



Weekly Educational Topics



Why ICOs Failed (Blockchain)

"INITIAL COIN OFFERINGS (ICOS) ARE THE BLOCKCHAIN'S EQUIVALENT OF AN IPO, IT HAS BEEN A GOLDMINE FOR ENTREPRENEURS AND CRYPTO-ENTHUSIAST ALIKE."

Initial Coin Offerings (ICOs) are the blockchain's equivalent of an IPO, it has been a goldmine for entrepreneurs and crypto-enthusiast alike. Crypto startups launch ICOs which provide a new token that is used on a cryptocurrency platform such as Ethereum. Early investors buy into these tokens hoping that it will appreciate as the token use increases. Tokens are usually purchased through more commonly used currencies such as bitcoin and fiat. Investors will begin their research on specific token by focusing on the whitepapers released by the startups. These will primarily outline the use of the token, the token engineering, and the business timeline.

"AS THE MARKET ADAPTS TO REGULATION, NEW USE CASES OF TOKENS AND CRYPTOCURRENCIES WILL ARISE. MOST SPECULATION CURRENTLY SITS ON FIAT PEGGED CURRENCIES AND SECURITY TOKEN OFFERINGS."

The wave of ICOs grew from the hype of blockchain and cryptocurrency beginning 2013. ICO token sales for 2017 have been debated, but values vary from \$5 billion to over \$12 billion. The market was booming. Yet, 2018 this all came down; the price of bitcoin fell from \$18,000USD to just over \$6000USD in little over two months. Mass speculation was a root cause of the bitcoin drop, but the ICO investment also plummeted. Arguably, the primary fault laid in the number of scams. A 2018 study by ICO advisory group Statis claimed that over 80% of ICOs launched in 2017 turned out to be scams. Although, if we assume \$12 billion raised then this only 11% of that was financed into scams. As the market adapts to regulation, new use cases of tokens and cryptocurrencies will arise. Most speculation currently sits on fiat pegged currencies and security token offerings.

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For more information on the blockchain, I would recommend starting with Satoshi's White Paper and then finding follow up materials on medium. Alternatively, The UBC Trading Group will be running a blockchain workshop in the spring semester.