

The difference between crypto coins and tokens

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What is a blockchain, and how does it function? And what are ICO tokens, and how do they differ from crypto currencies such as Bitcoin?



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I have been asked recently about the difference between crypto currencies such as Bitcoin, Ethereum etc. and ICO token. It is a good question and the answer is not obvious, so I have written the following simple explanation below.

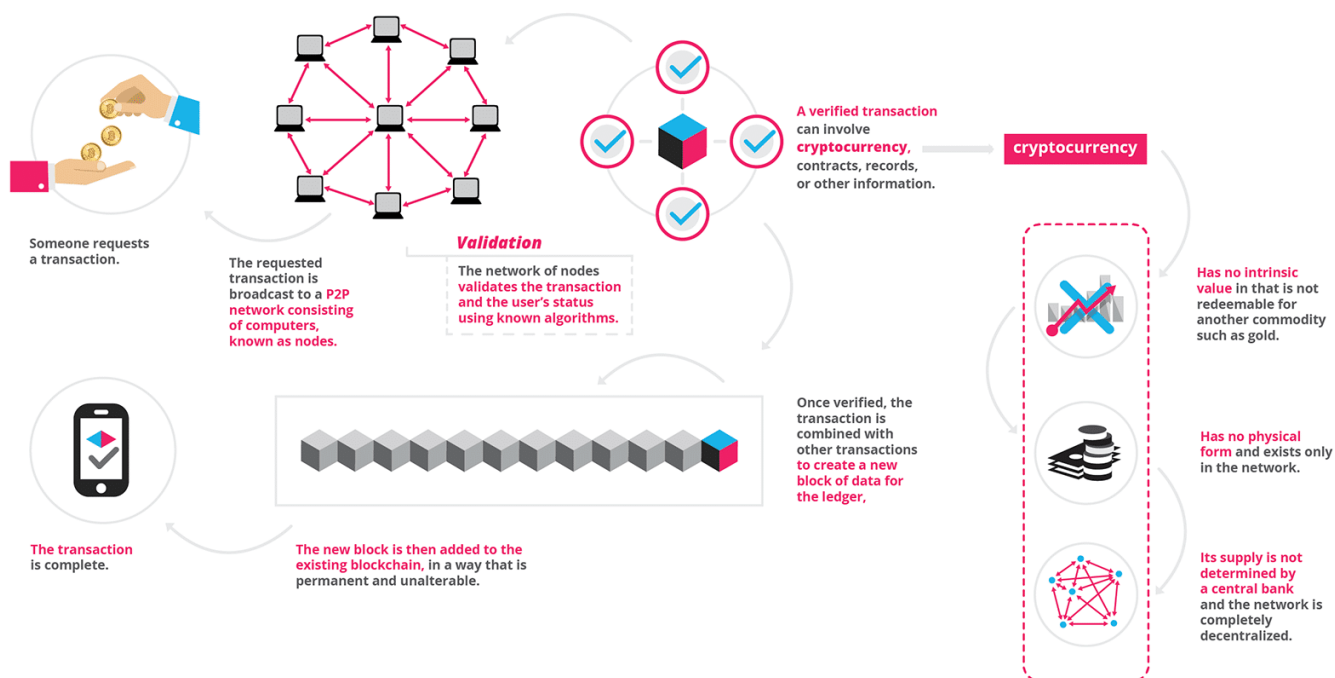
I often wondered why the US SEC consider tokens issued in an ICO (initial coin offering) to be securities, but in fact they

are very similar to shares, and therefore it is logical they should be subject to the same regulations

Bitcoin \$BTC was designed as a means of payment, via a blockchain, which is a networked, distributed ledger, that verifies the transactions.

But what are ICO tokens, and how do they differ from cryptocurrencies such as Bitcoin?

The difference is a crypto coin or currency has its own Blockchain (a network distributed ledger recording all financial transactions) and can either be called a cryptocurrency or a coin.



In simple terms, a blockchain can be described as a spreadsheet, duplicated and distributed over a network of thousands of computers, and that entire network is regularly updated with all the new transactions that occur, so that the data remains consistent on all computers, and that is how a blockchain functions.

A TOKEN does not have a blockchain, and is hosted on the blockchain of another crypto currency, where many use the [Ethereum blockchain](#).

Crypto Tokens on Exchanges

The developers of a specific digital token can decide to publish their token on the blockchain of a crypto currency such as Ethereum, in order to enable users to buy and sell the tokens once the ICO has completed..

Crypto Tokens represent a specific Value.

Each cryptocurrency token embodies a tradable good. This can be for example coins, points, certificates, . Effectively, **crypto tokens** can be used to represent a share in a company or can be used as voting rights, in the same way as a common share can.

They are often used to raise funds in a crowdsale. That is why many people refer to them as cryptocurrency assets or **crypto assets** and **crypto equity**. This is also the reason that the SEC and other financial bodies see ICO's as sales of securities, because effectively they are.

The unscrupulous are always attracted to easy money, and the success of Bitcoin and other crypto currencies has resulted in a massive volume of new and proposed future ICO's, the quality of which must be in some serious doubt, and so there is a serious risk of some people losing their investment in its entirety.

China and South Korea have banned ICO's in order to protect their citizens from the more unscrupulous, and it is to be hoped that other nations follow suit before too long.

Unlike a share IPO, where there legal constraints to be complied with in the jurisdiction concerned, ICO's can take place anywhere and citizens of any country can access them, totally unprotected in the event of failure. That has to be a concern going forward.