

UNDERSTANDING THE TOKEN MARKET

ICO, ICCO, TSO

When going to the public to raise funds, a blockchain/crypto project has three options available to them. Each of these methods involve issuing tokens to the general public in return for money...

	1. INITIAL COIN OFFERING (ICO)	2. INITIAL CONVERTIBLE COIN OFFERING (ICCO)	3. TOKEN SECURITY OFFERING (TSO)
	<p>- raise funds through the issuing of tokens. There have been examples where ICO tokens are re-graded as a equity (tradeable securities), but this is the exception as opposed to the general rule. The vast majority of ICO tokens are regarded as an asset.</p> <p>See the 'Howey test' alongside. This is yet to be properly tested.</p>	<p>- gives you the right to convert an asset token to equity - not obligation - at a later point in time. A relatively new development in the token market.</p>	<p>- this token is an equity or tradeable investment, which is regulated by The Securities Exchange Act (1933).</p>
	INITIAL COIN OFFERING (ICO)	INITIAL CONVERTIBLE COIN OFFERING (ICCO)	TOKEN SECURITY OFFERING (TSO)
ASSET TOKEN			
		↓ CONVERT	
SECURITY TOKEN			

For a token to be regarded as equity or a tradeable security, it must meet the 'Howey test.'

According to the Howey test, a security...

- Must be an investment of money
- Expectation of profit
- In a common enterprise
- Profit generation through a third party

Specifically, the Howey Test determines that a transaction represents an investment contract if "a person invests his money in a common enterprise and is led to expect profits solely from the efforts of the promoter or a third party."

Generally, a security could be any financial instrument such as a bond, equity or option. The Securities Exchange Act applies to a "US person or entity".

There are limited exchanges to trade security tokens at the moment.

In 2017, ICOs outperformed venture capital funding. **TSOs are widely expected to replace ICOs in the future.**