
The Future of Cryptotokens

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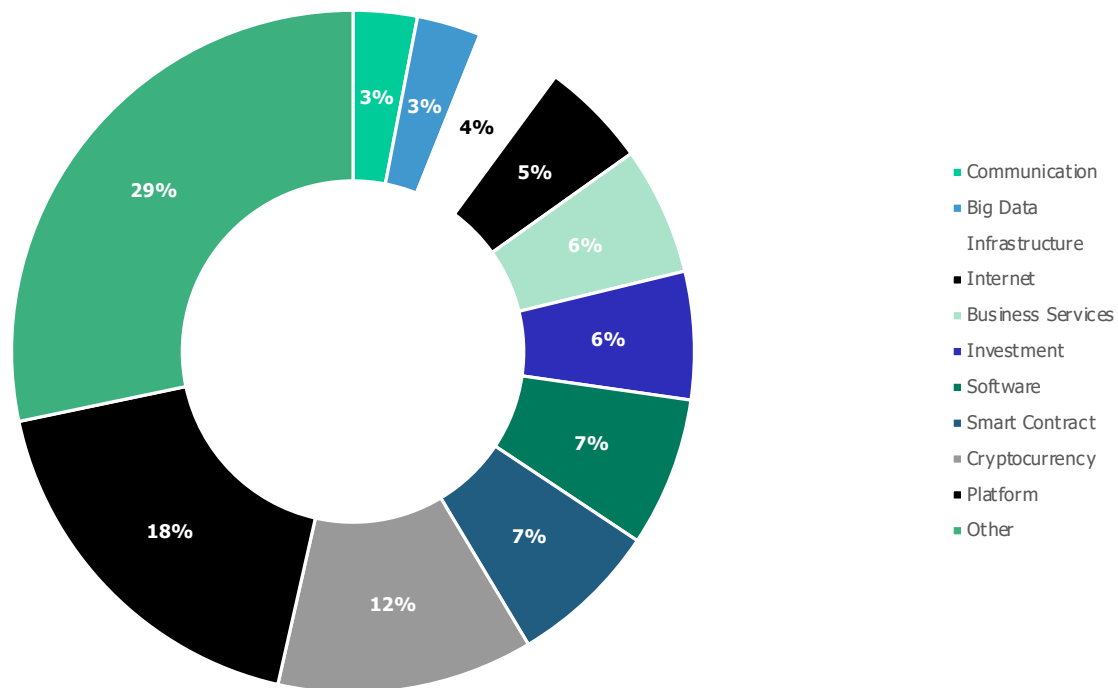
What Are Cryptotokens?

- A token generally backed by a cryptocurrency residing on a platform
- Purchase specific goods and services
- Raise capital like venture capital
- State-contingent smart contracts
- Many details to be worked out and regulatory uncertainties are large

Venture Capital, Crowdfunding and Tokens

- In first two quarters of 2018, VC raised \$120 billion and tokens raised \$12 billion
 - ▶ From 1/2017 to 3/2018, tokens raised 3.5 times more capital for blockchain and blockchain adjacent deals
- In first eight months of 2018, crowdfunding raised \$9.4 billion vs \$12.5 billion for tokens
- Similar to crowdfunding, tokens reach a broader investor base

Tokens by Industry Classification

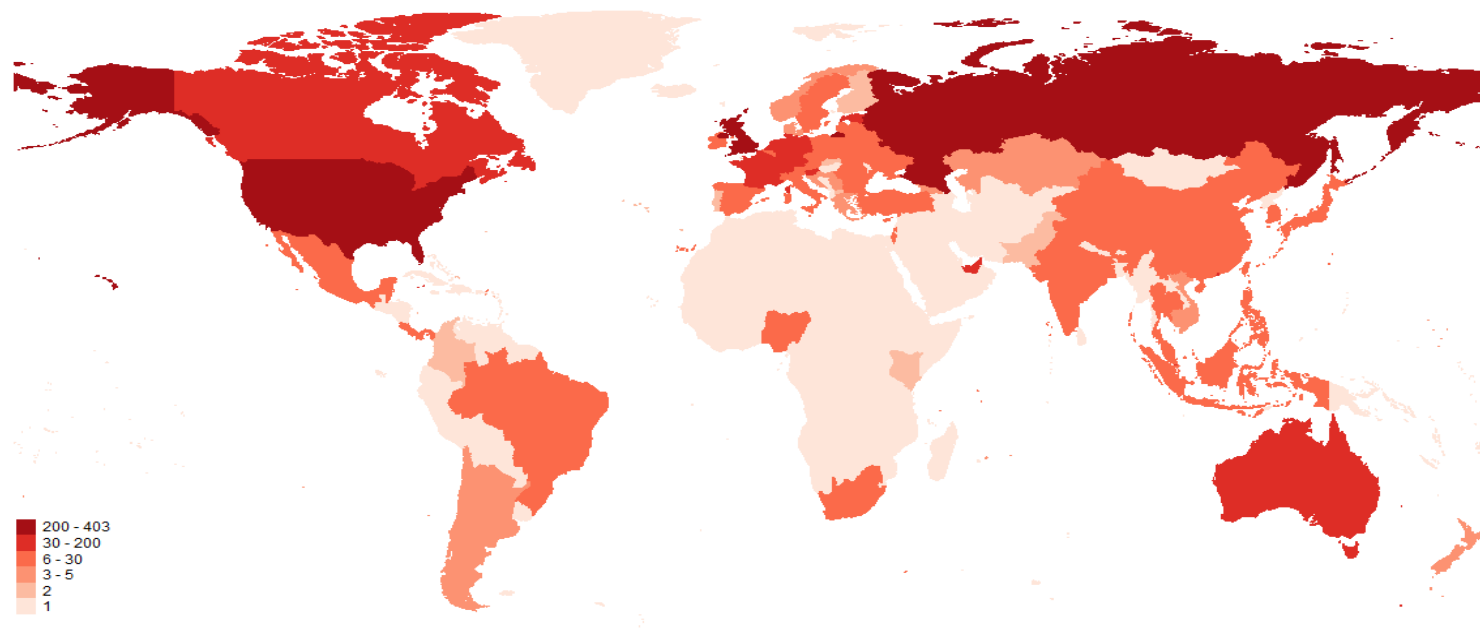


Source: ICOmarks.com as of 4/24/2019

Source: Biasi and Chakravorti (2019), The Future of Cryptotokens, *International Finance Review*, forthcoming.

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Number of Cryptotokens Issued by Country

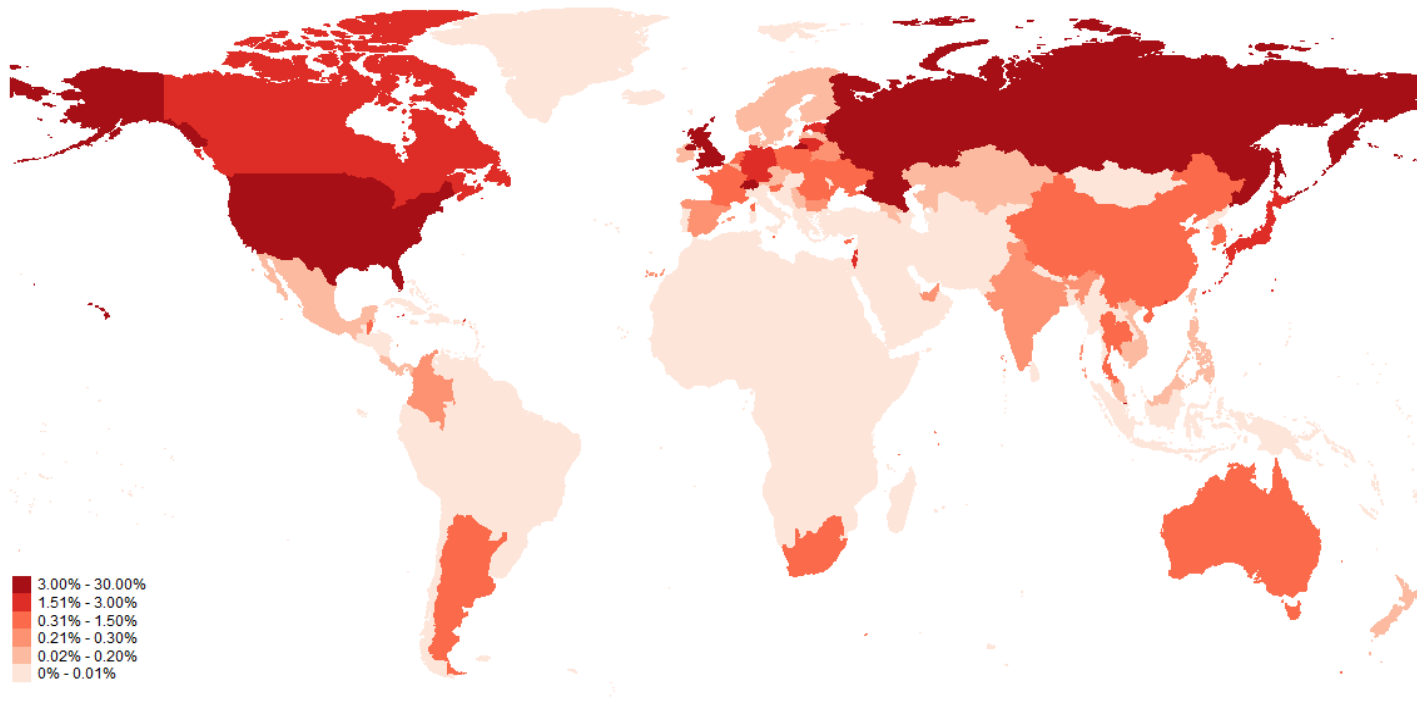


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Dollar Value of Cryptotokens Issued by Country



Source: ICOmarks.com as of 4/24/2019

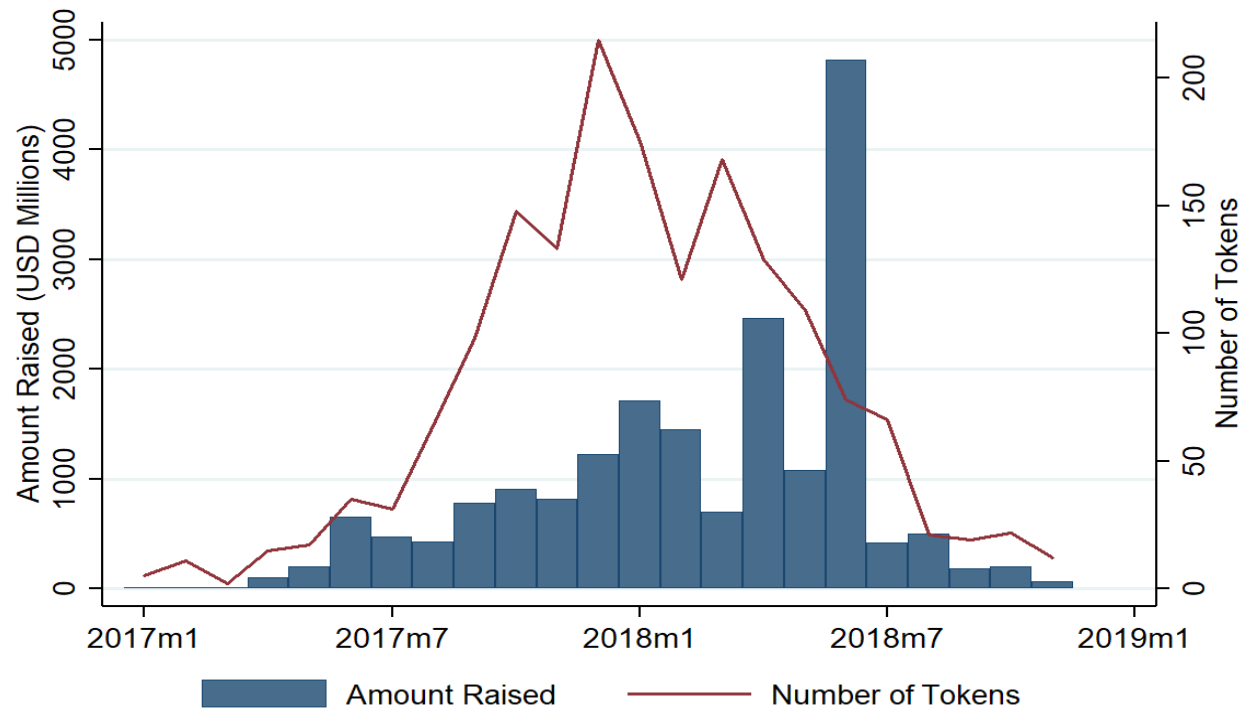
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Top Five Countries

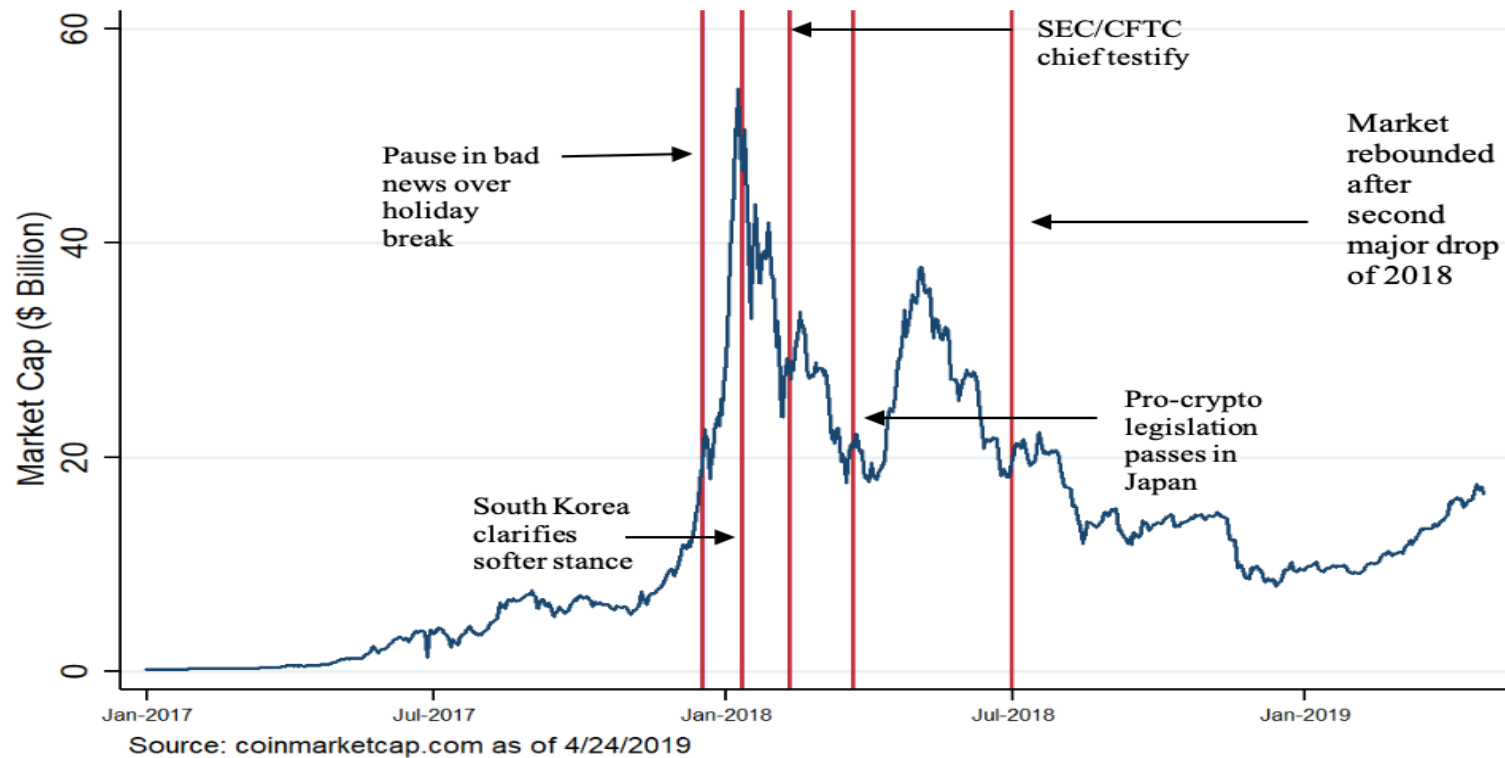
- In terms of number of tokens issued, US, Russia, UK, Singapore, and Switzerland are the top five
- In terms of dollar value, US, Switzerland, Singapore, UK, and Russia are the top five
- US and UK are global financial centers and Singapore is a large regional financial center
- Switzerland has traditionally been a money center for deposits and taken a proactive role to attract the industry
- Russia's undeveloped financial markets for startup firms along with its talented programmers and mathematicians make it attractive

Token Inflows by Value and Number



Source: tokendata.io as of 4/24/2019

Positive Events Correlated with Token Market Cap



Source: Biasi and Chakravorti (2019), The Future of Cryptotokens, *International Finance Review*, forthcoming.

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Negative Events Correlated with Token Market Cap



Source: Biasi and Chakravorti (2019), The Future of Cryptotokens, *International Finance Review*, forthcoming.

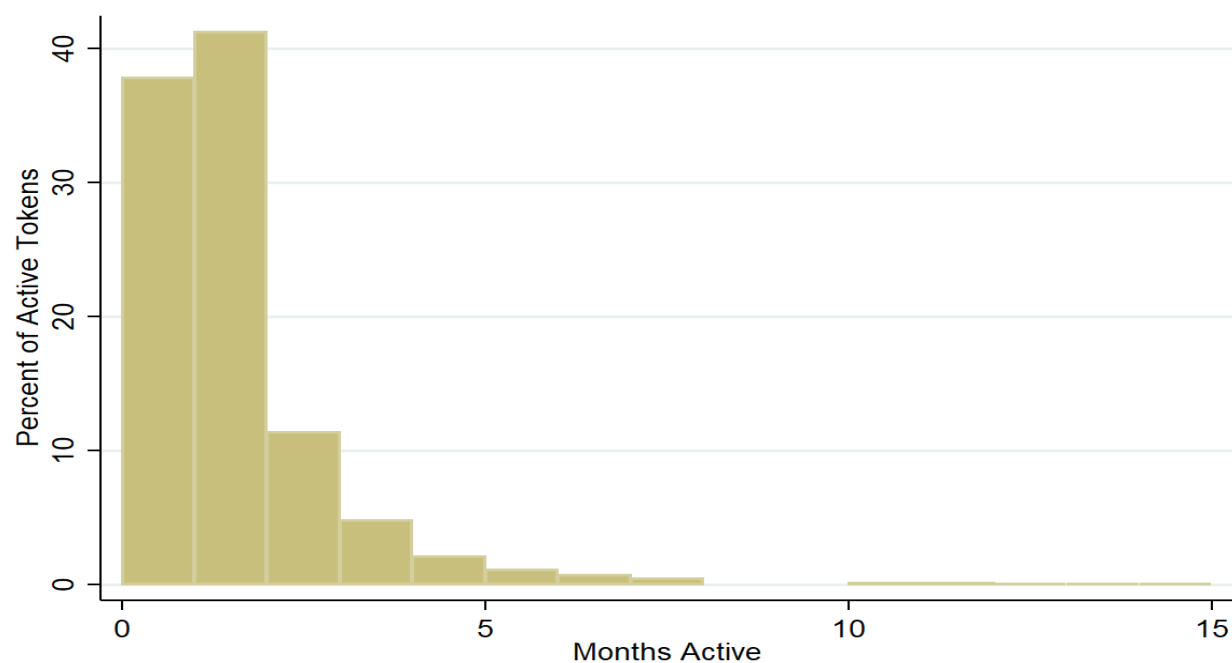
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Token Market Cap Volatility Unadjusted and Adjusted for Ether Volatility



Source: coinmarketcap.com as of 4/24/2019
Bars denote months of January and April, 2018

Lifespan of Existing Tokens (as of 4/24/19)



Source: Biasi and Chakravorti (2019), The Future of Cryptotokens, *International Finance Review*, forthcoming.

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Policy Issues

- How should they be regulated?
- Which regulatory agency should take the lead?
- How do we regulate borderless assets?
- Consumer protections
- Systemic concerns

Conclusion

- Cryptotoken market shot up during 2018 to collapse by the beginning of 2019
- Cryptotoken infrastructure shows enormous potential to disrupt traditional funding markets especially to attract retail capital globally
- Cryptotokens will not eliminate existing funding sources but augment them
- Some incumbents will have to embrace technology and provide liquidity and custody services
- Most importantly, regulators must understand and provide a regulatory framework going forward