

News

ICO-Hub Provides a Governance Layer Favorable for Investors

David Drake (/user/daviddrake)  | Thursday, 08 March 2018 13:30 (EST)

1 of projects."%0D%0A%0D%0Ahttps://www.equities.com/news/ico-hub-provides-a-governance-layer-favorable-for-investors)

Russia will become the first country to put together an ICO-Hub, a system to guarantee ICO investments. It is being developed by 4 stakeholders, namely Globex Bank, the subsidiary bank of the state corporation VEB, the Russian Association of Cryptocurrency and Blockchain (RACIB) and CrowdHub. News reports (<https://iz.ru/709318/mikhail-tegin-anastasiia-alekseevskikh/kriptovaliutam-nashli-poruchitelia>) show that the ICO-HUB will have its test launch this March 2018.

Once complete, the system will enable ICO investors to monitor costs and implementation of projects, as well as vote for the release of funding stage-by-stage. If they find that the project is going according to plan, investors will vote in support of transfer of part of the money raised. Where 51% of investors or more vote against it, the remaining funds will be redistributed among investors and after that, the project will be wound up.

Governance Layer

Investors who use the system will have a say in how ICO projects are implemented. This aspect is likely to capture the attention of investors.

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Jay Singh, CEO of ClearCoin, says, "The proposed regulation from Russia could create a governance layer attractive to buyers. Governance layers should help and may even give rise to 'shareholder activists'".

Investor Protection

The ICO-Hub system will allow companies to accept both crypto and fiat currencies. An escrow account will be opened at Globex to accept fiat payments and a CrowdHub wallet to accept virtual currencies. The guarantees for both parties will be covered by escrow accounts, and it will minimize risk related to deals going wrong or scams.

Jose Merino, Chairman of SID Limited, notes, "It is true that this could protect Wild West young entrepreneurs with no experience in running a business but this can be mitigated by regulation, forcing the requirement of having an experienced management team, rather than taking full financial control away from management, company board and shareholders. In the end, entrepreneurship is about risk taking, yet finding a better way to protect investors without taking full control of a company's cash flow."

Coin Integrity

Another important issue the system facilitates is coin integrity. Steve Dryall, Founding Director of Niko Coin states that, "As soon as restrictions on coin usage come into play the integrity of the coin can easily come into play. The integrity of the project and the depth of the economy supporting the coin should carry its market value. Although 51% consensus may work for algorithms, it is proven to be manipulatable under social conditions and will fail in an ICO scenario."

Disclaimer: David Drake is on the advisory board for most of the firms mentioned or quoted in this article.

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