



**WV FINANCIAL SERVICES**  
Portfolio Management | Crypto Finance | ICO

## INITIAL COIN OFFERING or ICO

### ➤ **ICO - THE NEXT GENERATION OF CROWDFUNDING**

An ICO is a new method of raising capital known as an Initial Coin Offering in which projects issue tokens to investors in exchange for digital currency such as bitcoin or ether. The tokens allow investors to use the digital services that the startup plans to produce or even sell them if they appreciate in value.

ICOs take the crowdfunding model a step further. Founders can use ICOs to raise significant capital in one early round of fundraising without giving away any equity in the business.

As digital tokens can increase in value as the network becomes more valuable, the community of developers, early adopters and investors are all incentivised to build, grow and support the project.

### ➤ **ICO - LIQUIDITY, TRANSPARENCY AND ACCOUNTABILITY**

ICO investors can sell their tokens to anyone at anytime, can trade them for tokens in other projects and list them on exchanges which permits efficient and transparent trading.

With smart contracts, the conditions of sale can be written into the code of the token, providing complete clarity and making the company's obligations irrefutable.

For example, many ICOs have an initial lock up period of a few months. Smart contracts also allow the creation of escrow accounts, such that funds are released only when certain milestones are achieved (ex : level of turnover in annual accounts).

### ➤ **ICO - USE-CASES**

ICOs have so far been dominated by projects whose product innovation is reliant on blockchain technology. ICOs are typically being used to raise money ahead of product launch.

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## ➤ ICO - REGULATION

The Swiss Financial Market Supervisory Authority FINMA recognises the innovative potential of blockchain technology and therefore supports the federal government's Blockchain/ICO Working Group in which it is participating. FINMA categorises tokens into three types:

- Payment tokens are synonymous with cryptocurrencies and have no further functions or links to other development projects.
- Utility tokens are tokens which are intended to provide digital access to an application or service.
- Asset tokens represent assets such as participations in real physical underlyings, companies, or earnings streams, or an entitlement to dividends or interest payments. The tokens are analogous to equities, bonds or derivatives.

**WV advises clients looking to raise funds through an ICO in Switzerland.**

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