

# Blockchain based fundraising

Token offerings (ICOs) from an investors perspective  
- are we beyond the hype?



# Content

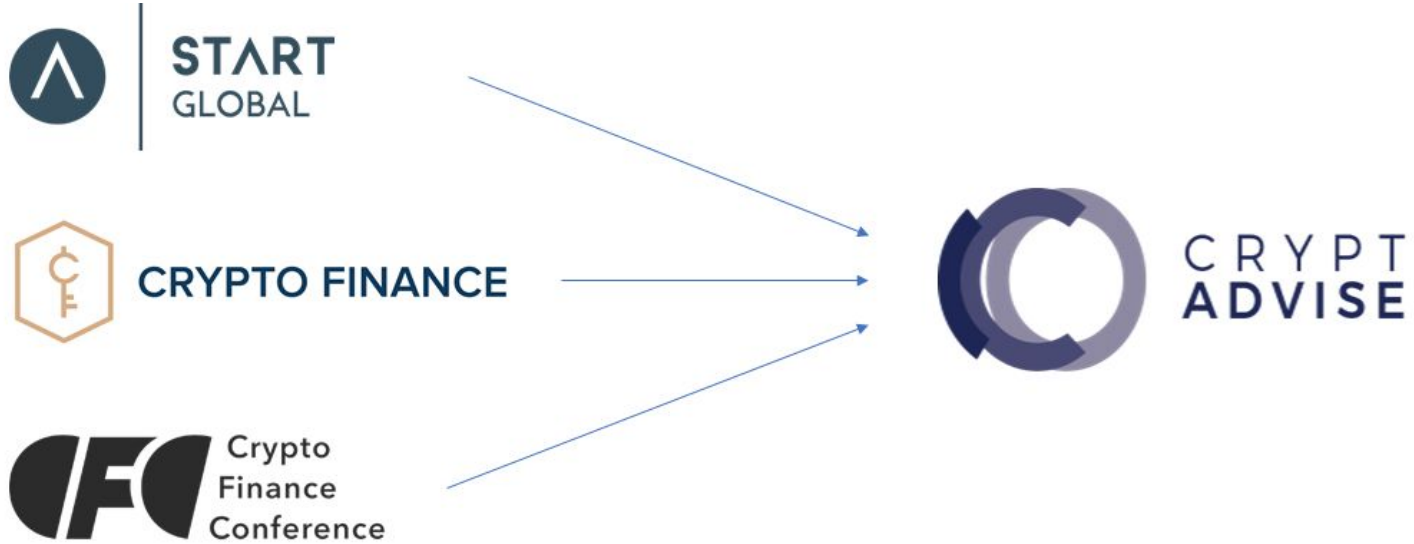
## Blockchain in Theory

- What is a Blockchain?
- “Smart” Contracts
- Tokenized Ecosystems
- Token classification
- Governance

## Token offerings & finance

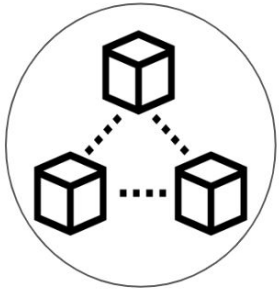
- Recent developments
- Investors and their approaches
- Institutional participation
- The future: What to expect?

# Personal background

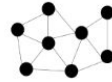


# Blockchains provide a layer of trust

People & entities that don't know or trust each other can still engage in commerce



**Blockchains** are technologies for storing data and executing transactions, while maintaining a ledger of all transactions without relying on a central authority



Decentralized  
nobody is in control



Open access  
anybody can join,  
opt-in system




Natively global  
tied to the internet, not  
national jurisdictions



Auditable  
radical transparency;  
anyone can see

# Blockchains enable smart contracts and cryptographic tokens



**Tokenization**  
A tokens are a digital, unforgeable representation of a certain asset (shares, rights, loyalty points, etc.)



- Makes assets
  - **liquid**
  - transferable
  - divisible
  - programmable

## Security token

Ownership of asset

Investors (expecting profit)

Regulated offerings  
- KYC/AML

vs.

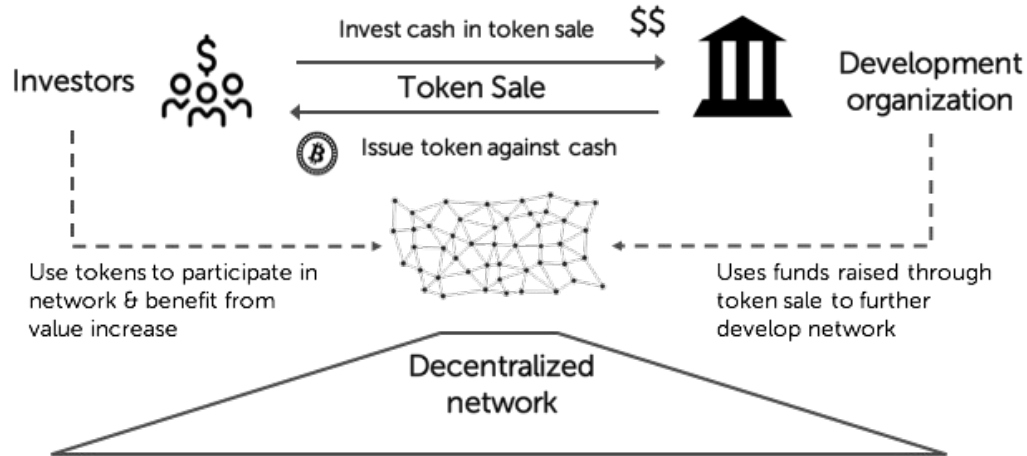
## Utility token

Access to protocol

Purchasers

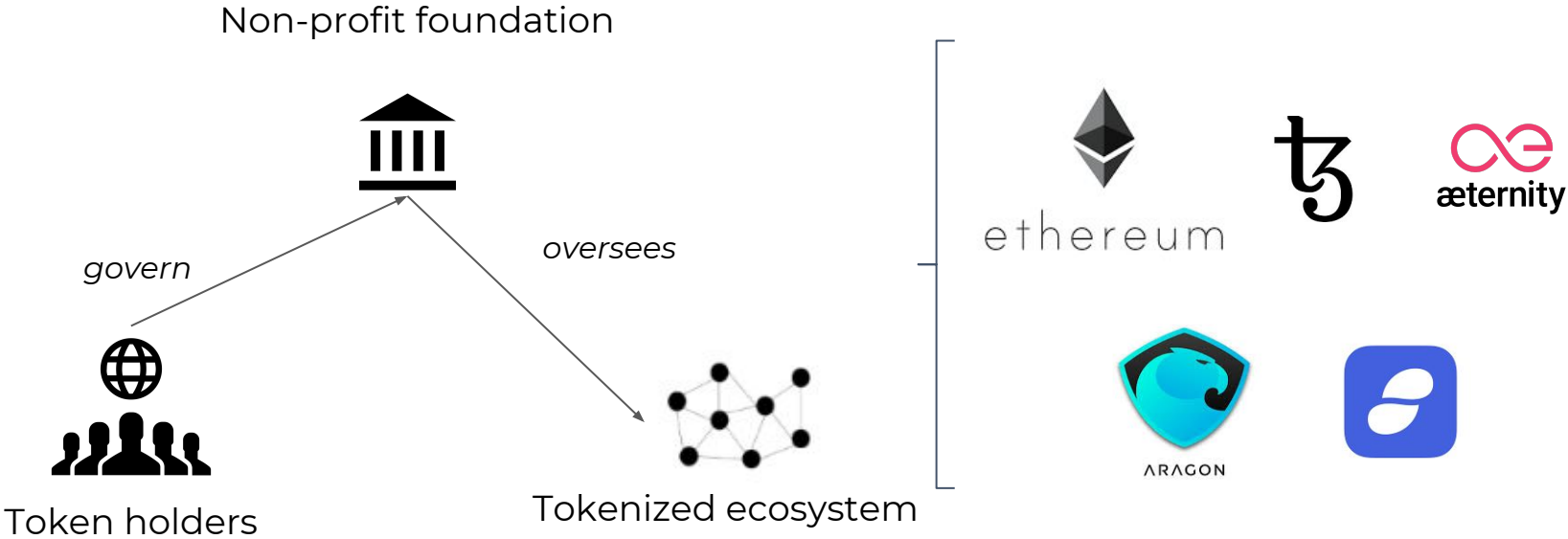
Unregulated crowdsales

# Utility tokens enable new business models & an entirely new venture financing paradigm



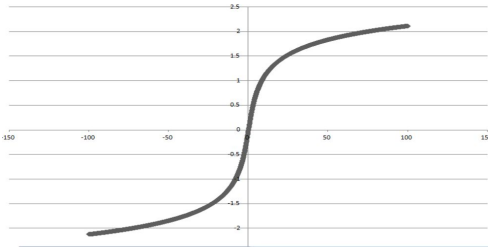
- Tokens are not only a means of funding, but allow the owner participation in the network
- Tokenization of business model creates "Network ownership effect"
- Users, Developers and investors become one

# Tokenized ecosystems are often governed by a non-profit (based in Switzerland)



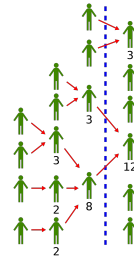
# Tokenized ecosystems can be self-governed

New forms of blockchain based governance mechanisms are possible



## Quadratic voting

*Ending the tyranny of majorities by measuring how important issues are.*



## Liquid democracy

*Combining direct and representative democracy to get better decisions.*



## Futarchy

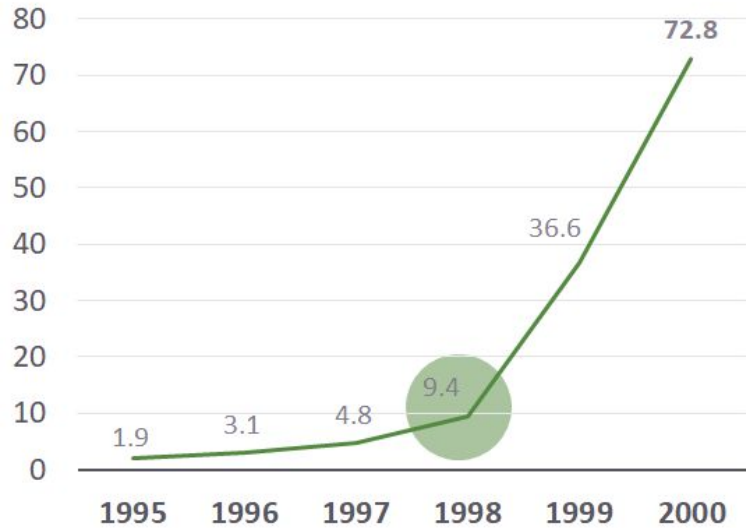
*Leveraging crowd intelligence through information (prediction) markets*



# Internet vs. Crypto

Total funding volume has exploded over the last years

Internet VC (\$ billion)



Crypto VC (\$ million)



# Individual token offering size has increased

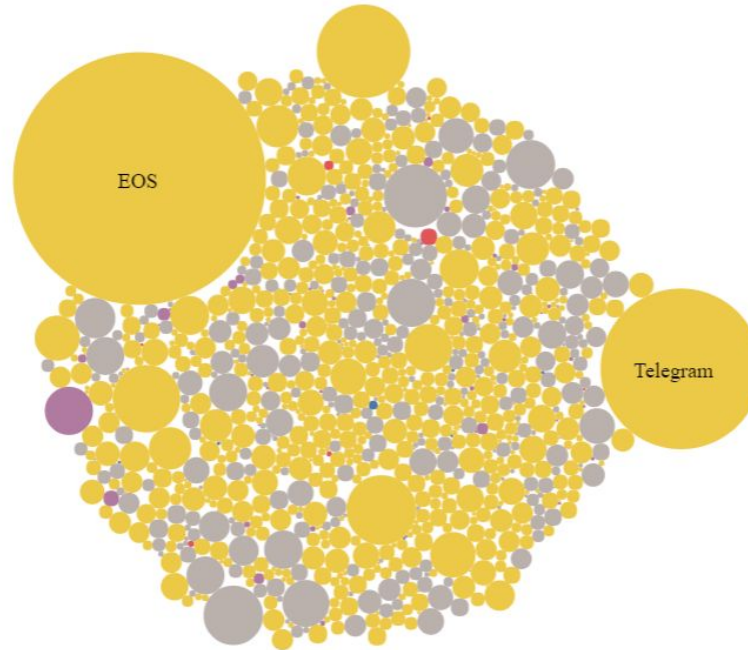
With projects raising up to several billions of USD

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Year

- 2014
- 2015
- 2016
- 2017
- 2018

## ICO Tracker

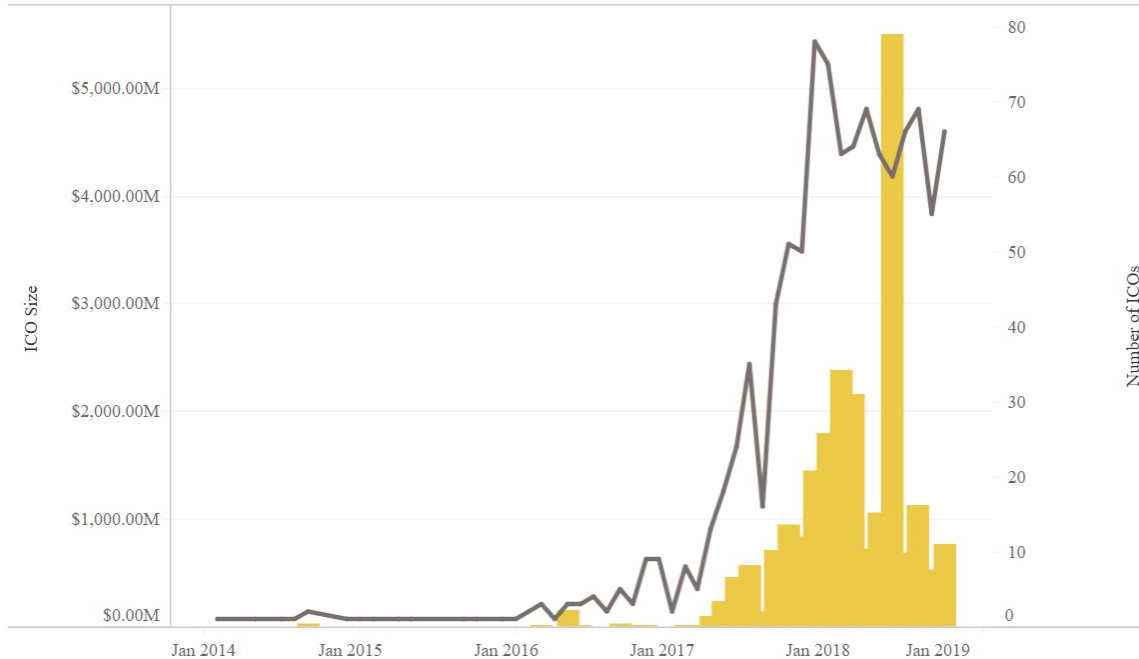


# However, we see a slight decrease

That is mostly driven by regulatory scrutiny and the maturing of the market

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### Monthly New ICO Funding



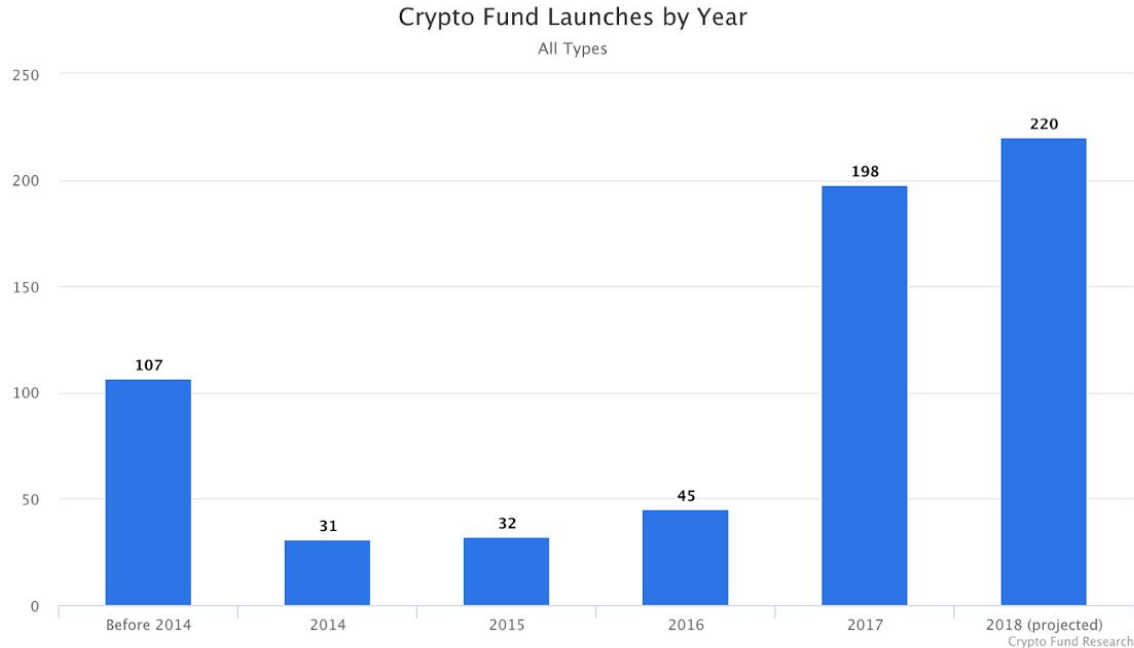
# So, who is investing and what happened exactly?

VCS went from ignoring cryptocurrency to being left out of the ICO action, to reclaiming the throne, and, finally, starting to intertwine in interesting ways with crypto.

- Token sales gained traction **out of necessity**
- Some VCs saw the potential early, but bought equity of companies building on top of Bitcoin → but **value accrued in the native assets**
- **Fat protocol** thesis emerged
- Ability to invest comes with **requirements**
  - Legal feasibility (SAFT & others) → only slight change in processes for VC
  - Custody

# Institutional participation increases

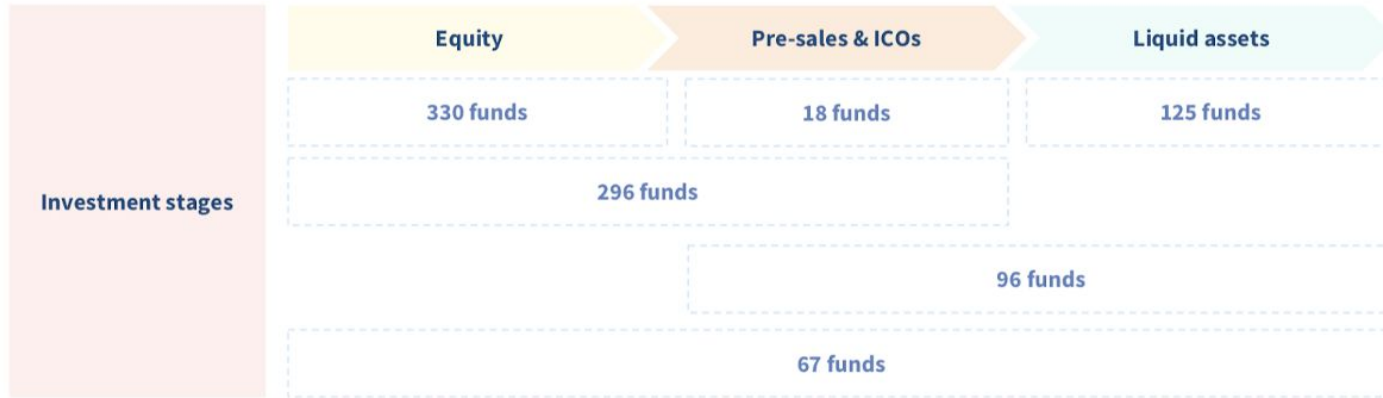
Which is also visible in terms of the numbers of crypto funds launched



- **Regulatory scrutiny**  
→ more attractive to sell to “accredited” investors
- **Signalling effect** of VCs
- **General market turndown**  
decreases retail activity

# Investing across different stages

Equity, pre-sales & ICOs, public crypto markets are all possible, but there is a new twist!



- An increasing number of projects are launching models where either **tokens can only be “earned”** through providing some value to the network
- **Generalized mining:** VCs would participate directly in the crypto network by **providing supply-side services** that help bootstrap the network towards usability.
- Participating in their underlying networks is the **only way to capture the value** of these particular technologies

# Competition to invest in the best crypto projects is tougher than ever.

Making sense of the market shifts through the increased need for differentiation.

## Key takeaways:

- VCs have found ways to **get exposure** to wonderfully weird Cryptoland
- Modifying their infrastructure for the **emerging paradigm of tokens** and crypto assets.
- VCs investing in tokens have adapted their processes (**custody for crypto assets and legal frameworks** for token sale participation)
- Crypto-native VCs are starting to change their behaviour more drastically: They buy assets **straight from public markets** and participate in crypto networks directly through **generalized mining**.

# Thank you for your attention! Any questions?

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