Kryptowährungen & Initial Coin Offerings

Felicia Hommel, fh@dlt-capital.com, www.dlt-capital.com

Introduction

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About us – DLT Capital (in foundation)

- Supports (pre-)seed startups in the distributed ledger technology (DLT) ecosystem in Europe
- Financial and advisory investment as well as access to a priceless network of investors
- Focuses on investor relations for best practices and sustainability in the crowdfunding world of ICOs
- Specialized in ICO campaigns, community, token modelling, marketing activities & network
- Advised ETHlend yielding 10+ mio. USD funding in November 2017
- Further projects

About me – Felicia Hommel

- Recently joined DLT Capital, working from Cologne
- 3 years digital start-up experience in Berlin
- Master in General Management from WHU in Vallendar
- Investor in crypto currencies

Crypto currencies basics

Simplified, the blockchain decentralises transaction streams

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Blockchain

- **Records and approves transactions in a decentralized system (network of computers vs. governmental or corporate institution)**

Mining:

- **The number („hash“) of the previous block and the hash of the transactions to be encrypted (e.g. sending a coin) plus a number that solves the calculation („nonce“) leads to the hash of the new block**

- **The new block needs to fulfill certain security standards and be approved by the rest of the network. This takes about 10 minutes with bitcoin at the moment.**

- **Miners are paid by**
  - The reward determined in the blockchain protocol (bitcoin: 12.5 coins at the moment)
  - The transaction fee determined by the person requesting the transaction

Should you buy bitcoins?

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Bitcoin will soar to $20,000 or $30,000 before year 2020.

Bitcoin will soar soon disappear.

Starting out as a tech movement, cryptos are now entering the professional investment market

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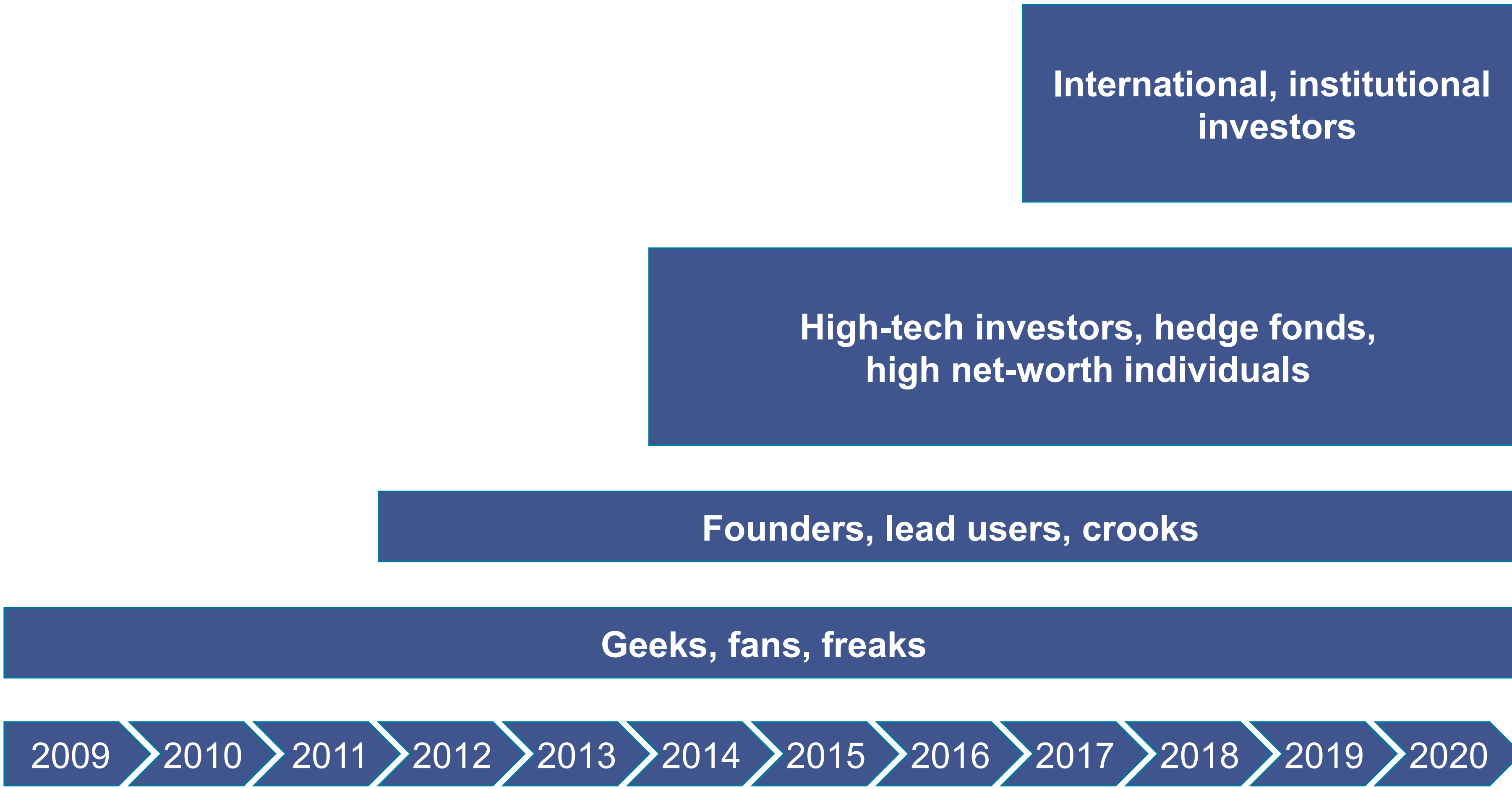

Bitcoin is still the largest crypto currency with Ethereum following at a quarter of the market cap

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All ▾ Coins ▾ Tokens ▾ USD ▾ Next 100 → View All

#	Name	Market Cap	Price	Volume (24h)	Circulating Supply	Change (24h)	Price Graph (7d)
1	Bitcoin	$137.129.358.433	$8213.22	$4.127.610.000	16.696.175 BTC	-0.40%	
2	Ethereum	$36.721.910.530	$382.92	$997.208.000	95.900.445 ETH	4.23%	
3	Bitcoin Cash	$25.443.813.745	$1512.93	$3.524.160.000	16.817.575 BCH	27.03%	
4	Ripple	$9.229.591.474	$0.238967	$204.897.000	38.622.870.411 XRP *	1.50%	
5	Dash	$4.345.168.370	$563.92	$329.331.000	7.705.292 DASH	1.79%	
6	Litecoin	$3.845.478.776	$71.27	$175.178.000	53.953.458 LTC	0.29%	
7	IOTA	$2.515.908.513	$0.905156	$66.611.100	2.779.530.283 MIOTA *	-3.55%	
8	Monero	$2.477.926.963	$161.03	$198.481.000	15.388.461 XMR	8.85%	
9	NEO	$2.272.809.500	$34.97	$73.434.500	65.000.000 NEO *	-2.32%	
			)2084	$7.855.290	8.999.999.999 XEM *	-2.06%	

d hergestellt...

Crypto assets are highly liquid and 24/7 tradable

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A short overview of crypto exchanges available to European investors

	Kraken	Poloniex	Bitstamp	Bitfinex	Bittrex
Avg. daily trading volume (USD mn)	100	200	150	500	350
# of coins traded	17	20	4	15	190
Founding year	2011	2014	2011	2012	2014
Location	USA (San Francisco)	USA (Delaware)	London / Luxembourg	Hongkong	USA
Features & restrictions	Multiple payment options in fiat currencies; cooperations with banks (e.g. Fidor bank in Germany) allowing convenient transfers of payments	No fiat currency payments possible; high liquidity in tier-2-coins	Only major crypto trading place that is licenced by a major EU regulator (CSSF, Luxembourg)	No fiat currency payments possible; enables short selling of crypto currencies	No fiat currency payment possible; very high number of tradable assets

Crypto assets are getting more diverse

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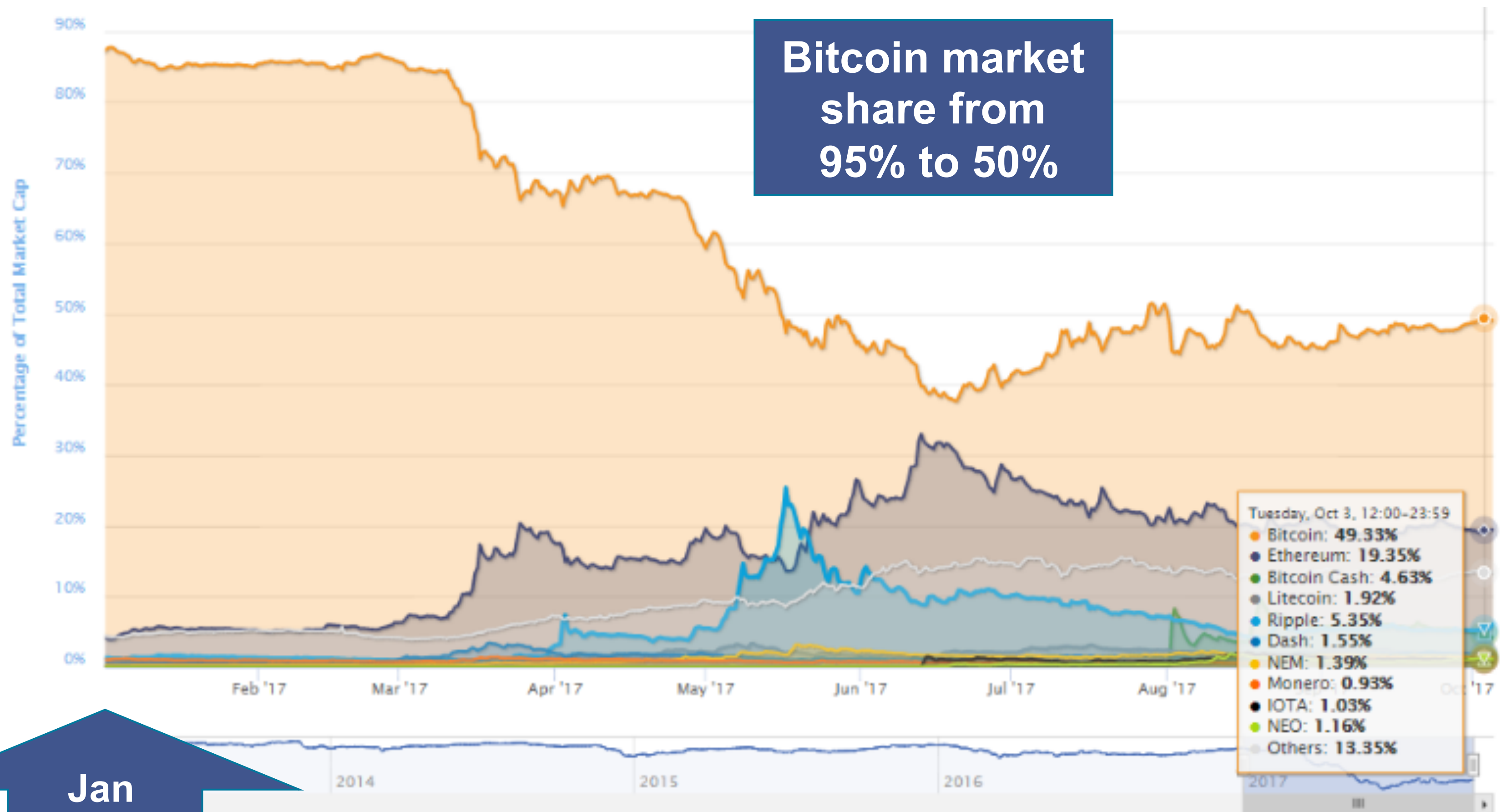

Bitcoin market share from 95% to 50%

Jan 2017

Source: CoinMarketCap (2017)

Innovation in the area of crypto currencies

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Bitcoin

- Digital currency
- Direct value transfer
- Interesting applications: transfer of value/money

Ethereum

- Operation system for business processes
- Available world-wide
- Interesting applications: charity, United Nations, US-dollar-pegged currency

Example: Gnosis

- Platform for prediction markets
- Token based on Ethereum → uses existing protocol
- ICO: $12.5mn in 10 minutes
- Early stage

Crypto currencies are very often FinTech startups

Many crypto currencies are fintechs, since they are built into the business model

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21	Steem	$265,561,027		FinTech	$1,601,890	-10.19%
22	Ark	$238,848,976	$2.44	97,981,284 ARK *	$2,131,740	-9.47%
23	Kyber Network	$231,512,458	$1.68	137,995,600 KNC *	$2,654,030	-2.96%
24	Basic Attenti...	$229,191,000		FinTech	$5,858,110	-16.69%
25	Hshare	$227,274,455	$6.75	33,685,011 HSR	$22,835,300	10.66%
26	EOS	$227,252,703	$0.590038	385,149,267 EOS *	$5,106,310	-6.08%
27	Gas	$226,348,166	$26.56	8,521,664 GAS *	$1,842,430	-7.34%
28	SALT	$225,817,592	$4.13	54,675,000 SALT *	$4,191,680	-20.86%
29	Bytecoin	$224,716,479	$0.001226	183,253,534,612 BCN	$1,120,840	-2.80%
30	TenX	$214,199,837		FinTech	$3,285,490	-11.40%

Source: CoinMarketCap (2017)

ICOs and venture capital

Short overview of an ICO

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An initial coin offering (ICO) is a fundraising mechanism in which (mostly blockchain) start-ups sell tokens in exchange for bitcoin or ethereum.

- **Any investor („little man“) has access to start-up investments**
- **This makes start-ups less dependent on VCs**

- **A low due dilligence can lead to scam and fraud in this market, needs to be closely monitored (the legal framework is not existant at the moment)**

- **Difference to IPO, no equity is bought and much less regulation**
- **Difference to crowdfunding, tokens are bought, not products**

- **The tokens are liquid, so can be sold at any time**

Future of ICOs:

more regulation → more quality projects → more distributed wealth-creation

In the blockchain domain, ICOs exceeded VC by over 3x

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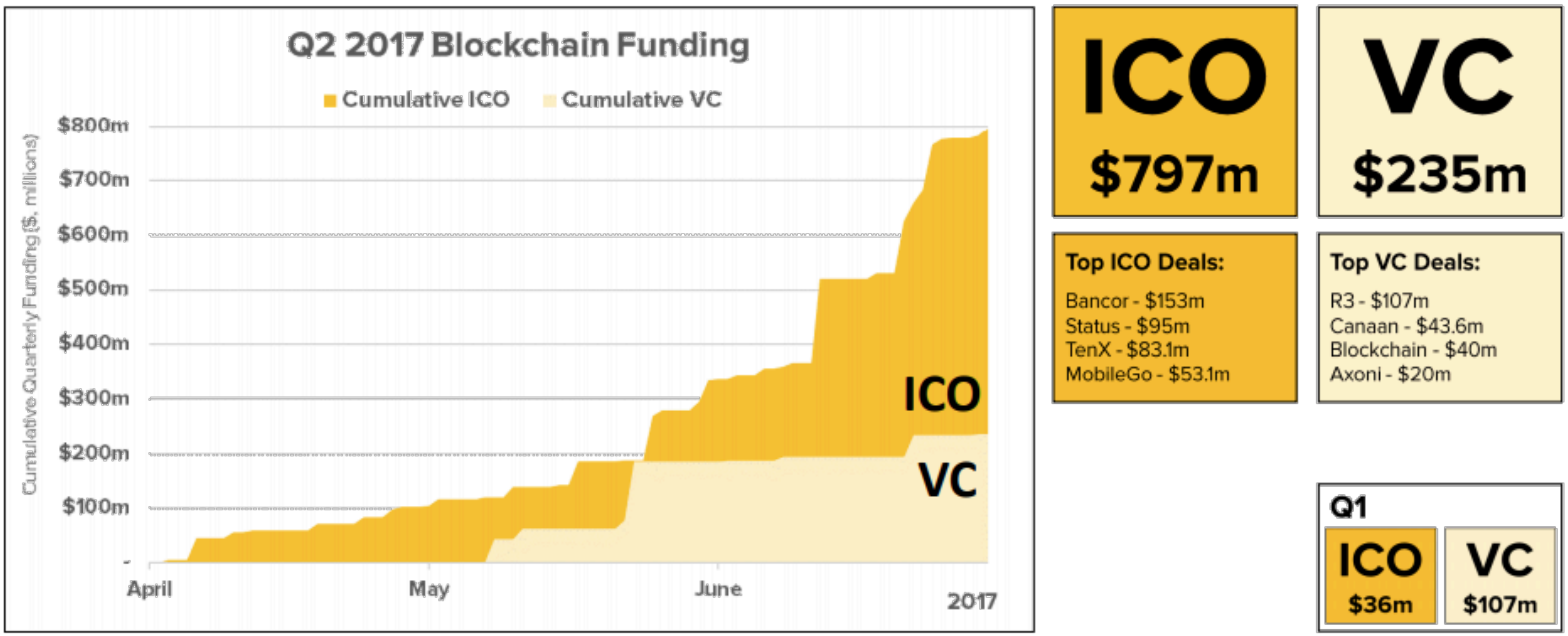

Source: CoinDesk (2017)

Venture capital will be disrupted by ICO as a crowdinvesting scheme

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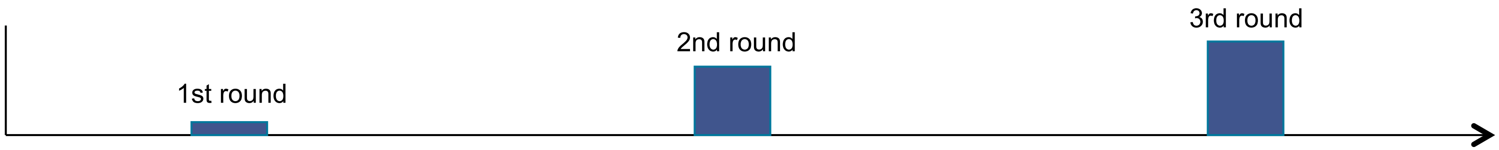
Venture capital

- Participate in discrete funding rounds to obtain equity
- Sell equity in subsequent rounds at a higher price
- Startups are illiquid assets
- Can provide smart capital but often they are „gatekeepers towards money“



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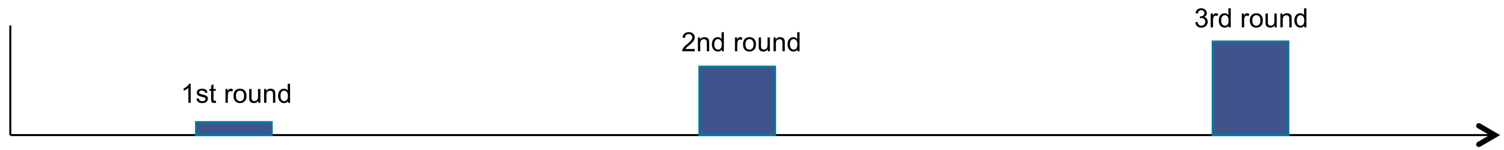
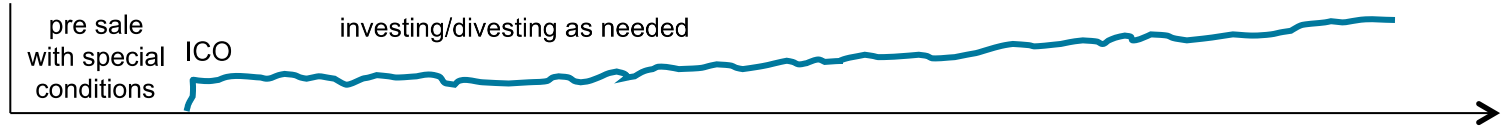


ICOs (Initial Coin Offering)

- „Funding rounds" still exist
- ICO is the first funding but tokens are sold to the market continually
- Therefore participate in „pre sales" (similar to bookbuilding period with IPOs)
- Tokens are liquid



ICO campaigns

What is the process of an ICO?

First steps (early phase)

Pre-ICO (roadshow)

ICO

Early phase (1-2 months)

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Project name / idea / concept / use case

- First pitch deck for feedback

Type of blockchain / scope of project

- Private vs. public
- Token model (conceptual and numerical)

Name registration

- Securing important and similar web domains (Anti-phishing)
- Copyrights / trademarks / ENS domains
- Legal consideration (Bafin / Finma / SEC)

White Paper V.0.1

- Topic description, basic ideas and vision and mission outlined (10-15 pages)

Task sheet / team recruitment

Pre-ICO (2-4 months)

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White Paper V 0.6 (15-50 pages) / Landing page / Core Team / Prototype

Social Media / Online Roadshow / Community

- Slack vs. Discord vs. RocketChat (Slack for internal team communication)
- Telegram / Bitcointalk / Reddit
- Facebook / Linkedin / Xing / KakaoTalk / Line / VK / WeChat
- Medium / Steemit

Marketing

- Facebook Ads / Google Ads / banner campaigns
- Articles / press releases / bloggers
- Vlogger / Youtube / Podcasts

Team extension

- Local advisors specific to important countries and blockchain hubs
- Advisory Board (professionals, high-level people)

ICO (1 month)

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White Paper V 1.0

Final website / separate server and website for ICO execution

White List / KYC

Strong community (>5000k)

24/7 availability → community managers

Thank you!

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Backup

Kryptoassets sind hoch liquide und 24/7 handelbar

Überblick: Große für europäische Investoren zugängliche Krypto-Handelsplätze

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Quellen: Homepages der Handelsplätze

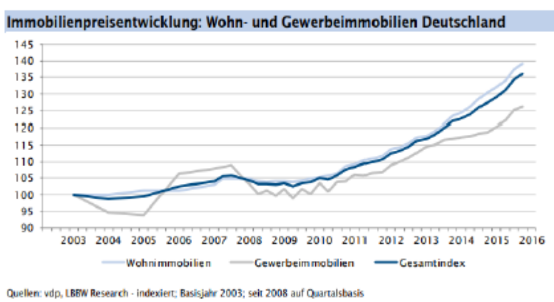
Investoren suchen nach alternativen Anlagen

Klassische Assetklassen erwirtschaften zu wenig Rendite - liquide, niedrig korrelierte Assets sind rar

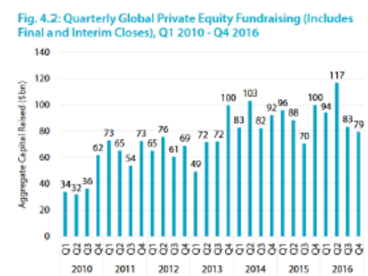
Das Zinsniveau ist auf einem historischen Tiefstand…

…während Aktienmärkte hoch bewertet sind…

…genau so wie Immobilien



Alternative Assetklassen boomen…



… aber bieten oft nur geringe Liquidität

Quellen: OECD, onvista.de, LBBW, Prequin

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Four ste

Alle PC wissen das gleiche (Pharma tracking, Logistik; bitcoin schieben)
bitcoin
Zahlung wenn bedingung (terminüberweisung, normale überweisung) = Ethereum
Zukunft: ein smart contract setzt auf anderen auf organisationen funktionieren ohne eingriff (autonom fahren)

Blockch
transact

DAOs

Smart contracts

Transfer of assets

Safe information

DAO: Decentralized Autonomous Organizations

Werthaltiges kann transferiert werden, weil einer Blockchain-Datenbank vertraut werden kann

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Technische Ansätze	„Built-in Trust“	Transaktion von Werthaltigem

Technische Ansätze

- Netzwerk
- Transaktionshistorie
- Blöcke
- Rechenknoten
- Wallets
- Transaktionen

- Miners (Bitcoin)
- Smart Contracts

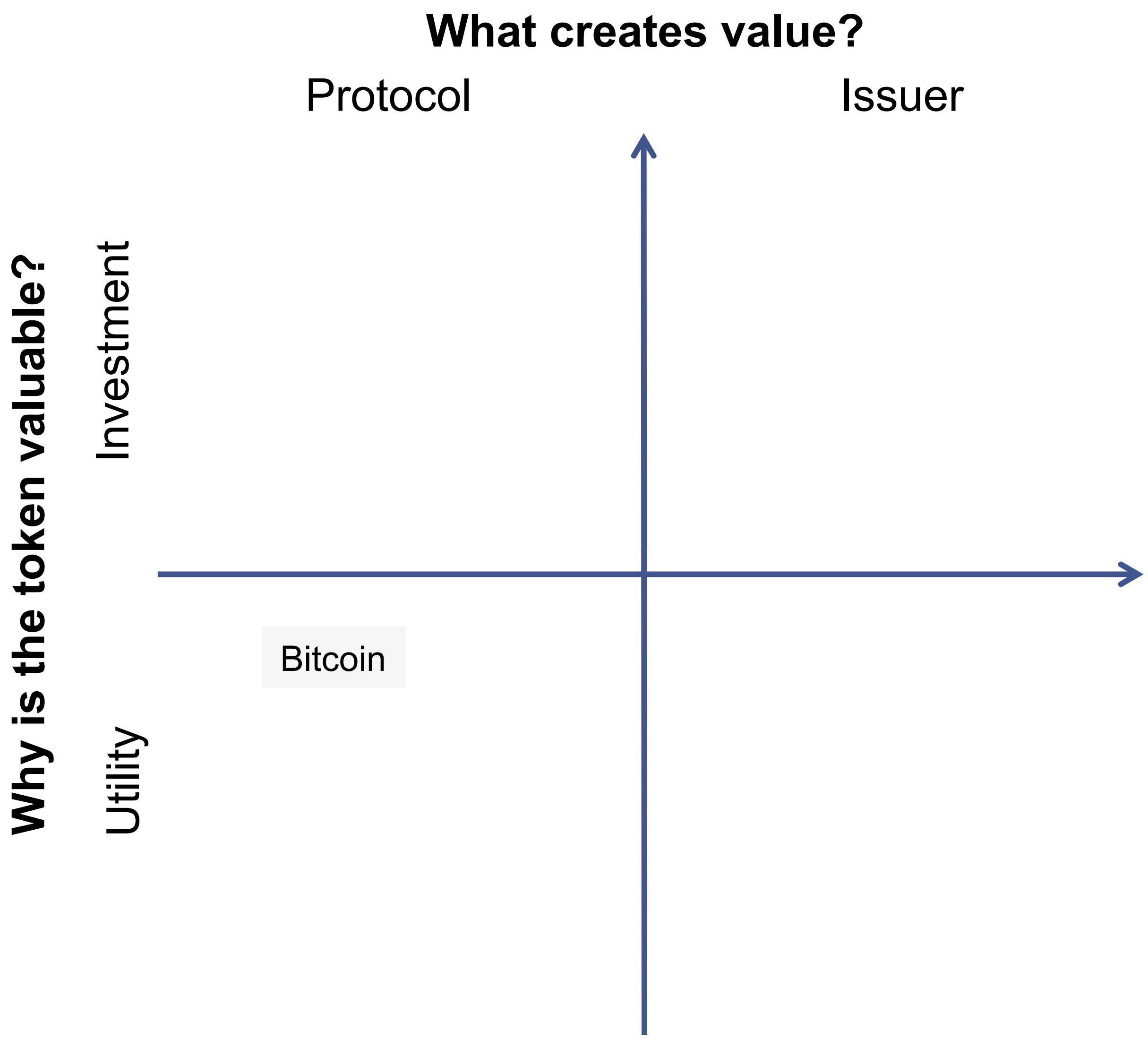
„Built-in Trust“

- Unveränderliche Historie
- Redundante Datenhaltung
- Robustheit des Netzwerks

Transaktion von Werthaltigem

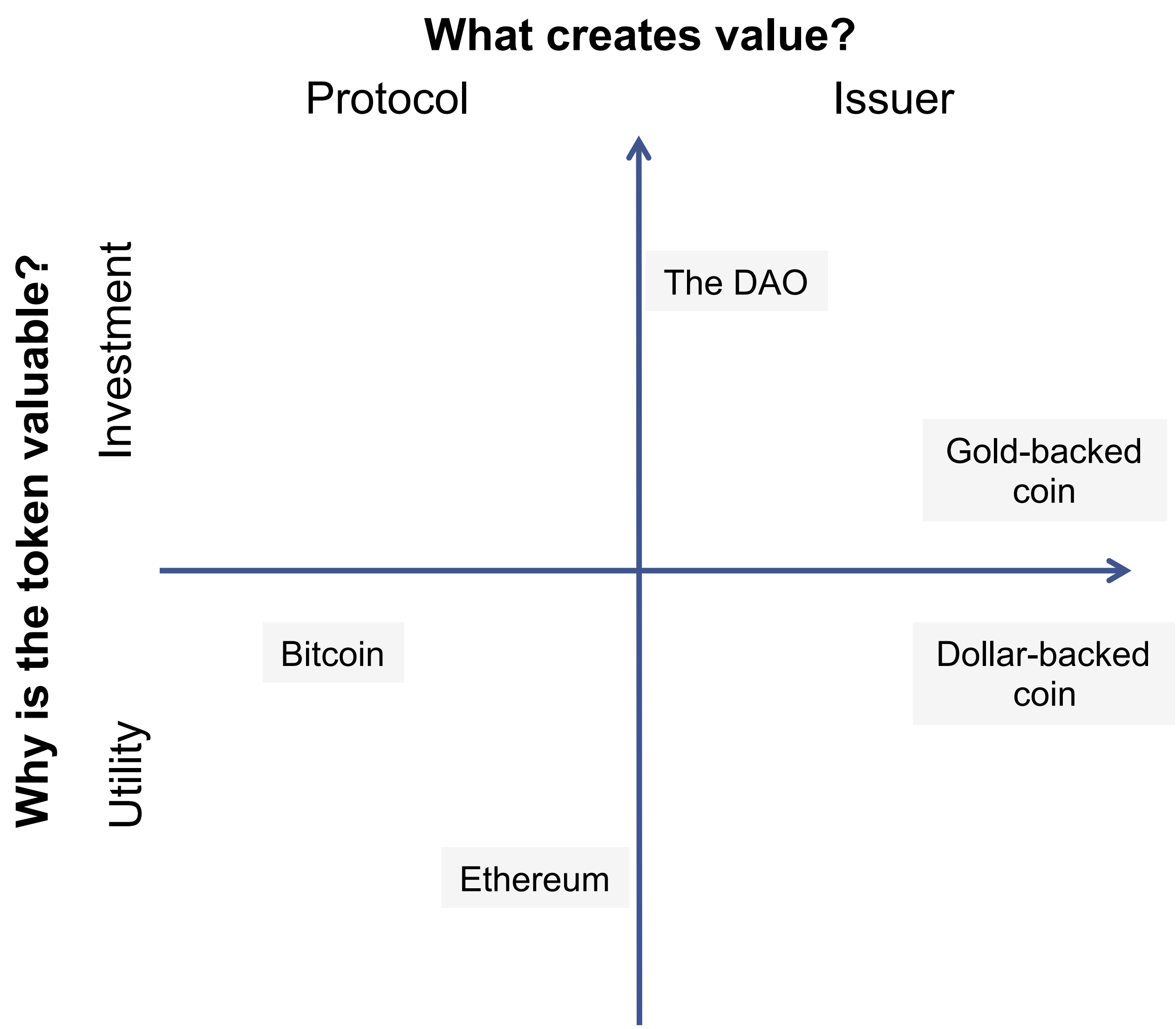
- Geld
- Wertpapiere
- Identitäten
- Reputation
- Mietautos
- Strom
- Rechenleistung

Various types of tokens



Various types of tokens

Ggf. weglassen
De vs zentral



definition of an initial coin offering

An Initial Coin Offering or Token Generating Event, also commonly referred to as an ICO, is a fundraising mechanism in which new projects sell their underlying crypto tokens in exchange for bitcoin and ether. It's somewhat similar to an Initial Public Offering (IPO) in which investors purchase shares of a company. The currencies or tokens provide a service or utility to the holders in exchange for funding to develop the business or project.

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primary issues in ICO markets

01 pre-seed funding

Startups lack pre-seed funding, ICO launch knowledge and investor connections to successfully launch an ICO.

02 scams and fraud

Coin investors are disempowered to ensure quality coin offers. No due diligence leads to scams and fraud.

03 legal framework

Ambiguity in ICO legal framework and reporting standards detracts many startups and investors.

04 unaudited token contracts

Many token contract codes are not audited by a verified third-party, resulting in the misappropriation of digital assets.

05 over-liquidated projects

Many ICOs are overfinanced by crypto investors without having a specific use for the capital raised.

06 lack of transparency

Investors don't have credible and comparable data to evaluate secondary market investment opportunities.

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Future ICO landscape

more regulation

As ICOs attract more attention from mass markets, regulators will develop frameworks for reporting and security issuances to protect consumers. Higher transparency and assurances will be mandatory from ICO launches.

quality projects

As more startups look to launch an ICO, teams will have to develop better prototypes and token investment opportunities to compete in the ICO markets. This will lead to a revolution of higher quality projects and startups

decentralized wealth

Global wealth will be spread to disenfranchised entrepreneurs who previously could not fundraise, and investors excluded from early-stage investments will be provided a platform to participate, promoting global wealth.

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