

Cryptocurrency

Cryptocurrency is a digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank. Rather than pursue a traditional funding route by borrowing money or selling equity to investors, some companies are now choosing a third option, an **initial coin offering**, or ICO.

Like an initial public offering (IPO), an ICO allows a company to raise capital from multiple sources. But rather than issuing shares of ownership, the offering company **sells digital tokens**, or “coins,” created through blockchain technology.

Boosters believe that strategies like ICOs could be **the future of investing**, a transformative approach to fundraising that enables consumers to benefit more directly from the popularity of new technologies than they would if they owned a traditional stock. Critics, meanwhile, fret that ICOs occupy a regulatory gray area that could leave investors vulnerable to fraud and land startups in legal trouble. And at this early stage in ICO history, both sides may be right.

ICOs are among the big financial innovations to spring from blockchain technology, which uses revolutionary software and multiple computers to create tamper-proof record systems. Blockchain is central to the business models of most startups that use ICOs; Brave, for example, plans to use blockchain tokens to help its users earn money if they agree not to block online ads. By distributing tokens in an ICO, a startup gives buyers early access to its technology, to use however they see fit. If the service or product catches on—or in some cases, before it even launches, if it generates a lot of buzz—the buyers can sell their tokens on secondary markets. The startup, meanwhile, raises money without ceding any control to private investors or venture capitalists, and without the paperwork burdens of an equity IPO.

It is important to note that unlike an IPO, investing in an ICO won't result in you having an ownership stake of the company you're giving money to. You're gambling that the currently worthless currency you pay for now will increase in worth later and make you money.

Structuring Cryptocurrency Transactions

Cryptocurrency has brought a transformative approach to business, but the landscape remains imprecise. To avoid securities, currency, tax, consumer protection and other regulatory hurdles, Shulman Rogers offers a full suite of legal services to guide businesses through their cryptocurrency options.

Our **Business and Financial Services attorneys** advise businesses interested in cryptocurrency, including token sales, on the best options to meet their goals. Our **Token Sales Group** assists clients with structuring and negotiating Token Sale-related deals. Our Securities Group brings a broad range of experience representing clients in capital-raising transactions, including transactions involving cryptocurrency. Shulman Rogers' **Tax Law Practice** also ensures that any cryptocurrency transactions are structured properly.

Navigating Complex and Changing Regulations

Once a business is engaging in the cryptocurrency world, Shulman Rogers offers a skilled **Financial Regulatory and Compliance Practice** to proactively avoid compliance issues and advise those who may be risking investigation. With a former CFTC trial attorney, the group has successfully advised companies on creating and selling cryptocurrencies under the ever-changing regulatory landscape.

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