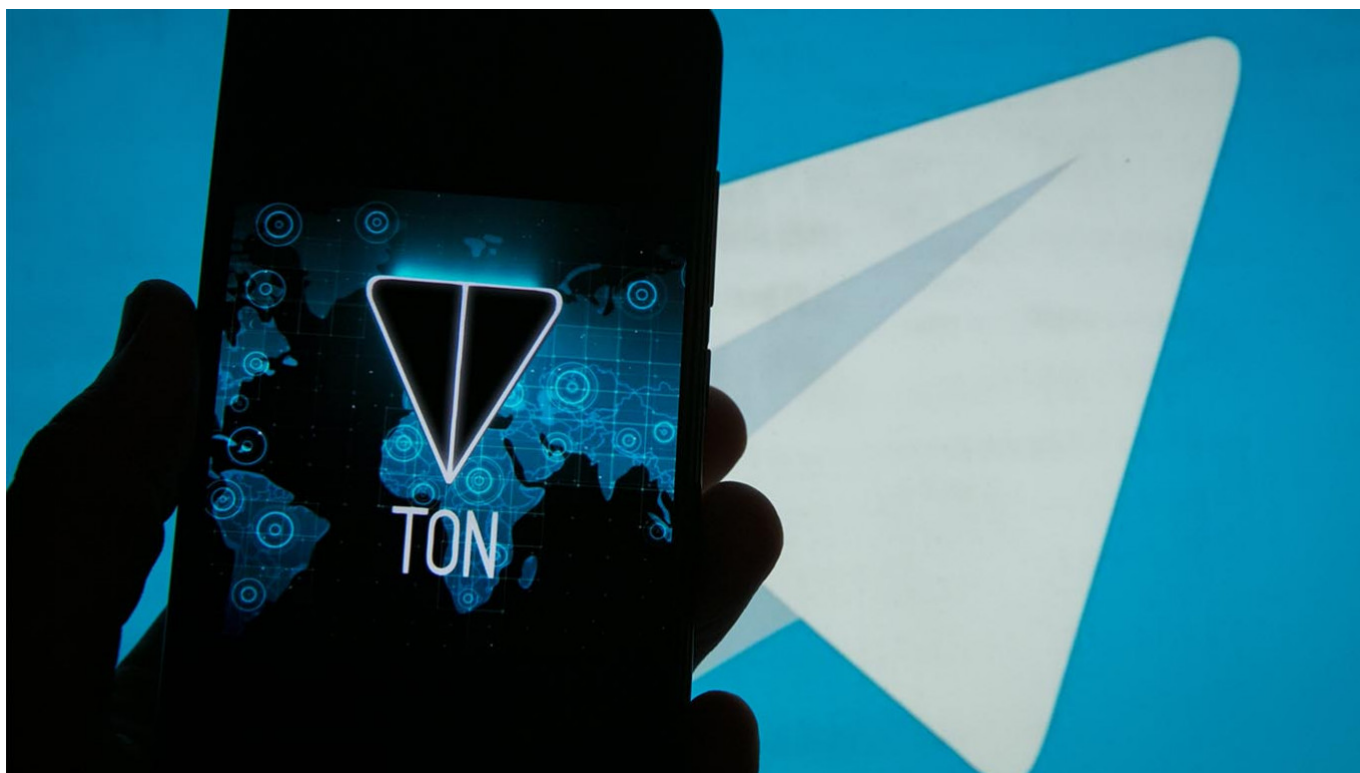


Will Telegram Ever Launch Planned \$1.7Bln Blockchain Project?

Pavel Durov's TON crypto project beset by technical delays, legal challenges, and investor frustration.

By [Adrien Henni](#)

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Telegram raised \$1.7 billion in early 2018 for its blockchain project TON. **Alexei Zotov / TASS**

Last week Telegram, the messaging app [founded](#) by Russian tech guru Pavel Durov, postponed the launch of its blockchain platform TON and cryptocurrency Gram yet again. It is the latest in a string of upsets and delays for the project — one of the most high-profile crypto projects ever. The hypothetical launch is now scheduled for April 2021, with a clawback clause for investors.

First delays

Through a controversial initial coin offering (ICO) in early 2018, Telegram [raised \\$1.7 billion](#)

from 171 investors — both funds and wealthy individuals — including 39 from the U.S. Among these are such prestigious Silicon Valley funds as Kleiner Perkins and Sequoia.

Under the initial plan, an early minimum viable version of TON was scheduled to be released some time in the second quarter of 2018 — two years ago — with a promised full launch in 2019.

After the first delay, in August 2018, it was reported that the main components of the platform were 90% complete. Confidence among many in the tech and crypto industries remained high, some even saw Durov's project as one which could "kill" Bitcoin.

Since then, the release has been postponed several more times, best by a cocktail of legal, technical and investor problems. The latest deadline — April 30, 2020 — has now come and gone, following a dogged legal challenge from the U.S. Securities and Exchange Commission (SEC) launched in October 2019.

The SEC, which has kept a close eye on the crypto space, in particular ICOs, alleges the 2018 ICO by Durov — who founded Russia's answer to Facebook, Vkontakte, and now lives in self-imposed exile — was an unregistered securities sale. In March, a U.S. judge ruled that Telegram cannot launch its blockchain or issue Gram tokens until that case is resolved.

Embed:

Telegram has now set a planned launch date for TON of April 2021.

The multibillion dollar refund offer

As the legal challenge dealt the latest blow to TON's launch plans, Durov has had to work hard to keep investors on board. Announcing the latest delay last week, Telegram wrote to [TON investors](#), stating they would ultimately receive "Grams or potentially another cryptocurrency on the same terms as those in their original purchase agreements," if they stuck with the course.

However, acknowledging the uncertainty around discussions with authorities, Durov proposed an escape route. Investors can cashout now and get an immediate refund of 72% of their initial investment. Should they choose to hold on until the new planned launch date of April 30, 2021, Telegram promised to return 110% of their stake.

If regulators block the project beyond then, Telegram said it would repay the debt using company equity.

"With 400 million monthly users and an organic growth of 1.5 million sign-ups each day, Telegram is the most downloaded social media application in 27 countries," the company told investors.

"Based on the valuation of messaging services at similar stages of their growth, we believe Telegram's equity value will exceed the aggregate amount of its potential debt resulting from this offer by at least several times," Telegram added.

Another volteface

Then, unexpectedly, Telegram once again changed tack. The firm [requested](#) Monday that its U.S. investors immediately exit the project by accepting the 72% refund offer. “An uncertain regulatory attitude in the United States” left no other option for the American investors, Telegram explained.

The surprises weren't just for U.S. investors. Those outside the U.S. were given their own update Wednesday. Telegram said they can still benefit from the 110% refund promise if they keep their investment until April 2021, but the company reserves the right to unilaterally refund investments anytime before then, and in any proportion between 72% and 110%, to be calculated as a portion of time elapsed from April 30, 2020.

That development was the third change in Telegram's refund offer in the last six months, since a 77% refund offer made in October 2019 to those investors willing to withdraw.

The cut since then — from 77% to 72% — seems to originate from continued spending on developing the project. By January 2020, Telegram had already spent \$405 million of the \$1.7 billion it had raised in early 2018, court documents cited by The Bell showed.

Investors losing patience

Back then, “investors chose to reject the offer and agreed to extend the deadline for issuing the tokens to April 2020,” [notes](#) Securities.io. “The market was strong and most investors revealed a desire to receive tokens over refunds.”

This time, investors' reactions — from the possibility of refund requests to lawsuits — are yet to be seen. Amid the current pandemic and economic crisis, a substantial number of investors will need an immediate refund, even willing to lose 28% of their initial investment, several sources [reported](#) a few weeks ago.

No doubt Telegram's frivolity with investors will not help retain them. Pavel Cherkashin, who backed the ICO as part of a syndicate of individual investors, told Rusven and EWDN he intends to get the 72% refund immediately.

He is also considering filing a lawsuit.

“Investors' funds were basically spent on the development of Telegram, which is a conflict of interests,” he said.

On the other hand, some investors may be interested in having their token allocations converted into Telegram shares, should this option remain on the table.

Post-ICO failure?

The delays in TON's launch have not only been the result of the SEC's attempt to block it.

Anton Rozenberg, former Vkontakte chief technical officer (CTO) and Telegram executive, is among those who doubt the technical readiness and robustness of the TON platform.

“While the software is far from being ideal even in presentation and documentation, there’s no way it could be ready to issue tokens on an exchange,” he said in a recent [interview](#). “After launch, the project could collapse both technically and economically in the absence of any demand for such tokens.”

“In a decentralized network, the cost of mistakes is way higher than in the case of an instant messenger. If someone steals millions or billions of dollars, there’s no way to get it back,” he added.

While the 2018 ICO was a brilliant tactical success, Durov’s strategic skills have been less convincing, Rozenberg believes.

“Everything in this ICO seemed magic: Telegram managed to raise on a virtual project as much or even more than the company itself could have been valued at — with almost no commitments to investors and no equity loss.”

Related article: [Russian Outlets Self-Censor Over Telegram Row](#)

“The white paper was beautiful and looked smart, there was a team, there was plenty of money. It seemed there was plenty of time, too. But soon after the ICO, it appeared that not much time was actually left and that everything was more complicated.”

Echoing these views, the SEC’s lawsuit contains not only legal considerations that aim to define the Gram tokens as securities, the commission also argues Telegram did not create a viable blockchain, as it promised to do, CoinDesk reported. Telegram did not respond to requests to comment on the current state of the project for this article.

While aspiring to outperform Bitcoin and Ethereum, “Telegram has presented no concrete evidence that it has achieved that goal” providing merely a “vague, conclusory statement” that the blockchain is “fully functional and ready to be launched,” the SEC said.

Is the TON project virtually dead? Telegram’s latest refund conditions may suggest so — otherwise why impose this option of an anticipated mandatory partial refund?

Durov and his developers have just one year left to concede defeat or deliver.

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