

A COMPELLING CASE FOR ANOTHER BLOCKCHAIN ACRONYM- THE RCO IS BORN

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The world has way too many acronyms. Arguably even the nascent blockchain arena *already* has too many:

CEX, DEX, PnD, ICO, ITO, STO etc.

I often use 4 letter words to describe 3 letter acronyms 😊.

ICO's (Initial Coin Offerings) attracted a deservedly bad reputation in a short period of time (less than 2 years), resulting in a dramatic but entirely appropriate decimation of much of the ICO marketplace. The initial batch of ICO's if not ill-intended were at best, mostly ill-conceived.

Substantial supplies of company tokens/coins were sold before listing to investors but at the end of the pre-ICO/ICO period, there was necessarily little demand. I say necessarily little, as demand would typically be created by a level of excitement for the coins. But even putting ICO scams aside, the supposedly legitimate ventures often had little more than a whitepaper in existence, rarely completed software and even more rarely a fully functioning business with a thriving ecosystem, utilising a utility token.

In the absence of real business progress it was very unlikely that demand for the coin would occur and consequently an investor bloodbath ensued- with mountains of supply and virtually zero demand.

The blockchain industry correctly concluded that coin listings needed to meaningfully and substantially change. And a significant percentage of the industry, at least notionally, jumped on the bandwagon of the STO- Security Token Offering- the first and really only alternative listing idea to emerge. The notion of an asset-backed token is potentially more attractive but is also a somewhat confusing and perhaps unnatural hybrid. And it is not yet clear how many jurisdictions will support it. If a company (such as ours) has a true utility token it might be best to create much more ideal circumstances to list the utility token on coin exchanges and to separately list the equity on a stock exchange via an IPO. In our case we do not wish to truncate disclosure requirements by doing an STO vs an IPO and furthermore we do not wish to confuse the token portion by having 2 types of tokens (security and utility) or by substituting a security token for our genuine and more correctly characterized, utility token.

What we do want to do is have a utility token offering that is eminently.... responsible.

So what are the parameters of an RCO as we see them:

1. No public coin listing can occur until the business has been launched with an operating ecosystem and completed software.
2. The ecosystem must be the primary venue for creation of the demand for the utility token- not an exchange
3. There must be a solid plan in place for the business to demonstrate significant commercial prospects within 90-180 days after launch
4. Carefully calibrated numbers of coins can be released for purchasing on a coin exchange. The release of such coins is to be governed by smart contract. The smart contract automatically releases such coins under stipulated and publicized conditions that are most likely to result in price stability. (This system has been worked on assiduously by my partner Richard Lee)

In our view these are critical elements of an RCO and no doubt companies can add additional purchaser protections.

We think fulfilment of the foregoing conditions results in a very different offering to that made available in most ICO's (which perhaps stood for Irresponsible Coin Offering). We therefore coin ☺ the term RCO (Responsible Coin Offering) to adequately distinguish it. We earnestly hope others will follow suit.