



Token Sales for Bankers Recap

March 21, 2018 - On March 20th, Lewis Cohen of Hogan Lovells and Joshua Ashley Klayman of Morrison & Foerster presented the LSTA's afternoon webinar, "Token Sales for Bankers" which built on the topics raised in February's webinar on cryptocurrencies and examined how blockchain technology and token sales are impacting capital raising. Not every digital token is a cryptocurrency; rather, a cryptocurrency is a specific type of digital token. It's estimated that more than \$5 billion was raised through token sales in 2017, and that amount is expected to increase exponentially in 2018. Token sales offer the issuer greater flexibility than traditional capital raising techniques, because, for example, they may be done without diluting equity interests or voting rights. But the token itself may be neither debt nor equity and should be viewed as simply a vessel or a tool kit that enables certain things. The regulatory landscape in this area is fast evolving and, thus, issuers should tread carefully when considering raising capital through token sales. In fact, many token sales conducted over the Internet in 2017 were later found to be non-compliant securities offerings; indeed, regulators have recently expressed the view that many such tokens are securities. As such, those looking to raise funds by issuing tokens should gather a team of advisers with different expertise, including technology partners, social media managers, and of course legal, tax, and accounting advisors to help navigate the many regulatory issues. Fortunately, in contrast to the federal government's response to token sales, certain states are being more proactive and accommodating of this new fundraising technique. For example, Wyoming has recently adopted a statute that allows utility tokens to be sold in the state without triggering their securities regulations. Traditional mainstream players are beginning to take note of this area, realizing that they must prepare to adapt to this evolving landscape of new players, new regulation, and new technology, for 2018 will likely see continued and impressive growth of crypto wealth. For the presentation or replay [click here](#). For more information on this topic, please see Lewis Cohen's article, "A Crypto-Capital Markets Lawyer Looks Back on 2017" in Medium, and Joshua Ashley Klayman's article, "Blockchain Basics for Investment Managers: A Token of Appreciation", in The Review of Securities & Commodities Regulation.