SHULMAN ROGERS

Token Sales

A startup company that needs to raise capital has traditionally done so through the issuance of equity or debt, customer-based financing and more recently through crowdfunding platforms. A new form of funding, Token Sales, has exploded this year.

What is a Token Sale?

Token Sales have emerged through the advent of blockchain technology. Blockchain is a digital ledger that uses cryptography to keep transactions secure and records transactions chronologically. These transactions can be any movement of money, goods or secure data.

In a Token Sale, a company sells a portion of its own tokens through a crowdsale of digital tokens. Tokens are exchanged for an amount of an existing liquid medium of exchange, such as Bitcoin or Ether (Ethereum), at a fixed or tiered exchange rate.

The company can then use the Bitcoins or Ether it raised in the Token Sale or can convert them into a fiat currency, such as dollars. This allows the company to finance the development of its products and services and to grow and operate the company. Buyers of the company's digital tokens may, depending on the platform design, be able to use the digital token as part of the system, product or service being created by the company.

Token Sales and the Law

Token Sales have brought a transformative approach to fundraising, but the regulatory landscape remains imprecise. The Token Sale and the platform on which it is to be exchanged must be designed carefully to avoid securities, currency, tax, consumer protection and other regulatory hurdles. Our Token Sales Team spans across a range of practice areas, including corporate, securities, tax, IP, commodities and money transfer, bringing together their talents to help protect companies and investors from potential financial and regulatory issues.

Clients turn to Shulman Rogers for advice on regulatory and enforcement issues, as well as assistance with structuring and negotiating Token Sale-related deals.
