**CHAMBER OF DIGITAL COMMERCE**

The Chamber of Digital Commerce is the world’s largest trade association representing the blockchain industry. Our mission is to promote the acceptance and use of digital assets and blockchain technology. Through education, advocacy, and working closely with policymakers, regulatory agencies, and industry, our goal is to develop a pro-growth legal environment that fosters innovation, jobs, and investment.

**TOKEN ALLIANCE**

The Token Alliance is an industry-led initiative of the Chamber of Digital Commerce, developed to be a key resource for the emerging industry surrounding the generation and distribution of tokens using blockchain technology. Comprised of more than 400 industry participants, the Alliance includes blockchain and token legal experts, technologists, economists, former regulators, and practitioners from around the globe. The Token Alliance develops community-driven guidelines for the responsible development of tokens.

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TOKEN ALLIANCE CO-CHAIRS

PAUL ATKINS
Chief Executive Officer, Patomak Global Partners

JAMES NEWSOME, PH.D.
Founding Partner, Delta Strategy Group
TOKEN ALLIANCE LEADERSHIP COMMITTEE

The Chamber of Digital Commerce would like to recognize the following individuals for their thought leadership, contributions and support to the Token Alliance in the production of this report.

KEVIN BATTEH
Partner,
Delta Strategy Group

PERIANNE BORING
Founder and President,
Chamber of Digital Commerce

JOE CUTLER
Partner,
Perkins Coie LLP

DAX HANSEN
Partner,
Perkins Coie LLP

CHRIS HOUSSER
Co-Founder,
Polymath

JONATHAN JOHNSON
President,
Medici Ventures

AMY DAVINE KIM
Chief Policy Officer,
Chamber of Digital Commerce

KARI LARSEN
Partner,
Perkins Coie LLP

BRIAN LIO
Chief Executive Officer,
Smith + Crown

RUMI MORALES
Partner,
Outlier Ventures

MATTHEW ROSZAK
Chairman and Co-Founder,
Bloq

BILL SHIHARA
Chief Executive Officer,
Bittrex

TOM SPORKIN
Partner, Buckley LLP
Strategic Advisor, Token Alliance

JOSHUA STEIN
Chief Executive Officer,
Harbor

COLLEEN SULLIVAN
Chief Executive Officer,
CMT Digital
EXPERT CONTRIBUTORS

The Chamber of Digital Commerce would like to thank Smith + Crown for their valuable contributions to the Token Alliance in the production of this report.

SMITH + CROWN

MATT CHWIERUT
Research Director

BRANT DOWNES
Research

BRIAN LIO
Chief Executive Officer

LINDSAY NELSON
Research
II. METHODOLOGY

Measuring digital token project size is difficult. To do so, throughout this section, the term “digital token projects” or “token projects” includes all digital token fundraising events that: (i) entailed over $25,000 raised from project participants; (ii) involved the sale of digital tokens (as opposed to equity or debt); and (iii) did not return these raised funds. Amounts raised are valued according to average daily exchange rates on the date the fundraising event closed. Also, for purposes of this section, fundraising events for digital tokens are defined to take place regardless of whether tokens are distributed immediately or are promised to be delivered to project participants in the future (and have yet to be created, like Filecoin). The scope of analyses in this section thus includes all “presales,” “private sales,” “pre-ICOs,” and so-called “Initial Coin Offerings,” or “ICOs,” as well as both meta-tokens on Ethereum (most of which are based on the ERC-20 standard), meta-tokens on other blockchains, and base tokens in fundamental protocols. Any of such events will more generally be referred to as a “token project fundraising event.” Analyses set forth below also include “temporary tokens” that are intended to be redeemable for future tokens. Some data may be missing or subject to future revision, and fundraising events occurring more than 30 days apart are treated as separate.
III. INTRODUCTION

The year 2018 saw a significant decline, as the year progressed, in both the volume and the amount of funds raised through token project fundraising events, often referred to as “ICOs” or “token sales.” The slowdown in token-based fundraising mirrored the overall bear market for cryptoassets throughout 2018 and into Q1 2019, and was arguably the dominant industry narrative in popular media. Despite this trend, the resilience of project fundraising efforts throughout the year, including a reemerging role for traditional venture funding, illustrated how backing continued to be available for strong projects across the space.

The fullest accounting of 2018 market activity likely incorporates a range of factors, some of which may only be discernible with greater distance. What is clear is that despite the overarching downward market trend, a closer look at 2018 shows a number of significant developments influencing token project fundraising, including:

» Token project fundraising events outperformed 2017 in terms of overall amounts raised and quantity completed when considered holistically. Fundraising continued for blockchain-based projects throughout the year, though approaches shifted toward more traditional fundraising vehicles.

» Virtually every part of the blockchain industry saw development, arguably by more qualified and serious teams with the commitment and means to weather the market downturn. The information, finance, and media industries experienced the most concentrated activity.

» Projects focusing on developing infrastructure solutions and core blockchain platforms attracted significant funding, working toward opportunities to underpin the future of blockchain technology.

These observations remind us to consistently challenge our definitions of success as the industry evolves. While quantity of fundraising, number of participating projects, and market activity were front and center as measures of industry success in 2017, 2018’s progress can be found in the quality of projects continuing foundational work and the elimination of low quality actors. While Q1 2019 experienced new lows in terms of amounts raised through token-based fundraising, March and April trended slightly upward with renewed activity. May 2019 saw a sizeable increase in token-based fundraising, with virtually all of this increase attributable to Bitfinex’s $1 billion raise, suggesting an increase of similar magnitude may not prove to be an enduring trend.
IV. TRENDS IN TOKEN PROJECT FUNDRAISING EVENTS: 2013-PRESENT

Figure 1 demonstrates a high level view of the token project fundraising landscape. Both size and volume of project fundraising events tapered off over the course of 2018 and into 2019, with raises over $150 million disappearing after Q2 2018, prior to Bitfinex’s raise.

**FIGURE 1**

**TOKEN PROJECT FUNDRAISING LANDSCAPE 2017- MAY 2019**

Note: Token project fundraising events above $150 Million are labeled.

Note: Token project fundraising includes all token projects that raised over $25,000 and did not return funds raised to participants. Amounts raised are valued according to average daily exchange rates on the date the fundraising closed. Rounds for the same project that are separated by more than 30 days are treated as separate fundraising events. EOS’s ongoing fundraising events are valued according to the total raised during each period and grouped into monthly amounts, with each month being treated as a separate “fundraising event” and, thus, are highlighted in a different color. Some data may be missing or subject to future revision.
TOTAL AMOUNTS RAISED IN TOKEN PROJECT FUNDRAISING EVENTS

From January 2017 through December 2018, more than 1,100 token project fundraising events raised over $21.52 billion and, despite the recent market slowdown, $13.7 billion was raised in 575 fundraising events in 2018 alone. Relative to token project fundraising activity in 2017, where over 549 events raised $7.3 billion, 2018 saw an overall increase in both total number of fundraising events and amounts raised, despite the front-loaded nature of these events into the year’s earlier months and the generally descending monthly trend in both number of fundraising events and amounts raised over the course of the year. $1.3 billion has been raised from 54 token fundraising events from January through May 2019, with Bitfinex’s outsized raise accounting for $1 billion of that amount. While that represents a substantial sum, the ongoing declining trend in both average and median token fundraising events amounts remains concerning.

FIGURE 2

Note: Token project fundraising includes all token projects that raised over $25,000 and did not return funds raised to participants. Amounts raised are valued according to average daily exchange rates on the date the fundraising closed. EOS’s ongoing raise is valued according to the total raised during each auction period and grouped into monthly amounts. Rounds for the same project that are separated by more than 30 days are treated as separate fundraising events. Some data may be missing or subject to future revision.
While the overall amount raised through token fundraising events through May 2019 is more than $22.8 billion, when those that raised more than $500 million are excluded, that figure declines considerably, to $16.8 billion. Similarly, excluding the single largest raise thus far in 2019 reduces the total amount raised from $1.3 billion to $359.2 million. This reinforces how media reports of headline numbers are frequently skewed by a focus on a small number of outsized fundraising events. Figure 3 illustrates how a significant bias towards the largest fundraising events has in many ways defined these markets, a perspective that has unfortunately lent itself to overlooking a large number of strong projects completing more modest fundraising events in support of fundamentally strong projects. While the absence of these largest fundraising events in the second half of 2018 is unsurprisingly the largest factor in the slowdown of the overall token fundraising market during this period, this focus on the largest raises also lends itself to an underestimation of the extent of activities and fundraisings still occurring.

**Figure 3**

**FUNDS RAISED TO SUPPORT TOKEN PROJECTS**

MONTHLY, JAN 2013 - MAY 2019

Note: Token project fundraising includes all token projects that raised over $25,000 and did not return funds raised to participants. Amounts raised are valued according to average daily exchange rates on the date the fundraising closed. EOS’s ongoing raise is valued according to the total raised during each auction period and grouped into monthly amounts. Rounds for the same project that are separated by more than 30 days are treated as separate fundraising events. Some data may be missing or subject to future revision.
Figures 4 and 5, below, illustrate how both the number of token fundraising events and amounts raised have fallen substantially below prior-year comparisons.

**FIGURE 4**

**TOKEN PROJECT FUNDRAISING EVENTS**  
MONTHLY, JAN 2017 - MAY 2019

Note: Token project fundraising includes all token projects that raised over $25,000 and did not return funds raised to participants. Amounts raised are valued according to average daily exchange rates on the date the fundraising closed. EOS’s ongoing raise is valued according to the total raised during each auction period and grouped into monthly amounts. Rounds for the same project that are separated by more than 30 days are treated as separate fundraising events. Some data may be missing or subject to future revision.

**FIGURE 5**

**FUNDS RAISED TO SUPPORT TOKEN PROJECTS**  
MONTHLY, JAN 2017 - MAY 2019

Note: Token project fundraising includes all token projects that raised over $25,000 and did not return funds raised to participants. Amounts raised are valued according to average daily exchange rates on the date the fundraising closed. EOS’s ongoing raise is valued according to the total raised during each auction period and grouped into monthly amounts. Rounds for the same project that are separated by more than 30 days are treated as separate fundraising events. Some data may be missing or subject to future revision.
Looking across industries, both token fundraising event volumes and amounts raised remain concentrated across a few key industries. Among these were the information and finance industries, with media and professional services trailing behind, as highlighted in Figure 6. The information service industry, which includes the blockchain protocol and smart contract platform sectors, received the most activity and funding. This suggests the market remains in a long-term, infrastructurally-orientated state, focused on the foundational layers for the next generation of products and services, such as smart contract platforms, exchanges, and other financial infrastructure.

**FIGURE 6**

**FUNDS RAISED TO SUPPORT TOKEN PROJECTS**

**BY INDUSTRY, JAN 2013 - MAY 2019**

The different industries are briefly described below:

- **Information** - Smart contract platforms, distributed computing, data storage, and data analytics.

- **Finance** - Payments systems, distributed trading platforms, and distributed prediction markets.

Note: Color intensity of bar corresponds to number of token project fundraising events within industry.

Note: Token project fundraising includes all token projects that raised over $25,000 and did not return funds raised to participants. Amounts raised are valued according to average daily exchange rates on the date the fundraising closed. EOS’s ongoing raise is valued according to the total raised during each auction period and grouped into monthly amounts. Rounds for the same project that are separated by more than 30 days are treated as separate fundraising events. Some data may be missing or subject to future revision.
Media - Gaming, messaging, entertainment, and social networks.

Professional Services - Advertising/marketing, accounting, identity management, legal services, and loyalty rewards.

Natural Resources - Energy, agriculture, and precious metals.

Health & Social - Medical services, non-profits, social services, and education.

Trade & Transportation - Personal transportation services, supply chain management, and transportation of goods.

Real Estate - Commercial, residential, property management, and real estate investment funds.

Entertainment - Film, art, music, and other fine arts.

Public Administration - Voting mechanisms, record keeping, and governance platforms.

Manufacturing - Hardware devices and other manufacturing enterprises.

Note: Smith + Crown has considered this issue carefully in developing an estimation of blockchain-related activity across a range of industries and sectors and has implemented the following approach to industry classification. Projects are classified according to their target market, that is, whichever industry in which they are hoping to compete or which they are trying to disrupt. If the project’s market is industry agnostic, classify according to the product. For example, if it is a general purpose payment system, it operates in payment processing sector. In addition, there are several new sectors that are specific to the blockchain industry, including smart contract platforms and prediction markets by which projects can be classified. Finally, the NAICS code industry system is used as a master category system for industries and newly emerging sectors.
SHIFTS IN TOKEN PROJECT FUNDRAISING VEHICLES

The year 2017 saw the introduction of the **SAFT instrument (Simple Agreement for Future Tokens)** used to raise money for token projects. While the law firm Cooley refined the concept and launched the original whitepaper alongside collaborators Protocol Labs, AngelList, and CoinList, numerous SAFT-like instruments have been developed and deployed by other entities. Figure 7 shows activity across the broader token fundraising market with raises conducted under SAFT instruments identified in navy. Most SAFTs are restricted to accredited investors and many are also increasingly registering with national regulatory bodies under official fundraising regimes, most commonly Regulation D in the United States. Despite initial optimism that SAFT raises would present a path for avoiding compliance pitfalls and securities regulations for token-based fundraising, the vehicle appears not to have found widespread use. That is, it did not appear to take over as the predominant fundraising vehicle for token projects. The graph below illustrates both the limited number of raises conducted as SAFTs and how their pace of issuance has declined throughout Q3 2018. A reversal of this trend may take place if and when regulatory clarity around token project fundraising increases.

![Token Project Fundraising Events via SAFT](image)

**FIGURE 7**

**TOKEN PROJECT FUNDRAISING EVENTS VIA SAFT**

*JAN 2015 - MAY 2019*

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**Source:** Smith + Crown data; EDGAR database; Smith + Crown analysis.

**Note:** Token project fundraising includes all token projects that raised over $25,000 and did not return funds raised to participants. Amounts raised are valued according to average daily exchange rates on the date the fundraising closed. EOS’s ongoing raise is valued according to the total raised during each auction period and grouped into monthly amounts. Rounds for the same project that are separated by more than 30 days are treated as separate fundraising events. Some data may be missing or subject to future revision.
Figure 8 further reinforces this conclusion: while funds raised by traditional token fundraising events continued to decline throughout 2018, raises structured as SAFTs or expressly selling security tokens had yet to begin to fill the gap. Token fundraising events have begun to reemerge in 2019, with a small subset representing a new style of token fundraising event, dubbed an “Initial Exchange Offering” or “IEO.”

While IEO’s have no formal definition, they loosely refer to token fundraising events facilitated by cryptocurrency exchanges in exchange for service fees, tokens, or other compensation from the project raising funds. The concept of an IEO first emerged when the Binance exchange began hosting the token sales of blockchain-based projects in 2017, namely, those of Gifto and Bread. The term “IEO” was not intentionally coined by Binance, but rather, took on a colloquial meaning in the crypto community. Other exchanges began participating in the trend around early 2019. It’s important to note that collecting and reporting on IEO data is difficult due to inconsistent, contradictory, or absent data. Because of this, Smith + Crown has taken a conservative approach to classifying raises as “IEO.” Figure 8 represents only the 17 all-time token fundraising events that we feel sufficiently meet the definition of the term IEO and have externally verifiable funding data. These 17 IEOs have collectively raised $90.2 million since they first emerged and, excluding the 2 IEOs that took place in 2017, shows that 15 IEOs have raised a total of $54.2 million from January through May 2019. While important to highlight as an emerging fundraising trend, Figure 8 shows that IEOs have only slowly gained traction in terms of number of raises and amounts raised and, therefore, have yet to make a meaningful impact on the overall token based fundraising event landscape.
Note: Token project fundraising includes all token projects that raised over $25,000 and did not return funds raised to participants. Amounts raised are valued according to average daily exchange rates on the date the fundraising closed. EOS’s ongoing raise is valued according to the total raised during each auction period and grouped into monthly amounts. Rounds for the same project that are separated by more than 30 days are treated as separate fundraising events. Some data may be missing or subject to future revision.

REEMERGENCE OF EQUITY-BASED FUNDRAISING

Another important fundraising trend for cryptocurrency and blockchain projects, the importance of which both complements and is reinforced by the decline in general token project fundraising and SAFT raises, has been the emerging importance of venture capital funding throughout 2018, particularly the latter half of the year. While this trend has taken many particular forms, including debt and convertible notes, most prominent has been the traditional venture capital approach involving the sale of project equity. While many mentions of this trend during 2018 saw it as a shift away from token-based fundraising, variously attributed to a host of reasons, and towards venture funding, Figure 8 provides a somewhat different perspective. By comparing project fundraisings on a longer-term basis where token raises – with SAFT sales broken out as a unique sub-sector – appear alongside of venture raises, what emerges is a clear sense of how venture raises have traditionally been the dominant form of fundraising in the industry. Only during the mid-2017 to mid-2018 period did token-based raises overtake equity-focused venture raises. Given that cumulative token-based fundraising accounted for more than twice the amount raised by venture funding, $18 billion versus $7 billion, it is understandable how attention has focused on token-based fundraising. From a longer-term perspective, however, there have been more venture raises in the space and over a longer period than token-based fundraising events. While several interpretations may be drawn from these observations,
this extended perspective upon the project fundraising space suggests the shift towards equity raises with venture capital firms that marked the latter half of 2018 might be more a return to traditional practices than the novel shift it is often described as being.

**FIGURE 9**

**FUNDS RAISED TO SUPPORT TOKEN PROJECTS, BY RAISE TYPE, JAN 2011 - MAY 2019**

Source: Smith + Crown data; Crunchbase data; Smith + Crown analysis.

Note: Token project fundraising includes all token projects that raised over $25,000 and did not return funds raised to participants. Amounts raised are valued according to average daily exchange rates on the date the fundraising closed. EOS’s ongoing raise is valued according to the total raised during each auction period and grouped into monthly amounts. Rounds for the same project that are separated by more than 30 days are treated as separate fundraising events. Some data may be missing or subject to future revision.
V. CONCLUSION

Overall, while the digestion of gains made throughout 2017 has been a widely recognized theme of 2018, virtually every aspect of the cryptoasset space saw ongoing development, considerable amounts of which were supported by equity raises and venture capital funding. This suggests that a range of actors – from start-ups, to name brands, established companies, investment firms, and even governments – remain committed to erecting the infrastructure for a larger, farther-reaching, and more impactful cryptoasset space. How the funding space continues to evolve and the corresponding implications warrant close observation given their profound impact on development of the space.
UNDERSTANDING DIGITAL TOKENS

Market Overviews and Trends in Token Project Fundraising Events