have been all the rage in 2017, and they don't seem to be going away in the short term. But, what exactly are they? What projects are they suitable for? And why does it seem like everyone is doing one?

We want to provide answers to these basic questions but also cover other important matters such as how blockchain startup teams should be formed, the essential elements of an ICO, how to market in the blockchain space and the many legal issues you should be reviewing.

The blockchain industry has been growing very fast so we won't be able to explore every single aspect in an in-depth manner. However, we have tried to cover the most critical things that founders should be aware of if they want to launch a successful ICO. In the following months, we will be creating and releasing content that goes deeper into each section to provide you with a more detailed set of resources.

A historical sidenote: Technological revolutions and the dotcom bubble

A lot of comparisons and similarities can be found between the dotcom bubble of the 90s and the current exuberance in the blockchain space today.

However, there is a general acceptance that at one point this exuberance will end, more likely with a *pop* than with a gradual decline.

This is not necessarily a bad thing. In her book “Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages” Carlota Perez builds one of the best frameworks to understand how disruptive technology adoption and development take place.

In the simplest of terms she describes the existence of two phases in every technological revolution:

1. **The installation phase:** the technology comes into the market, and the infrastructure is built.

2. The deployment phase: the technology goes mainstream and is broadly adopted by society.

The transition from one to the other is usually defined by a financial crash and a later recovery. The catch is that no one can predict when this will take place.

So what does this mean for current blockchain startups? If we extrapolate the development of the blockchain space with the digital advent, it means that in five, ten, or twenty years most of the current startups won’t be around anymore. But those that do, those that weather the storm, concentrate on real products, find their market, and execute correctly will be the ones that become the new dominant players (i.e., Google, Amazon, and eBay).

Understanding ICOs

General advice on ICOs

Before we start, we would like to give you some valuable advice.

A lot of entrepreneurs learn about ICOs by reading news articles about the "hundred million USD that X project raised in 20 minutes". This misleads them into believing that ICOs are an easy alternative to raising capital. A shortcut of sorts to avoid the time and hard work necessary to raise capital.

But ICOs are much more than just a new innovative way of raising capital. They demand a lot of considerations and thought, but above all, they demand hard work. Like we mentioned above if you are looking for a get-rich-quick scheme an ICO is not the option for you.

Initial Coin Offerings should never be an end goal in themselves but a mechanism for a team to collect the necessary funds to develop a product and distribute tokens amongst committed users.

The what and why

To assess whether an ICO is the right option for you, the first step is to understand what it is, beyond the hype and flashy headlines.

An Initial Coin Offering is a new kind of fundraising method made available by the development of blockchain technology and cryptographic tokens. Through ICOs, organizations distribute their platform's native digital tokens in exchange for cryptocurrency (such as ether (ETH) or bitcoin

(BTC)) to obtain public capital to fund their product development and business operations.

What this token represents will vary between projects, but in simple terms, it provides a specific set of rights to its holder. We will detail more about this later, but some of these rights could be access to a network or a platform, rights to program, develop or create features for a system, right to cast a vote on governance issues, etc.

Most of the projects currently running ICOs are small new startups looking for enough funding to make their product a reality with the received funds. However, as time passes, there are more established organizations with functional running products looking into this kind of model of issuing their own tokens. An example of an established business running a successful ICO is chat app Kik who ran theirs earlier this year.

Benefits of ICOs

Financing of new technological infrastructure

Much of the Internet's infrastructure was developed by open-source projects and had no way of being financed or getting any value from the applications built on it. Open-source projects building the new blockchain technological infrastructure now have a way to finance these developments.

Generation of initial users and network effects

Token holders usually get rights to participate or use a product or a service, making them a company's first users. Because they have invested in the token, and therefore the platform, they have an incentive to make the network grow.

While this holds true, it is also worth considering that buyer motivations vary. Some of the earlier investors may love your vision and product and want the token for its utility, but there are also speculators hoping to earn some gains by trading your token.

Promotion of inclusiveness

While traditional investments have mostly been reserved for a small percentage of individuals, ICOs allow anyone to participate as an investor in early stage projects. Anyone can be part of an ICO regardless of factors such as income level, country of residence, connections, etc. (Some regulatory restrictions may exist though.)

Access to a global pool of funds

Because of the inclusiveness and openness inherent to the ICO investment mechanism, projects have the possibility of accessing funds from all around the world and capitalizing on some of the wealth that the early crypto-market space has been able to create.

Risks of ICOs

Uncertain regulations and compliance issues

At the moment, the legal framework for running ICOs and the compliance responsibilities that must be adhered to by organizations remain unclear for the most part. The vast majority of jurisdictions are still quite slow adapting to all of the innovations and changes cryptocurrencies have brought, and there is a lot of disagreement on how to regulate them.

Because of this uncertainty, both the projects and the investors taking part in an ICO might be (unintentionally) breaking the law without knowing about it.

Complacency due to lack of urgency

Adam Ludwin, Founder of the Chain project recently tweeted “An ICO lets you exit before you start.” The fact that some projects are raising so much money with little evidence that their idea is even possible to achieve can be dangerous. Getting all the money upfront can instill a sort of complacency and remove any pressure to deliver.

Bad distribution and excessive speculation

In good blockchain projects, the token is an integral part of the system and a necessary component for the success of the platform. The token holders need to be users of the platform and make use of the token utility for the platform to work. If the token distribution is not appropriate, or the only holders are speculators, the platform will suffer the consequences. Because of this, successful ICOs might still result in failed projects.

Flaws and code vulnerabilities

Smart contracts, the computer code applications running most of the ICOs, are new and still an experimental technology. There are still a lot of vulnerabilities in them, and even contracts coded by experts following best practices may be susceptible to errors (or attacks). A lot of money is being trusted to technologies that are still in an experimental phase where even minor bugs could lead to partial or total loss of funds, for organizations, investors, and users.

Scams and hacks

In addition to the inherent problems found within an emerging technology, the amount of wealth currently distributed in the blockchain space has created a honey-pot for scammers and hackers. Scammers or hackers taking advantage of unaware or uneducated users, and exploiting some of the complexities of the system has become a common occurrence.

Lack of understanding of cryptoeconomics

As we will see in the next section, there are a lot of elements involved when designing a proper system where tokens have a relevant role. In addition to technical knowledge, it requires an understanding of game theory, economics, human behaviour, and incentive systems. Without an understanding of these concepts, a token may lack the fundamentals to become a vital element of the system, becoming a completely misvalued asset as a result, and compromising the whole platform's future.

Business Models & Protocol Innovations

Marching backwards into the future

When any technological breakthrough is discovered, the initial applications and developments are usually implementations of what we are already familiar with. The breakthrough implementations are only discovered later when they go from improving the tools we were using to inventing entirely new ones. (Think of how Airbnb came years after online hotel reservations existed or how Netflix went from an enhanced movie-rental model to a new kind of entertainment platform.)

Anyone can make predictions, but nobody can foresee where the industry will end up. Entrepreneurs and founders are usually walking into their own projects without being sure where these might end up. But in the process of developing these projects, they will make unanticipated discoveries that we have no way of predicting.

Fat protocols

To better comprehend the new business models that tokens are developing we need to understand the concept of "Fat protocols" coined by Joel Monegro, a former analyst at Union Square Ventures.

One of the main things blockchain technology has come to change are the assumptions we hold about how the Internet, and its base infrastructure, should work. The protocol layer on which the Internet was built (think HTTP, DNS, and TCP/IP) was developed by researchers as open-source tools and mostly maintained by non-profit organizations. Most of the value was not captured by its creators but by the companies selling software and hardware products and services on top of them. We are talking about hundreds of billions of USD.

While these protocols are what allowed the development of the internet to occur, this model did not generate many incentives to innovate on them. Today, with blockchain technology and the creation of cryptographic tokens, the protocol infrastructure situation changes.

In his essay, Crypto Tokens and the Coming Age of Protocol Innovation, Albert Wenger, also a Partner at Union Square Ventures, talks about how cryptographic tokens are "a new way of providing incentives for the creation of protocols and for governing their evolution."

This is a new business model that did not exist until recently. Companies can now develop new protocols for which they distribute tokens amongst users (ICOs are one of the methods to do this), and retain some of these creating value for all stakeholders in the system.

Furthermore, every token holder for such a protocol has an incentive to use and drive mass adoption as this would represent an increase in the value of the tokens they have invested in. Several projects of this sort such as content creation platform Steemit, or decentralized storage services like Sia, Storj, and Filecoin that already have running products are evidence of this.

Cryptographic tokens

Tokens are defined in several different ways.

Although a definition is provided in the previous section, William Mougayar describes tokens from a business perspective:

"A token is a unit of value that an organization creates to self-govern its business model, and empower its users to interact with its products, while facilitating the distribution and sharing of rewards and benefits to all of its stakeholders."

What this means is that tokens have a variety of intrinsic utilities. Hundreds of different tokens exist, and each can have different sets of utilities. However, some general groups can be defined for easier categorization:

Product usage: Payment to access and use a system.

Equity/right: May offer a stake in a specific start-up and equity-like benefits, such as profit sharing and voting.

Currency: used as a payment or transaction unit (between participants or to the network).

Work: Enable contribution of work to a system in exchange of revenue.

Asset ownership: Tokens that are backed by a specific asset, either digital or real life.

Note that these are just some examples but many more exist. A token can fulfil one or several of the above functions, which makes the categorization of tokens so difficult.

Intro to cryptoeconomics

When Satoshi Nakamoto created Bitcoin in 2009, he unknowingly gave birth to the field of cryptoeconomics. In simple terms, cryptoeconomics refers to the study of economic interactions in adversarial environments. Cryptoeconomics approaches combined cryptography and economics to create robust decentralized P2P networks that thrive over time despite adversaries attempting to disrupt the network.*

The cryptoeconomics of the token and its implementation are what enable the building of a robust network with proper incentives that keep actors well behaved and contributing positively. As we will see later, the designed mechanics and terms of your ICO should be deeply integrated with the system's cryptoeconomics. Who your token holders are, and how much they own will be relevant to your project's long-term success.

It is also of great importance to understand the full extent or constraints of your token functionality as concretely and thoroughly as possible. This will help you to be clear in your communications and form the starting point of the conversations you need to have with your legal advisors.

The ICO journey

The ICO journey

We hope by now we've provided a broader vision of what the ICO journey entails. Remember, the crowdsale event is just the last sprint of a long marathon that started several months before with hundreds of hours of hard work.

To help with this process and provide perspective on everything that needs to get completed, we've put together the following "ICO journey" list that will help and guide you on your journey.

We will cover most of these steps, with some sections more in-depth than others. Complementary documentation will get released at a later date. The steps outlined below do not necessarily need to be carried out in the order they appear.

Steps to launch your ICO:

*Not every successful project has covered all of these steps, however the more you comply with each of them the more solid and serious your proposal will present.

Concept of idea/project: Like any traditional startup, everything starts from an idea to solve a problem.

Assembling core team: The founder/s assembles the core team members that will drive the project forward.

Product planning: With a team of diverse skilled members important decisions such as the technology to be used, the product functionality, the token/ICO characteristics, etc. are decided.

Getting advisors: Fulfilling the shortcomings of your team with experienced individuals that can provide advice, mentorship, and connections.

Product/Community marketing: Start building an engaged community and introducing the project to the space. Create a communication plan to introduce the product and the vision for the project.

Developing a whitepaper: Authoring a white paper to introduce the problem, the solution, the product and its technology, the token and the ICO, team, business, etc.

Releasing a roadmap: Present a feasible plan of action with commitments for development and milestones to keep the team accountable to the community and supporters.

Seeking legal council: Define jurisdiction and get legal council to operate under the corresponding legislation including corporate structure, taxes, securities, AML and KYC laws, etc.

Token sale marketing: Announce and develop a communication strategy to inform people about the token sale, the specifics of the token, its distribution, sale terms, etc.

Releasing code and audits: Share your smart contracts code for revision and ideally have a specific auditing service do a revision.

Token Sale (optional pre-sale): Run the actual crowdsale or a pre-sale (public or private) to collect some “seed” money for development.

Proceeds conversion: Teams liquidate some of the received money to secure cash and pay to build out the team, technology, and business.

Releasing prototype: The sooner a prototype is presented the better. If it is before the ICO even better.

Transparency reports and post sale: After an ICO is completed the real work and responsibility to your community begins. Being transparent, showing progress, and keeping constant updates is essential.

SIDENOTE: The cryptocurrency and blockchain space has always been quite hectic. Things change very fast and it’s easy to fall victim to the anxiety and inherent industry uncertainties. Our antidote for that is to sift the signal from the noise and focus on your plan of action - what needs to be done. Remember to accept constructive criticism but ignore the haters.

Basic elements before you start

Investors and other relevant stakeholders in the space are currently getting bombarded with new projects and their forthcoming ICOs. All this noise is making it increasingly difficult to differentiate between respectable projects and money-grabbing ones.

To make this process easier and faster, a set of basic criteria has organically emerged amongst investors. Making sure you cover these at an early stage should be part of your initial efforts. The elements that most investors tend to look at first include:

Team

Who's involved in the project is probably the first thing investors will look at when doing their due diligence. Showing faces and experience go a long way to building trust. While different projects require different team members overall, you should look to build a team that demonstrates technical experience, business development capacity, and knowledge of the blockchain space (both technical and industry related). Open-source collaborations is always a plus in the space!

Advisory board

Any shortcomings from your core team should be filled in with your advisors. This can be for technical knowledge (it is hard to find experienced blockchain developers, so advisors are incredibly useful), or inside knowledge about the industry you are building (i.e., if you are implementing blockchain technology into the insurance industry somebody with experience in that field would be very relevant). Choose your advisors based on the value they can add to your project rather than as "popular faces." In the long run, you will get much more out of them.

White paper (Position and yellow paper a plus)

Probably because the two most popular blockchains, Bitcoin and Ethereum, were introduced with whitepapers, this document has come to represent a guarantee of credibility and seriousness. Although not everyone agrees with this at the moment, having a whitepaper that explains in depth how your project will work is essential. The most serious investors and the people that are interested in your platform for reasons other than speculation will want to read a whitepaper before investing.

Position paper: some projects release one before the technical whitepaper. It is a clear 2– 3-page argument supported by your technology proposal that helps get community feedback to develop the technical whitepaper later on.

Yellow paper: The more sophisticated crypto/blockchain companies will offer a Yellow paper, or a second "technical" white paper. This one presents in scientific detail the technology and the innovations that they have created, or propose to create.

Code and/or prototype

You may be great at communicating a vision, but can you build it? Showing a good code repository, or even better, a working prototype is one of the hardest aspects to fulfill, but also the one that can make the biggest difference. Currently, most ICOs raise funds based on the promise of the product. Developing a working prototype can deliver a huge advantage.

Roadmap

If you decide to accept money you should also provide a tool to help people hold you accountable. This is one of the primary goals of the roadmap. You should present the plan for the next years in the project and share the most relevant milestones.

It's also of critical importance to show the different product version releases.

Token sale terms

In addition to the platform and the utility of the token, investors will want to know the terms of your token sales. How much is being distributed and how much will be kept, the duration of the sale, any soft or hard caps and other mechanisms will impact their interest.

Legislation & Law

The fast pace with which blockchain technology has moved has made it very difficult for governments and legislators to stay up to date with everything happening in the space.

However, lack of proper legislation doesn't mean that blockchain startups or their ICOs are exempt from the law. It is quite the opposite. Teams that decide to run an ICO should be extra careful and determined to be compliant to avoid inadvertently committing any offenses.

Corporate formation

One of the legal matters that need to be navigated relates to what kind of structure will be chosen for the project. If you have not decided on the structure of your business, you might fall into a default general partnership, where all founders would be operating under full personal responsibility for all actions performed during the business.

One of the most common practices when doing an ICO is to separate the operating entity from the token issuer company. This is done for several reasons including separating legal liability and also choosing different business entity types according to the function of each entity. For example, foundations and trusts are commonly used entities to run ICOs but are not the best option to operate a business.

One advantage of such a separated structure is that the two entities may be located in different jurisdictions. Your operating entity could be located in almost any jurisdiction without any risk as long as you abide by the current legislation. On the other hand, for your token issuer company, you might want to choose the jurisdiction with more friendly or flexible legislation. You can find more about these in the next sections.

NOTE: When running an ICO what typically matters is where the investors are located and not where the issuing entity is. You should consider this when you decide what investors you will whitelist for your sale.

How to choose the right jurisdiction

Even though legislation continues to lag behind the industry, many national authorities have begun to issue guidelines for ICO investors. While these guidelines are not 100% ideal, they should be seen optimistically, as progress of a kind. It is essential to understand that they are being developed with investor protection in mind, and with a desire to make the space more transparent.

That said, regulations and guidelines vary significantly between jurisdictions. They depend on several factors such as how authorities perceive cryptocurrencies, securities laws, consumer and investor protection laws, AML regulatory frameworks, and on the jurisdiction's willingness to promote blockchain innovation.

Many jurisdictions are trying to attract progressive entrepreneurs to their territory and are quite open to helping you succeed. Below you can find some elements to look for when deciding on a jurisdiction:

Cooperation with industry

Some jurisdiction's frameworks may seem very flexible and work well for traditional industries, but this might not be the case for new and disruptive projects that involve cryptocurrencies. Look for an emphasis on stimulating innovation, entrepreneurship, and small business growth. Having an open policy and cooperative approach will make a significant difference when it comes to opening bank accounts and getting ancillary business and corporate services.

Access to legal and industry representatives

Any cooperation to help with setting up an entity or open an account will be to little or no avail if you have no access to legal and industry representatives. Running an ICO will demand a lot of direct interaction with authorities on a regular basis. The jurisdiction you select should provide direct access to an informed representative that you can easily contact to retrieve a quick response.

Consumer and investor protection

Investors and consumers will feel more secure with their investment in your project if they see you have a regulatory stamp of approval from a jurisdiction that protects their interests. It gives them certainty that you are operating above board and provides a place they can go to argue any grievances should something go wrong.

In general, a regulator's quality can be primarily determined by how well it protects consumers and investors and how easily accessible they are in the event of a dispute.

Clear definition of cryptocurrency

A clear definition shows that the jurisdiction is already aware or involved in the industry and probably moving forward with more structured and definitive legislation. A definition may also signal how welcoming a jurisdiction is of "coins" and/or "tokens." Be sure to read and analyze the definition for these in the jurisdiction you choose.

Industry Advocacy Group(s)

Any jurisdiction which has an active industry advocacy group working to develop regulations and an amicable environment for blockchain projects should earn a lot of points on your list.

A strong and active advocacy group not only shows that a jurisdiction is robust, but it also provides you with allies and a group with whom to work with on the policies of your company.

Kinds of corporate formations

Structuring a distributed and international small business is not easy. Making sure that the jurisdiction has the proper legal vehicles for your project is critical. Like we mentioned above, the trend in the blockchain and cryptocurrency industry is to have a foundation as the main vehicle to accept tokens and govern your ecosystem, but this does not mean it is the best, nor the only one.

Make sure to design your business structure with experts in the field to know what your needs will be. Some of the leading jurisdictions for blockchain projects and ICOs are:

• Switzerland

- Singapore
- Hong Kong
- British Virgin Islands
- Cayman Islands
- Isle of Man

Remember. Even though these jurisdictions are leading the way in many respects, each one will have their benefits and drawbacks. When it comes to choosing a jurisdiction for your ICO, it's vital to examine what your specific needs are and what you are willing to trade off.

Securities & commodities laws

Despite a large number of legal aspects to consider, the most significant concern for most projects is whether their token falls under the category of securities.

This topic gained particular notoriety when the SEC released an investigative report concluding DAO Tokens were securities, and because so much speculation and uncertainty exists right now, anxiety levels are very high. Nobody wants the SEC calling on your phone.

Most jurisdictions have yet to take a clear stance on whether tokens or which tokens, if any, will be considered securities. In other words, just because authorities haven't come out yet and said that some specific tokens would be regarded as securities doesn't mean it will stay this way in the future.

Non-US investors are not subject to US Securities laws, so some ICOs target only non-US investors. But this does not mean they are completely covered as it's very easy to mask your location on the Internet and not all identity verifications (especially on exchanges) are exhaustive.

One of the most common ways of figuring out if your ICO might be considered a security offering is to run it through the US Supreme Court Howey Test. However, be wary of interpreting these results as definitive. Regulators use several other methods to define your token.

There are currently several organizations working in the blockchain space to clarify these uncertainties. One such organization is Coin Center - a nonprofit focused on policy issues facing cryptocurrencies. Coin Center has published a Framework for Securities Regulation of Cryptocurrencies and a more specific Securities Law Framework for Blockchain Tokens .

AML and KYC laws

In almost every legal jurisdiction, no matter what the legal definition of cryptocurrency is, you will almost always be required to abide the financial surveillance laws.

These are better known as the Know Your Customer (KYC) and Anti-Money Laundering (AML) rules. In simplest terms, these are laws that mandate that "financial institutions" (a broad category of businesses offering financial services) must collect and retain information about their customers and share that information with the appropriate regulatory entities.

Regulated entities are traditionally required to collect a government-issued ID + a utility bill for a person, in this case, your customers. However, this may vary according to the jurisdiction you are operating under, and if your entity is considered non-regulated, these requirements could be less.

Your KYC related activities depend on how your token is defined. If it falls under the security category, KYC regulations must be fully adhered to (not to mention many other considerations like making sure purchasers are accredited investors). On the other hand, if your token is considered a utility, legislation tends to be more flexible.

Crowdfunding laws

Although the concept of ICOs and crowdfunding through tokens is revolutionary, not every aspect of it is entirely new. Some of the problems have been dealt with before.

In mid-2016, the US implemented Title III of the JOBS Act, which legalized equity crowdfunding for non-accredited investors. At its core, it is very similar to what ICOs have come to deliver on: democratize the funding process and allow the raising of funds from a crowd or community and not just a small elite of venture capitalists. Analyzing the crowdfunding laws in the jurisdiction in which you hope to launch is an option.

Taxation

Specific taxation frameworks on ICOs are still not entirely defined. In addition to this lack of regulation, the fluctuation of cryptocurrencies presents another challenge as to how to run your business.

It's wise to choose a jurisdiction which provides a favorable tax policy to minimize future headaches. Each jurisdiction, based on their categorization of a cryptocurrency will require you to report tax on either; sales tax, VAT, capital gains, or all of them.

Particularly if you are not running a foundation, a low tax jurisdiction, with a clear categorization of what a cryptocurrency is and how it is taxed, will help the management and accounting side of your project immensely.

Advertising (of token)

The language you use to refer to your token may have an impact on whether your token is deemed a security. Every promotional material you use for your ICO can and will get examined, so it's crucial that no language misrepresents your offering.

Jargon and technical language won't protect you. Everything you write can be scrutinized. (Including, social media, Reddit, messaging apps, etc.).

To protect yourself, be sure to set specific guidelines on how to refer to your token from the beginning and make sure that your team members follow diligently. It is always a good idea to seek the counsel of a lawyer to review all of your promotional documents, your website, token terms, and any other material.

Marketing your ICO

Running a campaign for your ICO is considerably different from running other kinds of marketing campaigns. While any previous knowledge and experience will be helpful, the blockchain space has its own style and gimmicks.

Additionally, you should always keep in mind that while your marketing efforts are looking to raise a successful ICO and promote your token, your primary focus should be your vision, product, and development.

Choose your audience

Due to the current state of the crypto space and ICOs, there are two ways to market your project. The first one involves focusing on speculators and opportunists looking for the next big break where they can multiply their past cryptocurrency earnings.

The second one consists of putting together a communication strategy that focuses on the product you are developing, a strong community that stands behind the project, and an image of trust and credibility for your team and your project.

The first way may give you a better chance at raising large sums quickly and with less effort. It may look attractive initially, but it will almost certainly bring problems in the future and may even jeopardize your project. The second way takes more time and demands much more work. However, it will also allow you to reap long-term benefits and bring real supporters and evangelizers even if challenges arise in the future (i.e., a market crash).

We want to help you with the second option. For this we recommend putting your marketing efforts on steadily building a community, building a relationship of trust with your team, and showing what you can build. There is no better marketing than providing real value to a community and having the right kind of followers that organically generate network effects.

The marketing strategy

You should develop your plan around the value and innovation the product brings to users. Remember that the ICO is a vital tool to achieve project goals, but it is not the end goal in itself.

Announcing an ICO is a useful tool for awareness of the project, but it is not what should attract your token holders. Every stage of your strategy should be crafted to balance enough appeal to fulfill the ICO sale objectives but also have token holders that trust the product and are not just speculators.

Your marketing strategy should be developed to go along the elements that we detailed in section 4. Even if you are not able to fulfill all of these before starting to market your ICO you should create a plan as they will give you a lot of ideas to create content.

Overall, perhaps the most important aspect of any successful marketing campaign is to keep the community well informed about project updates and developments. This will show transparency and reinforce the credibility of your efforts. See the list below for content ideas: (This can work as guides, post, videos, podcast, etc.).

Team

• Interviews to the founders

• Team members introduction and presentation of their experience and achievements

Product

• Analysis of the industry you are working in and the problems it has

• Problems as opportunities and your solution

• Technology or innovation you are introducing

• Business potential of the project (market size, growth, opportunities)

• Benefits for the users of the platform

• Prototypes/Demos of your product

ICO

• Crowdsale details

• Partnerships

• Description of your token and its utility

General

• AMA (Ask Me Anything) sessions for direct community engagement

• Use cases of your platform

These are just some examples that will help you cover the necessary information you need to communicate your project but don't be afraid to be creative and try new stuff. After all, you know your project and vision like no one else. The more engaging you can be the better.

All of these creative ideas will need to get broadcasted on a variety of channels. The most important is to figure out where your most responsive audience is. The best way to do this is to do some research before committing any resources. At some point, however, you will need to do some testing to see what content and distribution channels work best.

Below you can find a list of the channels that you can use to promote your project and ICO with a brief description of each. Some of these are traditional digital marketing platforms while others have developed thanks to the growing “ICO” industry.

Press:

PR is one of the hardest but most effective channels as it allows you to reach massive audiences. Specific blockchain news outlets tend to cover more projects overall, but the industry has gone quite mainstream, so tech news sites have been picking a lot of new projects lately also. You can try to do this yourself or hire specific PR agencies (although because of demand they have become quite expensive).

Public figures:

Connecting with influential people either in the blockchain space or in your projects particular field is good for credibility, reach and connections.

Social media:

The great thing about social media is that you are in control of all of it. Build a community where you can connect with people and distribute all your content and updates.

Blog and YouTube:

Both these channels are perfect for long format content where you can extend on all of the ideas we posted above. Medium has also become the de-facto blogging platform for blockchain projects.

Community/messaging marketing:

The blockchain space has grown principally by network effects and in the form of communities. These develop in diverse ways - they can be open platform communities/forums such as BitcoinTalk or messaging channels like Telegram, Slack, Discourse, or Rocket Chat.

Events, meetups, conferences, etc.

Same as community marketing but with the human connection benefit!

Bounty campaigns

Bounty campaigns are more a method than a channel. Basically, you promise bounty rewards (to be paid in your tokens post-ICO) for individuals to promote your project and create content for you. If you are not sure how to do this, you can find bounty managers that can handle this for a fee.

ICO announcement platforms

A lot of sites that list upcoming ICOs have broad audiences. Getting listed on these will help you reach an already existing audience. Be careful as some of these platforms are more trustworthy than others.

Paid advertising

Traditional paid advertising on different ad platforms or topic related channels such as blogs or YouTube channels.

The token sale event

Just like in the other sections, there are many elements of a token offering that go beyond the scope of this paper. Be aware that once you get a general scope of everything, we recommend going more in-depth into each aspect and doing some extra research on your own.

Defining and communicating all the aspects of a token sale is very important both to mitigate risks and illustrate trust and transparency. This means you will need to state all of the details of the token utility, the cryptoeconomics of your system, and the terms of the sale event itself.

Ideally, once these get announced, they should be fixed. Some projects have been forced to change these afterward which is detrimental to credibility. So with this in mind, it's best to take the necessary time to establish all the little details.

Token events are coming in all shapes and sizes these days, many of them are complex in their structuring for valid reasons. This may not only be due to distribution-related reasons but also because of your jurisdiction which will dictate who you are directly regulated by. The jurisdiction you choose will impact the structure of your offering, dictate who you can and cannot offer your tokens to and what the encumbrances are if you decide to reach a global market as well.

Sale Models

There are several different token sale models - understanding them will help you decide which one makes the most sense in your case.

Uncapped with fixed rate: Buyers exchange cryptocurrency or fiat for tokens at a fixed ratio. Early contributors can receive a better rate, and the number of tokens received per the same amount of contribution can decrease later in the selling period. This model has a specific period of contribution.

Soft Caps: A cap is set, but after this is achieved there is an extended time-based closing period until the full closure of the sale. This can be mixed with a hard cap, so, instead of having a time period before closing if the contribution amount meets or exceeds the hard cap, the token sale ends.

Hard Caps: There is just one fixed cap, and the sale stops when this number gets reached. It usually has a specific period of contribution as well.

Hidden Caps: Participants do not know when the allocation is finalized. This is revealed during the event.

Dutch auction: The price of the offering gets set after taking in all bids and determining the highest price at which the total offering can be sold. Bids are sorted from highest to lowest; the highest bids are accepted until the sum of the desired quantities is enough to sell all the offered tokens. After the last bid is accepted, all bidders with an accepted bid get the last bid's price for each token.

Reverse dutch auction: A capped sale is defined. However, the portion of tokens given to purchasers depends on how long the sale takes to finish. If the sale finishes on the first day, only X% of total tokens are distributed amongst the purchasers. If it finishes on the second day, X+Y% of total tokens are distributed amongst the purchasers, and so forth.

Collect and Return: The total contribution amount is fixed, but the Smart Contract is open to contributions which can exceed the fixed amount. Upon finalization, the contributions are adjusted by ratio and the difference of the contributions are returned back to their rightful owners.

Dynamic Ceiling: A mixed system of the above methods with a series of mini hidden hard caps set at specific block intervals. This method limits the maximum amount that can be deposited for any given ceiling meaning that larger contributors would have to split up their transactions into much smaller ones, thereby incurring more costs per transaction. If a transaction goes beyond the ceiling, it is rejected.

Although a lot of methods exist to make the sale as even and accessible as possible, it is always good to have in mind that keeping it as simple as possible also contributes to understanding and the avoidance of any unexpected conflicts.

When done properly, token distribution events have a major role to play in the distribution of tokens to reach a quality user base.

Essential information

No matter which kind of token sale model you choose, certain details should always be shared beforehand. For security reasons some of these may get published close to the dates of the token sale, but nonetheless should be stated internally.

General Information:

• Date or block number: What date and time, or mined block is the sale going to start?

• Duration: For how long will it go on? Is it time or block framed?

• Caps: Are there any soft or hard caps? Mixed caps?

• Supply: How many tokens will exit and how many are being put on for distribution?

• Token minting: Are tokens mined or premined? What happens if some tokens are not sold

• Exchange Rates: What are the rates for acquiring tokens in exchange for the accepted cryptocurrencies? (i.e 2000 Project token's = 1 ETH)

Distribution:

• How much of the tokens will be distributed in the sale?

• How much will be kept by the organization?

• How much will go for advisors, community, sponsors, etc?

Allocation of proceeds:

• How will the received funds be used?

• Percentage distribution on development, marketing, legal, business development, etc.

Token Allocation and Vesting:

• What are the criteria for a team to be able to access the tokens they retain in the sale?

• Are there any vesting or cliff periods to keep incentives aligned?

This guide has already stated that no perfect token sale has occurred yet. Different approaches will serve different interests and projects. Just like Vitalik Buterin, Ethereum Inventor and Co-Founder has said, we have still not discovered a mechanism that has all, or even most, of the properties that we would like on a token sale.

The most we can do is be very clear and detailed to make the process as best as possible for contributors and teams.

Security Audits

Many things can fail during an ICO, but you should strive to comply with the highest possible security standards. This won't completely eradicate your risks, but you should seek to mitigate them by doing everything in your power.

Best practice is to audit your smart contract code to check for technical soundness. There are different ways to do this including hiring professionals to do the job, setting a bounty program to discover issues or both.

While there is no way to completely bulletproof your ICO or the funds you collect through it, you are still responsible for keeping your security to the highest standards.

Transparency and trust

Transparency

An ironic aspect of blockchain is that although it prides itself on being a trustless technology, it's ecosystem is currently strongly reliant on transparency and trust. This is why it is so important that your project helps individuals mitigate the inherent uncertainties by building these qualities throughout the whole ICO process (before, during, and after).

Credibility will play a major role in the success of your project, but it should become even more critical after the money has been raised. Remember that after raising the money you have a long list of promises you need to deliver on.

While there is little supporters who bought your tokens can do after they have funded your project, you should never neglect them. Quite the opposite, if you are looking for long-term success, the smartest thing to do is to keep them as happy and informed as possible. Not having to continually deal with anxious and uncertain token holders breathing on your neck will allow you to work better and with less pressure.

Maintaining credibility

Like in any traditional startup, transparency management is always about communication. Be as honest, open, and available as possible, and always remember that the token holders and members of your community will determine the real success or failure of your project.

To help you understand what and how to communicate, we've put together a list of four areas you should concentrate on. This list does not cover all the aspects of a good communication strategy, but it's a solid starting point.

1. How are the funds being used?

This might be the most critical aspect of being transparent with your community. You need to state clearly what the allocation of the sale proceeds will be used for in as much detail as possible. Although companies that conduct an ICO are not obliged to do so (unlike public companies), it is one of the best ways to demonstrate responsibility and seriousness. Also, by providing the community a tool to hold you responsible, it shows your trust in the team and management.

How you choose to present this information and at what level of detail is ultimately up to you. Some projects may show their financial information as part of a general report, while others might present regular details of company expenditures and transactions.

2. What is the state of the product?

Some projects have raised money with a running product, others with a basic MVP (Minimum Viable Product), and others without any written code at all. Eventually, the time to sell your vision comes to an end, and it is time to begin presenting real products.

The roadmap that you presented to your community should have a set of milestones, and relevant product releases to guide you through. Keeping yourself accountable for these milestones and meeting due dates will keep the community's trust and team morale high.

The best way to communicate the status of your product is to have some of your community members become beta testers. Alternatively, if you are not at that stage yet, you could also share posts, screenshots, videos and public code repositories.

3. How to keep the community engaged?

Networks and communities are everything so making them feel enthusiastic and part of the journey will keep them engaged, drive them to contribute actively and even bring more users.

When sharing prototypes, screenshots or ideas, for example, try to foster debates and ask for feedback. This will show that you are taking the real needs of the users into consideration and that once the product is ready, it will fulfill their expectations.

Instant messaging apps such as Slack, Discourse, Telegram, etc. are the best ways to foster this but any of your tools can provide valuable feedback.

4. Token value speculative questions

No matter what you do to prevent your token sale from becoming a get-rich-quick scheme, you will find that there will be speculators and immediate profit seekers amongst your community of token holders.

You will receive a lot of questions about the valuation of your token, the exchanges you will get listed on, and other speculative inquiries. Our recommendation is to answer these in the best possible way but without adding fuel to the speculation. State that this is a long-term project, refer to your roadmap, highlight your accomplishments, and emphasize how you have been consistent with everything you have promised before the ICO.

Be polite but at the same time don't let them push you around or set the value of your project based on a token valuation. You can always invite participants to sell their tokens.

Unfortunately, a lot of projects aren't doing this. While this doesn't mean they are illegitimate, they are undermining their credibility. They don't realize that greater accountability leads to more confidence and security from all parties involved, which benefits not only their project but the entire ICO space as well.

A more secure, transparent, and trustworthy industry will instill more confidence and bring new players making the whole space evolve, and focus on the long-term. At the same time, it will ensure that transparent, legitimate projects attract more attention than non-legitimate ones.

Post sale: What happens then?

As we stated before, you should never fall under the wrong assumption that conducting an ICO is the end goal. Always think of it as a stepping stone for building your vision. After the ICO gets completed, a time for bigger challenges begins. A time to focus on developing your technology and product, and for delivering on all the promises you have made.

The best and simplest advice we can provide is to work now as hard as you did during the preparation for the ICO. Keep the same energy and motivation but channel it towards the development of the product and the company.

Also, make sure to keep communicating with your community. Like any relationship, if you disappear once you get what you want, don't expect much sympathy.v

The good news is that if you do a great job on all of the previous points, build the right community, and attract genuine token holders, the post-sale will be easier to manage.

If you think all of the elements addressed in this guide seem complex and time-consuming, you would be correct. They are! Running an ICO is not a simple money-grabbing fix.

At the same time, it's important to note that ICOs are not any more overwhelming or difficult than the work any serious entrepreneur puts into their project or company. Yes, it's a big effort, but worthwhile when done the right way.

Luckily, you won't have to do all of this work alone. There are a growing number of organizations with the right team, experience, and knowledge to help you in the process.

Disclaimer

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