EVOLUTION OF CRYPTOCURRENCIES AND CRYPTOASSETS AS INVESTMENT AND PAYMENT TOOLS

By the summer 2017 blockchain-based projects have raised $327 million through ICO which more than $295 million invested in Venture Capital Funds (VC) through the same period.

Thus, ICO became a more common way to raise investments for tech start-ups.

In addition to a more realistic regulatory environment, which is coming quickly, we agree with the opinion who believe that expect to see measures of quality become increasingly important [1].

We also consider, that these measures include:

✓ careful and complete preparation prior to seeking a token distribution;
✓ more advanced project development;
✓ a clearly-articulated basis for a robust token economy;
✓ strong project merits and large market opportunity;
✓ quality and cohesiveness of the team responsible for execution.

In other words, the ICO market will require all the same characteristics that would be important to attract quality early stage investors.

The estimated number of unique active users of cryptocurrency wallets has grown significantly since 2013 (Figure 1 [2, p.25]).
Interesting is the fact that >85% of Bitcoins are concentrated within <1% of holders.

\[
\text{Fig. 1. The estimated number of unique active users of cryptocurrency in the period after 2013}
\]

Volumes of cryptocurrency user share by region (based on combined wallet and payment provider data) have experienced particularly high growth in emerging countries located in Asia (China, India, Malaysia, Thailand), Latin America (Brazil, Chile, Colombia, Mexico, Venezuela), Africa and the Middle East (Kenya, Nigeria, Saudi Arabia, Tanzania, Turkey) and Eastern Europe (Russia and Ukraine). More than 85% of Bitcoins are concentrated within <1% of holders.

The Average Cryptocurrencies Transaction Size Diagram is depicted on the Figure 2.

It should be noted that the quantity of ICOs has grown 3 times and the volume of funds has raised 15+ times since 01/09/2017, and, respectively, the quantity of ICOs — 5 times and the volume of funds — 37+ times since 27/11/2017.

In 12 months the number of cryptocurrencies worth >$1 million has soared by 468%. Meanwhile, the total value of all currencies together has skyrocketed by 1,466%.
Fig. 2. Average Cryptocurrencies Transaction Size Diagram

Despite the world’s fastest growing asset class is cryptocurrency, even the Bitcoin looks tiny in the grand pool of things, when compared to other global markets [3].

In fact, raising money through ICOs has become more effective than traditional early-stage angel and VC funding (Figure 3 [4]).

Fig. 3. ICO fundraising in dynamics for in the period July 2016 — July 2017

The historical TOP-10 of ICOs by funding raised sums which would be nearly impossible to reach with the traditional investment options. 9 of 10 took place in 2017.

Historical TOP-50 ICOs to date collected $ 2.6 billion altogether (Table 1 [5])
The percentage of ICO projects failing to collect necessary funding is constantly growing and for now results in 2/3 failures of all initial token offerings [6].

The prospects and risks of raising money through ICO are determined as the subject of future authors’ research.

References

5. ICO Calendar_v2017-11-27.xlsx // https://drive.google.com/file/d/1v_9dy5WGsFYYRPvnuF4v4UzPr-bftxY/view
6. Architectpartners Premium Value M&A & Token Advisory // https://cdn-images-1.medium.com/max/1600/1*3cU0lQtIg4Qz94tPEkq2A.png