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Telegram Raises Target for Biggest ICO Ever to $2 Billion

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Chris Ratcliffe / Bloomberg

(Bloomberg) — Encrypted messaging service Telegram raised the target for the largest initial coin offering ever to $2 billion, defying a rout in traded cryptocurrencies, according to potential investors.

Telegram is seeking $850 million in a private sale of tokens to large investors this month and $1.15 billion in a subsequent public ICO in March, said the people, who held negotiations with the company and asked not to be identified.

The messaging service, used as a hub by the cryptocurrency market, previously sought to raise a total $1.2 billion, according to an investment proposal seen by Bloomberg News.

Demand has been so high that a secondary market has already formed, according to Gregory Klumov, a managing partner of Exante, which trades cryptocurrencies.

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“Some western funds that received a pre-ICO allocation are already offering to resell since the price of the public ICO in March will be twice as high,” Klumov said.

Telegram founder Pavel Durov, 33, is creating a payment platform using multi-blockchain architecture that could compete with Visa Inc. and Mastercard Inc., bringing digital assets to the mainstream, according to the offering proposals.

The St. Petersburg native has distanced himself from Russia after resisting demands from the security services to decrypt users’ communications and ceding his VK.com social network to billionaire Alisher Usmanov.

Three people managing Russian investors’ money said they either failed to get an allocation in Telegram’s pre-ICO or received much less than they’d sought.

Investors in the private sale will receive tokens at a discount of more than 50 percent of the initial public sale price and, after the tokens are listed, should hold on to their coins for a lock-up period of as long as 18 months.

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The Vedomosti newspaper reported the increase earlier Thursday. Ilya Perekopsky, an investor adviser for Telegram, declined to comment on the ICO.

The ICO may still face challenges. Prices of digital tokens have tumbled this year amid rising concern of increased government regulation and even outright bans.

The jitters have wiped more than $400 billion off the global market value of digital assets since a high on Jan. 8. Startups raised more than $4 billion through ICOs last year, led by Filecoin’s $257 million sale.

Participants in the offering would be investing in what’s known as a Simple Agreement for Future Tokens, or a contract that secures the right to receive tokens once they’re listed in cryptocurrency exchanges.

Telegram expects its tokens, which will be called Grams, to be listed in January 2019, or end of 2019 at the latest. If that doesn’t happen, participants in at least the private sale will get a refund, according to the documents.

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