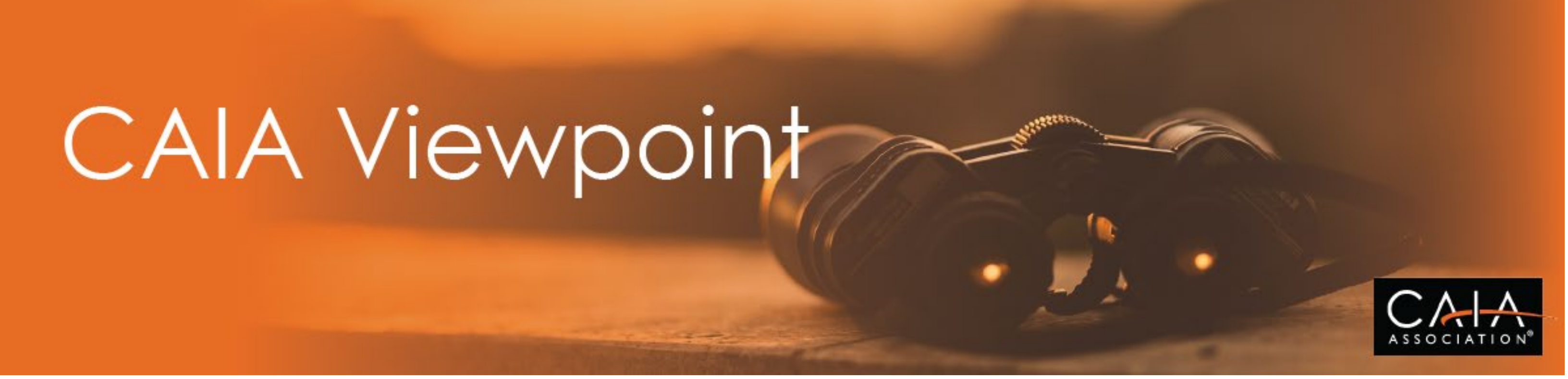

Does A+ Indicate ICO Excellence?

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The full article may be accessed here.

Central Issue of the Paper

Perhaps somewhat ironically, in the blockchain space which was originally implemented to eliminate middlemen (or trusted authorities), several intermediaries are now emerging. These middlemen provide a wide range of information on initial coin offerings (ICOs) to assist investors in their assessment of the opportunities. By the end of 2017, there were more than 51 platforms with 18 of them assigning ratings to ICOs. A natural question regarding the quality of the services provided by these middlemen then arises and is addressed in the paper, "New Blockchain Intermediaries: Do ICO Rating Websites Do Their Job Well?" by Dmitri Boreiko and Gioia Vidusso.

Approach Employed by Paper

The authors hand-collect ICO data from the seven largest ICO information aggregator websites: Smith 7 Crown, Tokenmarket, ICObazaar, Coinshcedule, Hubcoin, Icodta and ICOprojectrank. ICO ratings are obtained from four of these sites.

A coverage ratio is defined as the percent of the sites that an ICO is listed on (e.g., 100% if on all seven) and it is hypothesized that higher coverage helps an ICO succeed. Success is defined as whether $100,000 is raised and if the ICO reaches its minimum or hard caps (minimum and maximum fundraising goals set by the ICO's launchers). A second hypothesis is that the success is positively correlated with average ratings, and a third is that individual ratings are predictors of success. Regression analyses use several control variables including the presence of a white paper, number of Twitter followers, blockchain selected, country of incorporation, time period (before or after May 2017), momentum, and the presence of venture capital backing.

Findings of the Paper

The results indicate that the coverage ratio is indicative of ICO success. It is a significant variable in five of six regression analyses.

Without further analysis, average ratings may not be useful because ratings are heterogenous: some providers do better job than others. The correlations of ratings are often low and sometimes even negative. Yet, average ratings are useful in a binary analysis as 100% of the ICOs that were rated a 5 (the maximum) achieved all three goals: reaching the minimum cap, hard cap and more than $100,000. For those rated a 3 or 4, 94% reached the minimum cap, 93% reached the hard cap and 81% raised more than $100,000. For those rated a 2 or lower, 55% reached the minimum cap, 49% reached the hard cap and 81% raised more than $100,000.

The low correlation of ratings between rating services is an important take-away that shows up clearly in the regressions: ratings from two of the four aggregators are positively and highly significantly related to success (the amount of capital raised) whereas in the case of the other two, the null hypothesis that the coefficients are zero could not be rejected and the coefficients are relatively small.

An A+ (5) does indicate excellence and grades (ratings) do matter in the ICO space, but investors need to be wary of which rating service they are using. Future research may shed more light on this with a larger sample of rating services.