

Have ICOs taken over from the traditional crowdfunding model?

In the UK the market for crowdfunding, including peer-to-peer lending, started to take off in the years following the financial crisis.



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ICO TBA

According to estimates from innovation charity Nesta, peer-to-peer business lending grew by 99% to £1.49 billion in 2015, with equity based crowdfunding up by 295% at £332 million.

However, intervention by governments and institutions into the market, particularly by favoring larger entities for investment and support, is distorting the market and making it difficult for smaller players to operate on a level playing field.

In the equity crowd funding space, the situation is even more difficult. Market leaders in equity crowdfunding, Crowdfunder, made an operating loss of £5.39 million in the year to September 2016. Research from Beauhurst shows a 4% decline in funds raised for equity during Q2 2017 (Figure 1).

In contrast, data from Coindesk shows that \$1.27 billion was raised via ICOs in the three months to July 2017 alone.

REGULATORY FRAMEWORK

Initial Coin Offerings have recently caught the attention of various regulators around the world including the Financial Conduct Authority, with the UK regulator issuing a warning to consumers over the risks associated in the industry. Perhaps, the issue that is most troubling for ICOs is falling foul of the securities legislation in the various jurisdictions they operate in.

The regulations surrounding investment based crowdfunding have been in place for some time and appear to work well.

CROWD FOR ANGELS

Crowd for Angels, a FCA regulated crowdfunding platform launched in January 2014, has successfully raised

Headline figures

£48m invested over **71** deals

deals
18.4%
from Q1

Crowdfunding deals and amounts over time

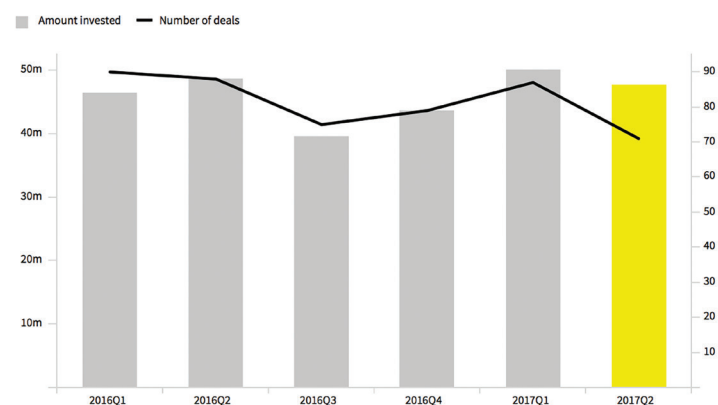


FIGURE 1: BEAUHURST, THE DEAL - H1, 2017

All-Time Cumulative ICO Funding

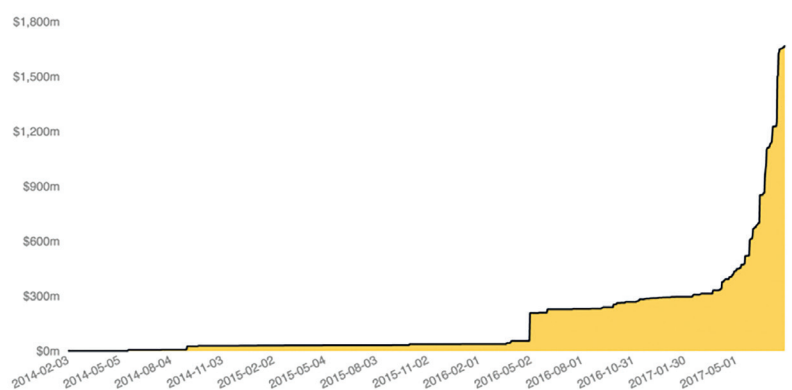


FIGURE 2: COINDESK STATISTICS - AUG 2017

several million pounds for companies via a mix of equity and debt pitches.

It therefore seems a natural progression for Crowd for Angels to consider the merits of the ICO market given its close affinity to crowdfunding and its capacity to fund large transactions through the use of cryptocurrency or fiat. We are therefore looking to enter the ICO market and in the first instance for ourselves.

We believe we have developed a product, the Liquid Crypto Bond (LCB)

that overcomes the problems associated with ICOs that fall foul of securities laws. Furthermore, by combining the issue of tokens with our debt or equity products, you can ensure that the interest of token holders is aligned with that of equity holders - this is something we feel many ICOs are current lacking.

Crowd for Angels will soon be launching an ICO. To keep up to date with the launch of this ICO, please visit: crowdforangels.com/ICO