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How Russia's ICO-Hub System will Guarantee Security of Investor Funds

March 17, 2018 | David Drake



by David Drake

On February 19th of this year, Russia's local media platform, [Izvestia](#), reported that the country would test launch a system that will guarantee ICO investments this March. The system, ICO-Hub is a collaboration between [Globex Bank](#), [CrowdHub](#), the subsidiary bank of the state corporation [VEB](#), and the Russian Association of Cryptocurrency and Blockchain (RACIB).

RACIB will be recommending ICO-Hub to its participants who want to raise funds through ICOs. Both investors and companies seeking funds must register at Crowdhub website. The companies should also create escrow accounts on Globex to get digital wallets. Funds raised from investors will be placed in the escrow account of the company.

When the system becomes operational, investors who support ICOs will be able to monitor costs and the implementation of the projects. At the same time, investors will be able to determine whether project funds will be released and as well as their release date.

Investors can Railroad Projects

To stop the release of funds, at least 51% of investors will need to vote against a transfer. Should this happen, the amount remaining in an ICO's escrow account will be shared among investors and the project will be wound up. However, this arrangement does not augur well with some players in the crypto industry.

Jose Merino, Chairman of [SID Limited](#), says, "I don't believe in users or small investors having the voting rights over a company to be liquidated will help the industry. In effect, that equates more power than shareholders have in a public traded company in the hands of users or small investors with no investment experience."

System Modification

On his part, Roman Guelfi-Gibbs, CEO and Lead Systems Designer at [Pinnacle Brilliance Systems](#), feels the process could work well if some adjustments were made.

He says, "If the voting is kept to subjects that affect the core direction of the project and the developers are allowed to run the day to day operations, the system could work effectively. Strict guidelines would have to be in place to ensure that the project moves forward without unnecessary delays."

"Generally, like other businesses, ICO projects need to be agile with their day-to-day operations. Having to wait for people to vote on the use of funds could hang up a

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project significantly and prevent it from following an efficient development timeline, " Guelfi-Gibbs further adds.

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



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