

ICO Submission to Treasury

Hi There,

Thank you for taking the time to (a) read this, and (b) consider this response.

In my experience, having been around the Bitcoin / crypto space, capital markets, early stage technology start ups & seed stage fundraising, I think the ICO model is at best misleading & deceptive conduct, and at worst; blatant fraud.

Why?

1) Non dilutive capital raise

I'm not sure how legal this even is, but these "projects" sold potential retail investors a narrative about "investing in early stage projects / business / companies" (the entity irrelevant) which in reality investors were buying worthless tokens with no relationship or attribution back to the underlying entity, or any stock, share, debt, right or anything in the entity.

As a result, the ICO was able to take in money, and give back a made up coupon to the so-called "investors".

2) Unregistered securities

Despite all claims to the contrary, the companies / groups who conducted ICOs were in effect selling "tokens" for the purpose of speculation. The buyers of these tokens were never "users of a platform", and in just about all cases; those platforms did not exist, and to this day still do not exist. The utility narrative was 100% false.

These unregulated / unregistered entities took full advantage of ASICs lax standards, and then took full advantage of the public's lack of knowledge - and basically ripped them off, selling them extremely high risk tokens (securities) with no rights, ownership or recourse.

3) Unfair advantage

The government and broader ecosystem should be supporting entrepreneurs & innovators who do the right thing.

By allowing those who do the wrong thing to get away Scott-free, and in fact with large sums of money; indirectly dis-incentivises those who are working hard to do the right thing. Innovation is hard. Building a legitimate business is hard. Making it commercially viable is even harder, and when one needs to compete with those who have cheated their investors and the system, it just makes it unfair.

I won't bother going into the technical semantics, as they are irrelevant.

Tokenomics and incentive models, and all of this other rubbish branded under "blockchain", is just a hammer looking for a nail.

Bitcoin is a very different concept; it was never sold to anyone, there was never an ICO, it was a something that grew spontaneously of the internet - and no individual profited from selling it to unwitting investors.

ICOs on the other hand, took advantage of people mis-understanding of Bitcoin and the technology, and sold unregistered securities on the basis of two false narratives:

- a) You're investing in early stage ideas / companies
- b) Exchange listing / You'll be able to sell your tokens on an exchange later (implying an increase in value)

I hope my comments will assist with there being some form of recourse for Australian ICOs in particular; as allowing them to continue on without either paying back their original investors or part with their equity, is just going to mean there was no consequence to their actions.

For reference - some particular for projects such as: www.getbamboo.io, and Blockgrain, AusCoin, are still operating off the back of fraudulently obtained funds.

Best Regards,

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