

# What is an ICO on blockchain and how can it change the world?



## Introduction:

Transaction and storage ways have really been reorganized since blockchain technology came into existence. It's set up as a decentralized as well as transparent technology that enables people to trade safely and without intermediaries. It is this pivotal aspect that has led to the rise of the [Initial Coin Offering Development](#) (ICOs) as a new innovative form of fundraising for projects based on the blockchain.

ICO is an effort to fundraise for a project by issuing tokens or selling cryptocurrencies. These tokens are created based on blockchain technology and might represent a stake or utility in the project. When the project is expected to reach successful ends, initial investors will benefit a lot

as they will get to buy these tokens at the startup period of the project, thereby maximizing profits eventually.

## What is an ICO and how does it work?

An ICO is similar to an initial public offering (IPO) on the traditional stock market, but instead of stocks of company shares, but tokens of blockchain-based projects are sold. Investors can use such cryptocurrencies as Bitcoin or Ethereum to purchase these tokens.

ICO usually starts with the publishing of whitepapers, describing the project, vision, and business. General people interested in investing in the scheme can go through the whitepaper and decide on the same.

Once the ICO process starts, investors start purchasing these self-designed "tokens" by using the monies of cryptos. These tokens are accumulating in a digital wallet and one can use or exchange for the particular purpose under the project.

A long-standing difference between an IPO and an ICO is that through an IPO, shares in a company are sold, whereas with an ICO, it's the case of selling tokens, some of which, depending on the project, may function as utilities.

A valid addition is that through an ICO, investors more easily come to retail, where there is no barrier to a minimum requirement of investment.

## Why are ICOs important for blockchain technology?

ICOs are important for blockchain technology in a number of respects. Most importantly, ICOs provide funding to blockchain-based projects that would have otherwise faced complex difficulties with fundraising through traditional methods.

Truly, such a situation underwrites liberally the creation of ideas and projects-in and by themselves: it sweeps away dependency on traditional investors or financial institutions.

Lastly, an ICO democratizes investment and financial risk by extending an access to anyone to invest in blockchain-based projects. Until now, investment in startups and technology projects was limited to accredited investors or financial institutions in the world. With the introduction of

ICOs, anyone can become an investor and have a slice of the cake if the project turns out to be successful.

Finally, ICOs speed up the development of blockchain technology by direct donors to projects that also eliminate the problem of financing for developers. Thus, it will allow them to move very swiftly without worrying about funding-and will propel at the same time the usage and development of blockchain technology across different industries.

## How can ICOs change the world?

One of the ways that ICOs will be able to change the world is that they allow anyone to participate in blockchain-based projects and investments. In the current decentralized economy, the power of finance is not constrained to the ownership of a few, but studies show that finances have been distributed among investors across a vast expanse.

Secondly, they offer unique investment avenues for the individual. Before, an individual had very limited opportunities to invest in start-up and technology projects if he or she was not an accredited investor or company. Through ICOs, anyone can invest-and would gain a lot if project is successful. This democratizes investing and lets people take part in the growth of promising projects.

ICOs may well be the most important vehicle for reducing the financial divide of direct financing to projects in underdeveloped countries as well as to the billions of people who so far have not had access to traditional financial services. It can empower many developing economies and societies by connecting them to the global economy in a broader and more inclusive manner.

## Successful examples of ICOs on blockchain

There have been a number of successful examples of blockchain ICOs so far that are proving to be game-changers in the industry. Among them, Ethereum is an outstanding one. The network has managed to amass something to the tune of \$18m through its 2014 ICO. It is based around creating a blockchain platform through which smart contracts can be created by developers alongside decentralized applications.

Filecoin is another example with considerable success: it procured over \$253 million in its ICO of 2017. It is a blockchain system that is going to create a decentralized cloud storage marketplace.

Another leading example is EOS that had raised over \$4 billion in its ICO of 2018. It is a blockchain platform providing resources to developers for building high-performance decentralized applications.

These examples give an indication of how ICOs can help in raising capital for the birth of a blockchain application.

## ICO regulations and legal framework

In the majority of countries, regulation of initial coin offerings is somewhat scant. This is because of the way blockchain technology works: it is decentralized and global, and is very resistant to the enforcement of particular regulations.

Developed countries are starting to establish rules that do provide the general outline of what constitutes an ICO. In the US, however, the Securities & Exchange Commission (SEC) provided informal guidelines that can help to define how tokens which were recently born ("issued during an ICO") will be considered as securities and therefore subject to extant regulation.

For instance Europe, too, has promulgated a caution about ICO-related risks - European Securities Market Authority (ESMA) though it urges caution on the part of investors.

When blockchain technology becomes more widespread and more widely adopted, more regulations would likely be put in place, mainly focusing on initial coin offerings. This can range from the imposition of stricter disclosure norms on projects that want to carry out ICOs to protective measures intended towards investors.

## Future of ICOs on blockchain

Promising are the instances of ICO done on blockchain which is ongoing and millions of dollars are being raised for blockchain-based projects.

One trend witnessed in the ICO domain is the happening of the decentralized funding platform which permits the project to be more efficient and secure on the way of carrying out ICO. These platforms are executed using smart contracts to run a fundraising process automatically, securing every transaction and is transparent from the standpoint of security and transparency.

More restrictive guidelines need to be implemented concerning ICOs, thereby boosting investor confidence and trying to mitigate the risks associated with investment in blockchain projects.

It is, therefore, established that ICOs will continue to play quite an important role in the development and adoption of blockchain technology in various industries.

## Conclusion: What can we expect from ICOs in the future?

In simple terms, blockchain ICOs form a new means to finance blockchain projects where entrepreneurs and developers can get direct funds rather than involving traditional investors or financiers to realize their ideas and projects.

In fact, ICOs are capable of becoming transformative by propagating the fragmented, new economic order and offering new destinations of investment and integrating funding voids. However, ICOs also pose inherent risks to both investors as well as projects.

Regulations on ICOs are expected to be developed in the future that would put more confidence in investors and less risks associated with investment in blockchain-based projects.

In conclusion, much is expected from ICOs in nurturing the development and utilization of blockchain technology to the comes-out of industries such that they would continue to become some innovative way for funding projects-switching altogether in the future.