IEOs Impact on the Crypto Market and Crowdfunding

IEOs are a fresh and more legitimate alternative to traditional ICOs, which pumping the entire crypto market cap to over $800B.

EINDHOVEN, NETHERLANDS, April 26, 2019 /EINPresswire.com/ -- Most crypto market participants are aware of Initial Coin Offerings (ICO) and how their fundraising models managed to raise, in some cases, tens of millions of dollars, pumping the entire crypto market cap to over $800 billion prior to its 2018 descent. However, around 80% of all ICO's were of questionable quality, with only 8% managing to actually reach exchanges and maintain adequate liquidity and progress. Ultimately, ICOs were declared dead by numerous crypto opinion leaders.

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NEXT.exchange logo

Despite the reality of ICOs becoming quite bleak, token sales are by no means dead. Instead, they have evolved and taken up new forms, better forms. One trend that has recently emerged is the Initial Exchange Offering, commonly referred to as IEO.

IEOs, contrary to ICOs, are administered by crypto asset exchanges on behalf of the startups that seek to raise funds by issuing crypto tokens. In short, crypto exchanges conduct IEOs instead of having the project team in question carry out its own sale. Some of the key underwriting operations such as promotional activities, community building, crowdfunding, and post-sale asset distribution are performed by the exchange itself. The exchange conducts an in-depth evaluation of the project team and its business venture prior to greenlighting them for an IEO. The project team and exchange mutually come to certain terms of the agreement before a token sale goes live. The project team and exchange mutually agree to specific terms of engagement before an IEO goes live. Both parties reputations are on the line during such a process. Thus, deep due diligence and a quality offering are paramount in the process.

IEOs are a fresh and more legitimate alternative to traditional ICOs. They provide for greater accountability and success rate for truly promising projects.

Upon the completion of an IEO, the project team token is listed on the exchange platform conducting the sale and made available for trading. In return for providing a project with these services, the exchange takes a fee, typically in project tokens.

IEOs emerging as an exciting 'Phenomenon' in the Crypto Market

The IEO model was pioneered by Binance, with the launch of the BitTorrent sale in January 2019, which raised over $7 million in less than 15 minutes, hitting the crowdsale hard cap.

Following the success of BTT on Binance, over 30 projects have participated in IEOs in 2019. Other IEO hosting platforms include Bittrex IEO, BitMax Launchpad, KuCoin Spotlight, Huobi Prime, and OKEx IEO. More are in the pipeline.

The exchange listing and crowdfunding are the two primary functions of an IEO. Exchanges typically have large user bases that can provide projects with access to significant capital in a short spread of time. A listing on an exchange is helpful for the continuity of a project, as it ensures liquidity and increased attention from the inception stage of a project. IEO practices have significantly increased exchange trading volumes and demand for the native tokens of exchange platforms.

IEO Benefits for Token Sale Models

·   Exchanges can manage token sales much more efficiently than a new project team. Exchanges are built to aid in the transfer of crypto assets in an efficient and secure manner. The risk of phishing attempts and fraudulent websites due to exchange recognition decreases the success rate of bad actors.

In exchange for a fee, payable in IEO tokens, project teams receive an active userbase, marketing support, and a listing. As was with many ICO projects, they struggled to land on reputable and liquid exchanges due to high listing fees. IEOs launch projects into a dramatically better position as opposed to ICOs.

· Exchanges are better equipped to deal with regulations.
Exchanges typically have tried and true Know-Your-Customer (KYC) procedures implemented and closely follow AML procedures. This lowers the chance of a miscreant gaining access to a token sale event.

· Establishes buyers trust in a team and token. A fraudulent token project
Fraudulent token projects may be able to fool novice ICO shoppers, but misleading an exchange is an exhaustively difficult task. Teams participating in an IEO must pass deep due diligence processes executed by the exchange providing support for the IEO. Exchange platforms also have their own credibility at stake during the IEO process. Therefore, the extensive review carried out by an exchange strengthens buyer trust in a project and the entire crypto asset ecosystem.

· IEO model helps teams gain a competitive advantage.
ICOs are highly competitive due to the sheer volume of projects staging them. In contrast, exchanges typically select only a few IEOs to promote to their user base. By collaborating with an exchange platform from the start, project teams can acquire a big audience and build a large and supportive community while expending fewer resources on marketing and more on developing.

Initial Exchange Offerings are new and exciting crowdfunding mechanisms for the Blockchain industry. The attention which they are receiving has not gone ignored by us at NEXT.exchange. We are interested in exploring collaborations with niche and prospective projects. Expect to see IEO's on our platform after the release of 1.1 and the revolutionary own blockchain technology which can become the next bitcoin.

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