transcrypt

WHITE PAPER

January'18

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CONTENTS

1. INTRODUCTION

TransCrypt is a universal tool for all financial operations. With TransCrypt, you can carry out cryptocurrency transactions, purchase tokens, make transfers in national currencies, and pay for services. There is no longer any need to worry about the currency of a payment – the system automatically converts the necessary amount into the currency of request. Thanks to its own payment system and the Tizer blockchain, TransCrypt transactions can be carried out instantly and for free.

At the moment, the global cryptocurrency transaction market is one of the most fast-growing global markets. The volume of everyday transactions in 2017 increased 15 times over the previous year and now exceeds 2 billion dollars.

The growing popularity of cryptocurrency must be accompanied by the development of infrastructure and of the market as a whole, in order to ensure the necessary level of service and quality. However, until now any operations with cryptocurrency have remained too complex, too slow, and have used far too many intermediaries, which in turn has increased commission fees. These drawbacks have greatly impeded the spread of cryptocurrency and have made it far less convenient than conventional banking.

TransCrypt sees its main mission as the necessity to remove this chasm and make cryptocurrency operations as simple and fast as the transfer of national currencies. TransCrypt gives users a convenient application for working with crypto- and national currencies, and will develop a solution for businesses that will allow merchants to accept any kind of currency without worrying about how this will affect their balance sheets. In this way, TransCrypt will allow a significant broadening of the boundaries of cryptocurrency use. It will make its use commonplace and will increase its popularity.

TransCrypt is a single ecosystem that unites all aspects of the circulation of monetary funds. With TransCrypt you can:

- make transfers and payments in crypto- and national currencies;
- make purchases on the internet and in stores, manage your wallets and accounts in various currencies;
- invest in cryptocurrencies, digital assets, and stocks;
- order a card or use contactless NFC payments with a smartphone;
- request and send money in the chat window of your favorite messenger, as simply as sending a message;
- stop worrying about the currency of request, the system will convert the wallet's currency into the currency of request within seconds.

Unlike many other projects, we have a working platform and a client that will be available for closed testing at the end of the first quarter of 2018. The public beta version will be released during the second quarter of 2018.

2. MARKET OVERVIEW AND FINANCIAL MODEL

2.1. Market volume, its segments and tendencies

TransCrypt offers its own standard of a universal financial service, by giving its audience a convenient solution and access to monetary transfer and cryptocurrency circulation markets. We will present a new level of user experience in all aspects – from a user-friendly interface for managing digital assets to a well-thought-out legal and regulatory framework.

TransCrypt occupies a niche at the junction of three markets:

- messengers, with an audience of 2.5 billion people;
- P2P transfers with a volume of $600 billion;
- a fast-growing cryptocurrency market with a volume of over $1 trillion.

In this section, we will discuss the main market indicators and market growth prospects, and the financial results we predict for TransCrypt.

2.1.1. Messengers

The messenger market is considered mature and developed. Its growth is ensured mainly by the significant penetration of the internet into developing countries and the reduction in the price of smartphones. Some countries, such as India, are betting on popularizing financial services using messengers in regions with a poor infrastructure and low incomes. In other countries, such as China, messengers are already the basis of the digital economy and have built-in payment services.

1. Number of users of mobile messengers and chats from 2016 to 2021[1].

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1 Statista (https://www.statista.com/statistics/483255/number-of-mobile-messaging-users-worldwide/)

2. Geography

Watsupp

Facebook
messenger

Wechat

Viber

Line

Telegram
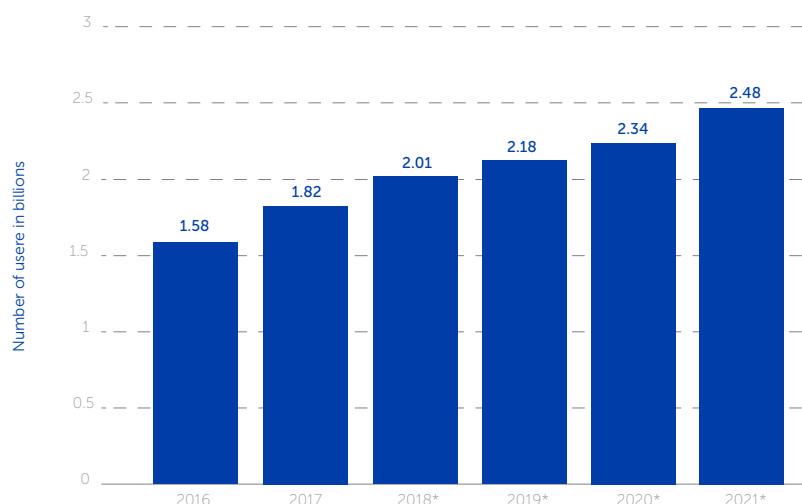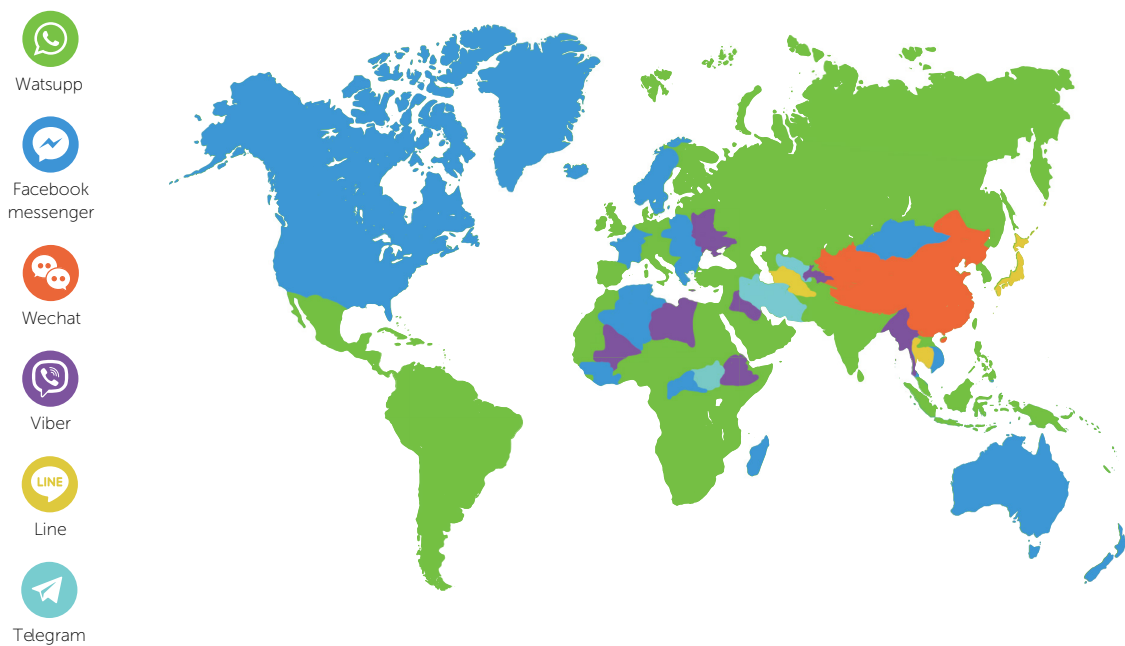
2.1.2. Electronic payments and P2P transfers

Until recently, the P2P market was fairly conservative and stable, any growth was came from natural causes, and the main players were traditional banks and classic payment systems. Currently, these players face growing competition from social networks and messengers, which has caused increased penetration and a reduction in the cost of services. The average transfer amount is growing steadily as the market is developing, and is now 18.67 dollars[2], and the volume of the market as a whole is estimated to be 600 billion dollars[3].

2.1.3. Cryptocurrency payments and transfers

The cryptocurrency circulation market is fairly new for the whole world, and, as it often is with a product and technology that keep up with the times, cryptocurrency is already wildly popular and continues to attract new audiences. First, early adepts, miners, and technical geeks plunged into the world of the new digital money. They were then reinforced by developers, entrepreneurs, and those wanting to play on exchange-rate differences, and now we hear, read, and watch news about cryptocurrency in the traditional media. The growth in the popularity of cryptocurrency is accompanied by the gradual lowering of barriers to its circulation, and new possibilities are appearing for the development of the infrastructure. The option to pay for normal things in cryptocurrency can't help but stimulate further audience expansion and the growth of the new digital money market.

2 According to Juniper Research Digital Payments Snapshot, 2017.

3 According Infosys Key Trends in the Money Transfer Industry 2016.

Today, the cryptocurrency market is characterized by the following indicators:

1. The volume of the world cryptocurrency market in 2017 exceeded $160 billion[4].
2. By the end of 2017, the volume of cryptocurrency transactions exceeded 1 trillion dollars, which is 15 times more than in 2016[5].
3. In the first half of 2017, the volume of cryptocurrency deals increased by more than 325 billion dollars. Today, the volume of everyday deals with cryptocurrency exceeds 2 billion dollars[6].
4. The number of unique active users of cryptocurrency wallets has grown more than five times since 2013[7].
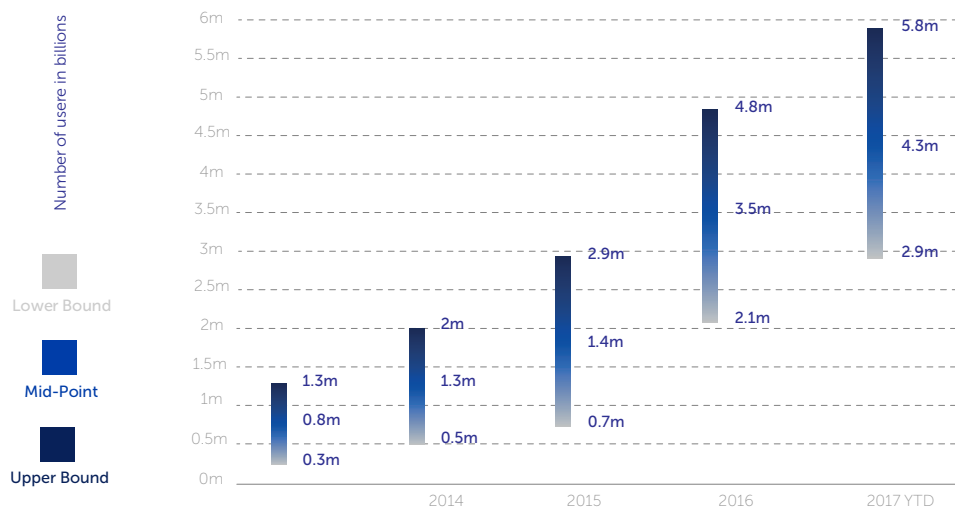
5. The number of active wallets is estimated to be in the range of 5,8 to 11,5 million[8].
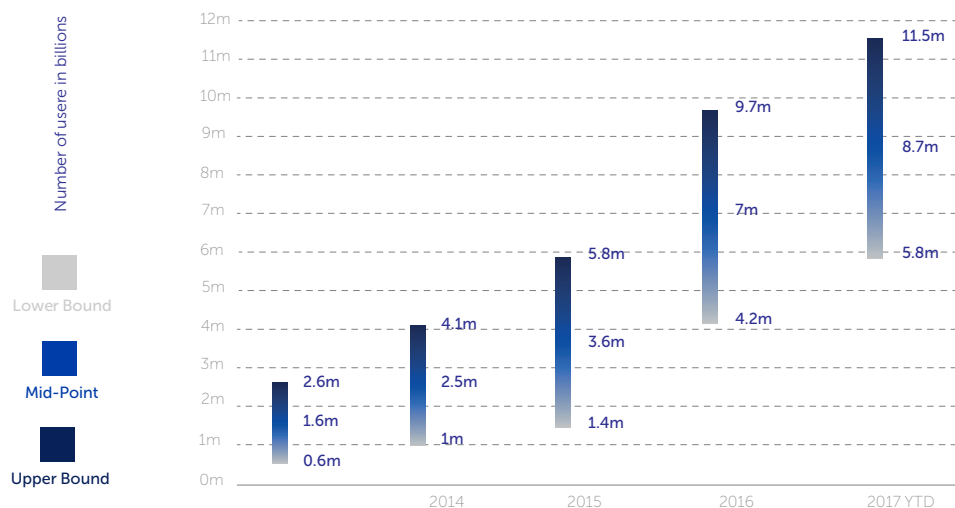
4 According to MarketWatch (https://www.marketwatch.com/story/value-of-all-digital-currencies-hits-record-around-160-billion-as-bitcoin-ether-climb-2017-08-28).

5 According to Juniper Research https://finance.yahoo.com/news/juniper-research-thinks-1-trillion-181456946.html.

6 According to Juniper Research https://finance.yahoo.com/news/juniper-research-thinks-1-trillion-181456946.html.

7 Accoding to Global Cryptocurrency Benchmarking Study 2017 (Cambridge Centre for Alternative Finance).

8 According to Global Cryptocurrency Benchmarking Study 2017 (Cambridge Centre for Alternative Finance).

The specifics of blockchain networks foresee a large and dominating number of service transactions. However, despite significant mining activity, the share of transactions between users (P2P payments) is growing steadily[9].
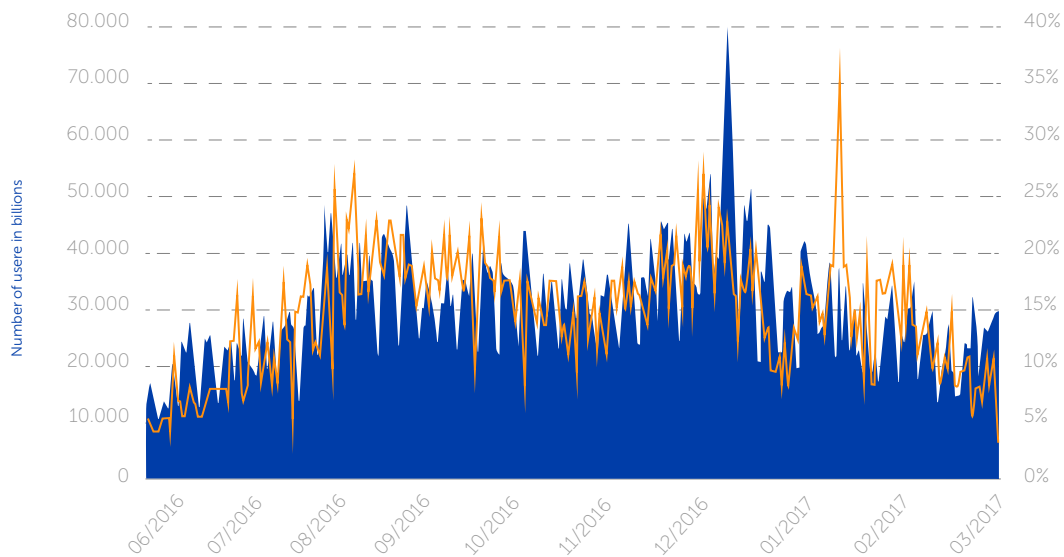
The share of user transactions (transfers from wallet to wallet) has more than doubled from 5% average across the network in June 2016 to 10% average in the third quarter of 2017.

2.2. Economics of TransCrypt

TransCrypt is a universal service built on the principles of the Open Banking concept, which ensures the most user-friendly access to the maximum number of financial products and services. Some of them, such as transfers within the network, will be free of charge, but some services will involve commission charges. The following are the ecosystem's sources of revenue:

- fees from exchanges and other financial services for market making;
- commission from conversion transactions;
- commission for the purchase and sale of digital assets transactions;
- commission from external P2P transfers;
- commission from merchant acquiring;
- commission from Interchange;
- commission-based monetization from the creation and use of chat-bot platforms;
- commission for additional services.

Until 2019, TransCrypt's main markets will be P2P transfer and cryptocurrency purchase, sale, and exchange operations.

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9 According to Global Cryptocurrency Benchmarking Study 2017 (Cambridge Centre for Alternative Finance).

2.2.1. P2P transfers

At the first stage, the maximum share of transactions in TransCrypt, as in the market as a whole, will be taken by P2P transfers. The monetary transfer market includes the following segments:

- national-to-national via cryptocurrency (27%);
- national-to-cryptocurrency or vice-versa (67%);
- cryptocurrency-to-cryptocurrency (6%).

The following transaction amounts are typical for the segments listed above[10]:

- P2P-payments, average amount $351 (individual to individual);
- B2B-payments, average amount $1878 (payment between business);
- C2B-payments, average amount $210 (purchase).

Limitations of TransCrypt at Stage One:

- TransCrypt can attract the combined audience of cryptocurrency wallets, which numbers about 6 million users and more than 500 000 transactions per 24 hours;
- TransCrypt will carry out cryptocurrency-to-cryptocurrency operations that do not require licensing and which make up about 6% of the total number of transactions, which is about 30 000 transactions per 24 hours.

We estimate the market volume at Stage One on the basis of the current number of transactions and the average transfer amount between private individuals. Therefore, the market volume available to TransCrypt, taking into account the limitations at Stage One, will be 30 000 transactions, or 17 550 000 USD per 24 hours. The goal of TransCrypt for 2018 is to attract 1-2% of the available audience and process up to 10 000 transactions per 24 hours.

TransCrypt draws on European directive PSD2 and combines the most popular and user-friendly payment services in order to ensure the best possible service for its clients. With the aim of acquiring an audience at the early stage, TransCrypt will not charge for its services.

The company will obtain licenses from financial regulators in each operating area. This will enable TransCrypt to provide its own services for the purchase, sale, and conversion of cryptocurrency, cross-border monetary transfers, investment, and other services. In the near future TransCrypt will enter the traditional monetary transfer market.

2.2.2. Cryptocurrency conversion

So far, the market has not provided a convenient tool for those who want to work with cryptocurrency; the absolute majority of transactions are technical transactions, confirmations of transfers, and so on. The share of cryptocurrency circulation between specific private individuals is currently about 7% of the current transaction amount, which, in absolute terms, was 40.5 million dollars in November 2017. Therefore, the total volume of conversion operations of all platforms is estimated to be 200 million dollars.

The goal of TransCrypt for 2018 is to occupy 1% of this market, and have a turnover of 2 million dollars per 24 hours. The revenue-sharing model, which the company will adhere to, will ensure an average commission revenue of 170 000 dollars per month.

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10 According to Global Cryptocurrency Benchmarking Study 2017 (Cambridge Centre for Alternative Finance).

2.3. The TransCrypt financial model

In this section, we give the company's main financial indicators, show what our main incomes and expenditures will be, and describe three different scenarios of the project's development from the fundraising stage to the release of the full version of the product on the market.

Within the framework of the financial model given below, we start from the following assumptions:

- the main item of expenditure for us is employee wages;
- in order to provide a comprehensive and legal service, we are obtaining an EMI and other financial licenses; this implies additional expenditures, and also an increase in staff;
- the second biggest item of expenditure is marketing, which is formally accounted for as part of the operating expenditure, but will in fact be financed from the receipts of the crowdfunding campaign;
- the third largest item of expenditure is legal support in operating areas, and, if necessary, interaction with regulators and legislative bodies in order to ensure the legality of the circulation of cryptocurrencies.

2.3.1. Pessimistic development scenario

As part of this scenario, we review the possibility that we might collect the minimal amount of funds during the crowdfunding campaign and assess how we would carry out operating activities and the development program using the funds of the key investors and funds that we earn.

Hypotheses that we base our scenario on:

- collections during the crowdfunding campaign will be equivalent to 5 billion dollars;
- marketing expenditures will stay at the current level;
- messenger audience will grow by an average of 2.5% per year;
- the monetary transfer market, including cryptocurrency transfers, will grow by about 10% per year;
- the market for the purchase, sale, and exchange of cryptocurrency will grow by 10% per year;
- TransCrypt's market share will reach by 2.5% by 2021;
- cryptocurrency payments will be launched in the second quarter of 2018;
- operations with fiat currencies will be launched in the third quarter of 2019;
- TransCrypt's commission for currency exchange will average 0.1% of the transaction amount;
- TransCrypt's commission for the purchase and sale of currencies will be 1.2% on average.

Taking into account these assumptions, and the market and turnover evaluations given above, we expect the following financial results:

Yearly turnover, millions of dollars:
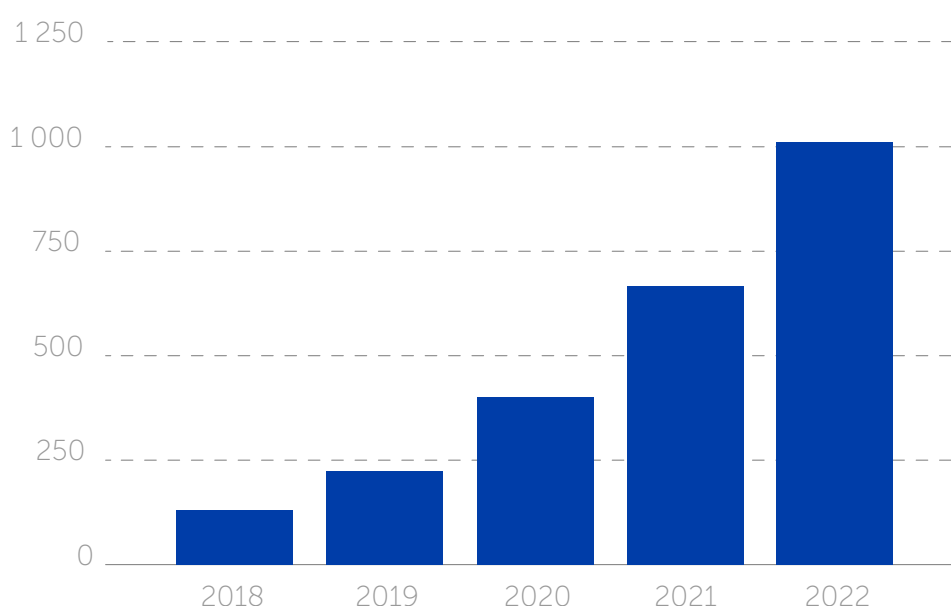
In order to occupy a share of the market at the initial stage, TransCrypt will operate with zero profits, until the project reaches the minimal planned indicators. The funds raised as part of the crowdfunding campaign will be adequate at least until 2022. Therefore, the risks related to the inability of TransCrypt to carry out operational activities with low receipts are eliminated.

Financial indicators report (thousands of dollars)

	2017	2018	2019	2020	2021	2022
Turnover	0	124,620	225,728	408,867	740,593	1,162,596
Revenues	0	229	415	751	1,361	2,137
Operating expenses	637	884	928	975	1,023	1,074
EBITDA	-637	-655	-513	-223	338	1,062
Other expenses	0	2,132	914	88	92	97
Profit	0	-2,787	-1,427	-311	246	966

In order to correctly evaluate the risks of the occurrence of such a scenario, it is important to note the factors that will be likely to enable us to exceed the stated parameters:

- the explosive growth of the cryptocurrency market;
- the constant growth of messenger audiences and of the P2P market turnover;
- capitalization and growth of similar projects on the market.

## 2.3.2. Realistic development scenario

Within this section, we review a scenario that is closer to reality, focusing on how the project is going to be supported during the crowdfunding campaign and the faster development of the project due to funds raised.

Hypotheses that we based this scenario on:

- the crowdfunding campaign will exceed 30 million dollars;
- marketing activity will be increased compared with the pessimistic scenario, and will also be supplemented by regional and social channels and activities;
- the company's representatives will take an active part in conferences and market events in order to increase brand awareness;
- the development team will be expanded by about 60%;
- the messenger market will grow by an average of 5% per year;
- the monetary transfer market, including cryptocurrency transfers, will grow by 15% per year;
- the market for the purchase, sale, and exchange of cryptocurrency will grow by 15% per year;
- TransCrypt's market share will reach by 3.5% by 2021;
- cryptocurrency payments will be launched in the second quarter of 2018;
- operations with fiat currencies will be launched in the fourth quarter of 2018;
- TransCrypt's commission for currency exchange will average 0.3% from the transaction amount;
- TransCrypt's commission for the purchase and sale of currencies will be 1.5% on average.

Taking into account these assumptions, and the market and turnover evaluations given above, we expect the following financial results:

Yearly turnover, millions of dollars:
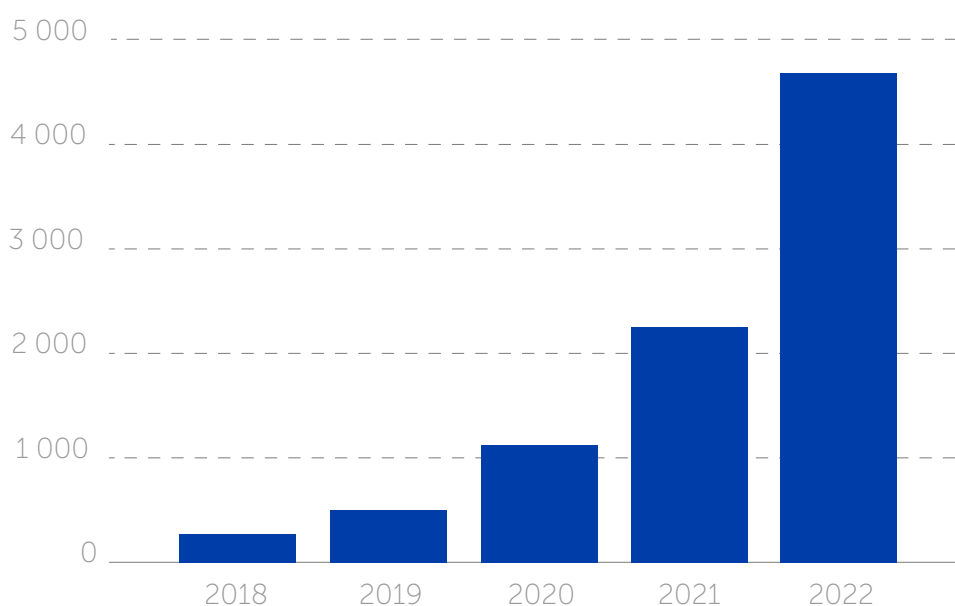
Financial indicators report (thousands of dollars)

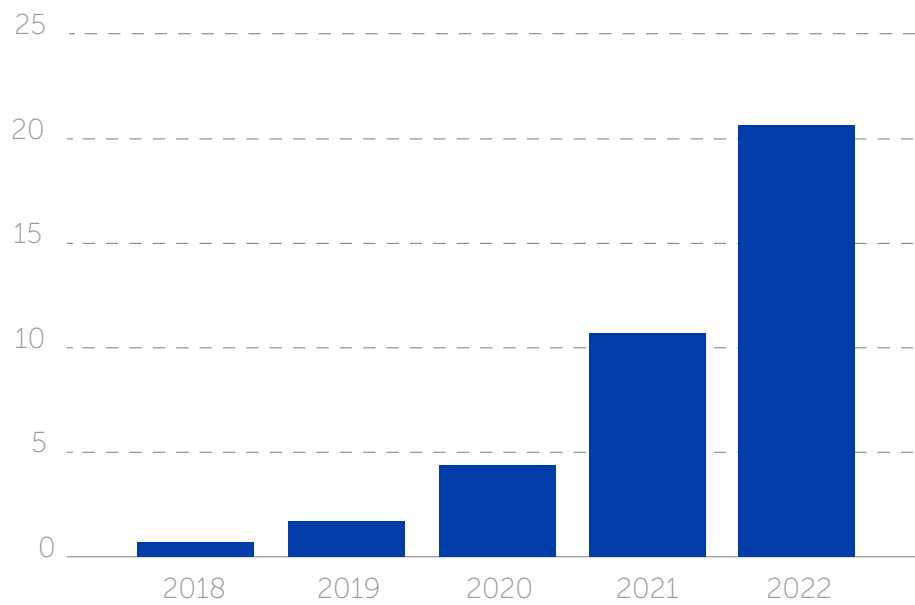|	2017	2018	2019	2020	2021	2022
Turnover	0	249,240	519,151	1,081,360	2,252,405	4,066,069
Revenues	0	916	1,908	3,975	8,280	14,947
Operating expenses	637	983	1,081	1,189	1,249	1,311
EBITDA	-637	-67	827	2,786	7,031	13,636
Other expenses	0	2,771	1,188	132	129	116
Profit	-637	-2,838	-361	2,654	6,902	13,520

2.3.3. Optimistic development scenario

As part of this scenario, we review the possibility of raising the maximum amount during the crowdfunding campaign, which is sufficient for the aggressive development of the project, and describe how the project will develop in this case.

Hypotheses that we based this scenario on:

- the crowdfunding campaign will raise substantially over 100 million dollars;
- marketing activity will increase compared to the pessimistic scenario, and will also be supplemented by regional and social channels and activities;
- the company's representatives will take an active part in conferences and market events in order to increase brand awareness;
- Marketing activity will be supplemented by PR activity in all operating areas and also by the organization and participation in specialist events;
- additionally, regular market research will be built in to the expenditures, in order to improve the quality of the app, focus groups will be organized, and when launching new functions and product versions, industry-specific events will be supported;
- provision of legal support in all main jurisdictions and, additionally, establishment of the necessary legal and regulatory initiatives that will ensure the development of blockchain and crypto-finance technologies in the main jurisdictions;
- the main team will be supplemented by experts in business development and by at least one business development representative in each of the main development territories;
- the development team will be expanded by searching for and hiring the best people in the industry, and by competitive selection of the best graduates from international higher education institutions;
- an in-house network of data centers will be organized in the main operating areas in order to improve the speed of access to services;
- the messenger market will grow by an average of 5% per year;
- the monetary transfer market, including cryptocurrency transfers, will grow by 20% per year;
- the purchase, sale, and exchanges of the cryptocurrency market will grow by 20% per year;
- TransCrypt's market share will reach 3.5% by 2021;
- cryptocurrency payments will be launched in the second quarter of 2018;
- operations with fiat currencies will be launched in the second quarter of 2018;
- TransCrypt's commission for currency exchange will average 0.3% of the transaction amount;
- TransCrypt's commission for the purchase and sale of currencies will be 1.5% on average.

Taking into account these assumptions, and the market and turnover evaluations given above, we expect the following financial results:

Yearly turnover, millions of dollars:

Financial indicators report (thousands of dollars)

	2017	2018	2019	2020	2021	2022
Turnover	0	498,480	1,507 404	4,558,388	10,338,424	20,321,207
Revenues	0	2,749	4,198	8,745	18,215	32,883
Operating expenses	637	2,277	2,505	2,756	3,031	3,334
EBITDA	-637	471	1,693	5,990	15,184	29,549
Other expences	0	3,049	1,307	263	258	232
Profit	-637	-2,577	387	5,726	14,926	29,316

3. THE TRANSCRYPT ECOSYSTEM

3.1. Overview
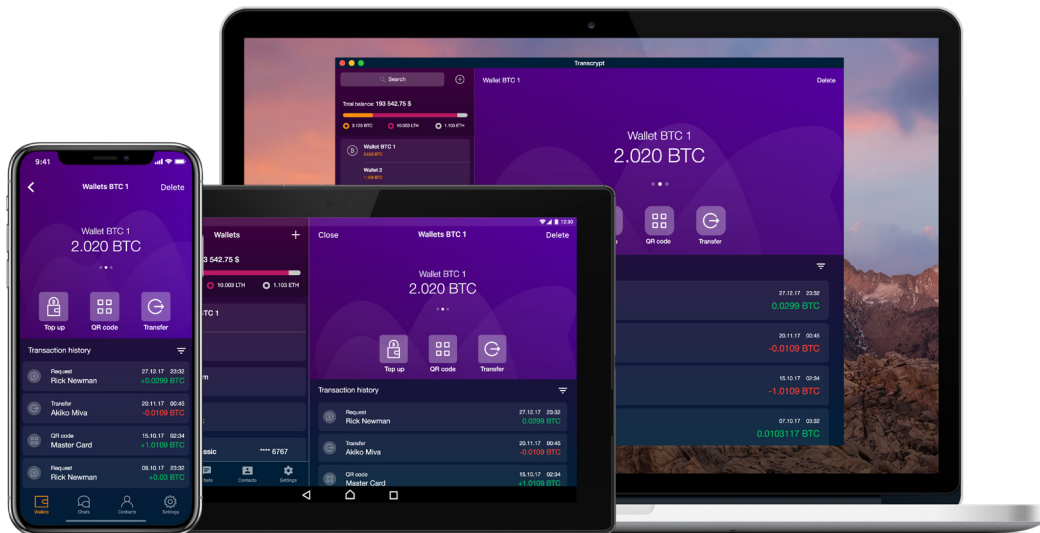
TransCrypt is an ecosystem for the circulation of crypto- and national currencies. It includes a user-friendly app for payments and transfers, an investment tool, a product for retailers that allows the acceptance of cryptocurrency as a method of payment and also a marketplace for financial products.

Our own multicurrency wallet gives clients access to cheap transactions right in the chat window of the messenger they choose. The built-in conversion system means users don't have to worry about which currency the request is in, and opens the cryptocurrency payment market for retailers.

TransCrypt's mission is to open up the cryptocurrency market to the average user. We believe that the future belongs to a currency and a tool that can combine the cryptoworld and conventional banking operations, and we are well equipped to do everything necessary to create the most efficient ecosystem for the future of the cryptoindustry.

TransCrypt gives users the possibility to enter a market that everyone wants to enter, and relieves them of various unnecessary limitations:

- With our application, you do not need to spend weeks figuring out how things work; TransCrypt combines the best practices of the financial market;
- you do not need own millions to buy tokens or shares. if you want to spend $100 on them – do it;
- if you want to make payments in cryptocurrency, just install TransCrypt and start doing so. We'll worry about conversion.

We will provide a platform that opens cryptocurrency operations to the mass market and will take cryptocurrency from being the most desired tool on the market to being the most used tool on the market.

TransCrypt's main functions and advantages will be:

- multicurrency wallet;
- multicurrency Tizer blockchain;
- fast crypto- and national currency transactions, including from the chat screen;
- integration with popular messengers;
- unique IBAN accounts for every user (both for individuals and businesses);
- purchase and sale of cryptocurrencies;
- payments at any location from a linked plastic or virtual TransCrypt card:
- everyday card or NFC phone payments in shops and restaurants;
- instant cross-border fiat transactions;
- investments in cryptocurrencies or digital assets;
- exchange orders for professional traders;
- B2B payments and POS systems.

Imagine just one application that allows you to combine all financial operations: from buying a morning coffee to investing in a startup you like. Buy digital assets in two clicks and exchange them for cryptocurrency, send money to the other side of the world without having to think about which wallet is currently active. TransCrypt will make this possible and, more importantly, accessible.

3.2. Multicurrency wallet

TransCrypt is a multicurrency wallet with a simple and easy-to-use interface. The user can manage their funds easily, whether they are working with cryptocurrency or they just want to send friend a few dollars. It can all be done within the wallet interface or right in the chat window.

TransCrypt will be available on iOS and Android mobile devices; later there will be versions for MacOS and Windows. Wallets will function as an independent app, and will also be built into the main messengers, which will allow millions of users to make payments, invest, and securely store their funds and digital assets in the Tizer blockchain.

The ecosystem will allow everyone to easily purchase Tizer coins and use them to pay for goods, services, and the app's commission. As a result, the Tizer cryptocurrency will be constantly desirable and this will support a favorable exchange rate.
The app has a built-in conversion system, which avoids users having to worry about the currency of request. The user can choose which currency they want to use and we will convert it automatically.

TransCrypt's wallets have the best possible security. You do not need to copy and send the wallet address for any operation inside the service. Sending any amount looks to users like a simple message within a chat or widget, requesting money from external users does not require the disclosure of personal information either.

Wallet owners will be the only owners of the corresponding encryption keys. Our code will be open for developers and also for all those wishing to carry out a safety audit.

3.3. Payment system

TransCrypt is an ecosystem for the circulation of crypto- and national currencies. It includes a user-friendly app for payments and transfers, an investment tool, a product for retailers that allows the acceptance of cryptocurrency as a method of payment and also a marketplace for financial products.

A European license will enable every user (both physical and for legal entities) to open unique IBAN accounts. Users will offered the option to be issued with a contactless debit card, which can be linked to any wallet and used for payments or for withdrawing cash at any ATM: the wallet's funds will automatically be converted into the required currency.

Taking these facts into consideration and bearing in mind the cheap transactions ensured by the Tizer network, our service will be sought-after, economical, and easy to use. It will facilitate the wider acceptance of the Tizer cryptocurrency and increase its liquidity.

3.4. Investment

Aside from normal financial operations, the TransCrypt application will have a built-in investment panel, where the user can buy not only cryptocurrency, but also various digital assets and shares.

At any point in time, the client is able to see all the information about their portfolio, with the current price of every asset, and with changes in value compared with that at the time of purchase. TransCrypt gets exchange rates and share prices from official sources and from the exchanges with which it cooperates.

TransCrypt will not place a minimum limit on investments; the user can buy assets for any price. The app is a convenient tool for compiling a multicurrency portfolio and for investing in the asset that a client chooses, be that cryptocurrency, national currency, or shares.

3.5. Opportunities for businesses
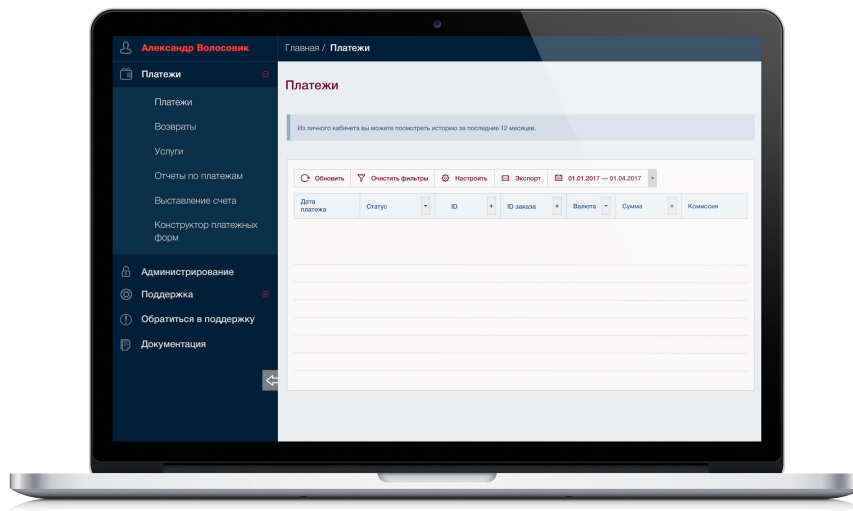
TransCrypt is also developing a product for businesses. With its help, entrepreneurs will gain access to a huge audience of cryptocurrency holders who are ready to use it to pay for goods and services. Currently, this market is limited by the lack of convenient tools for sellers, and by the impossibility of recording cryptocurrency gains or losses on the balance sheet. TransCrypt can solve this by using built-in automatic conversion. It does not matter which currency the buyer uses to pay for the goods, the seller will get dollars, euros, or any selected national currency.

Additionally, the app will contain dedicated channels and verified accounts for sellers, and customizable bots, which will help automate sales and client service. Entrepreneurs will have at their disposal an easy-to-use account on all devices, which can be used to view analytics, client list, number of sales, revenue, and so on.

TransCrypt will enable buyers to pay for goods and services straight from their bitcoin account or in any other cryptocurrency, to pay for lunch in a restaurant using a built-in NFC chip through the TransCrypt app, and also, if they want, to link a card to a crypto account and pay with it.

3.6. The Tizer blockchain (TZR)

3.6.1. General description

"Electronic cash", now known as the world's first cryptocurrency, bitcoin, was meant by its author to be a tool that allows monetary transfers to be made all over the world quickly and cheaply.

The bitcoin blockchain and other first-generation blockchains operate on the basis of the PoW (Proof-of-Work), a confirmation of the work completed. PoW is an expensive and energy-intensive method; its key drawback is the constant growth of energy and equipment costs, and the theoretical possibility of violating the network's decentralization by concentrating most computing resources in the same hands. As a result, bitcoin has turned from "electronic cash" into "digital gold", its price has grown too much, transfers have become slow and expensive, and 51% of all of bitcoin's computing capacity is concentrated in the hands of a few of the largest miners in one country, which makes its decentralization only hypothetical.

Proof of Share (PoS) is an alternative method, which does not require huge computing power, and

which has made it fairly popular in the last few years. The likelihood of recording a chain in the case of PoS is determined by the amount of cryptocurrency the participant controls. This is similar to a lottery: the winner is determined by chance, but the more coins they have, the more chances they have. As a result, storage, not usage, of PoS currencies and related speculation is stimulated.

The Tizer blockchain is based on the PoU (Proof-of-Use) mechanism, a confirmation of usage. This mechanism is characterized by the principle of fair reward, i.e. the user receives advantages not because of the simple fact of having coins or accumulating computing power, but for a combination of reasons, including the participant's activity, the number of their coins, their reputation, and a number of other factors. As a result, useful activity in the network is stimulated, and real decentralization, high speed, and low cost of transactions are ensured.

Criteria for confirming importance in the Tizer blockchain:

1. Number of transactions carried out by the user during the total time of the wallet's existence, and random samples from various time periods;
2. amount of time that the user spends in the blockchain network while carrying out useful actions, such as transfers, completing a smart contract, etc.;
3. number of the participant's coins;
4. transaction quality; artificial activity, which loads the network and is not useful, will be ignored;
5. reputation of the participant; the occurrence of successful and unsuccessful transactions, time deviation, suspicious transactions, and other parameters are analyzed;
6. number of "transactional contacts"; the reputation of a participant depends, among other things, on the number of direct interactions with other participants and network nodes.

The main advantages of the Tizer blockchain:

- There are no huge electricity or computing costs and consequently, the cost of transactions will be minimal;
- only active usage of Tizer has value, the motivation for speculation is minimal;
- only an active wallet is necessary for mining, not supercomputers, graphics cards, or farms; just a phone and the internet.

3.6.2. The key node mechanism

One of the main functions in the Tizer blockchain is carried out by special key nodes (keynodes) – special nodes (servers) in the network, which form the basis for supporting light and mobile wallets, and also third-party developers' apps. Users of these services get fast, easy, and secure access to the Tizer network, without having to synchronize the blockchain themselves or having to use insufficiently reliable centralized services.

The Tizer keynode reward program is financed in accordance with a special program, in accordance with which high-capacity nodes, which ensure the security and functionality of the network, receive a reward. The keynodes must adhere to the requirements set out in the Tizer regulations and regularly go through an audit of computing capacity, bandwidth, accessibility, blockchain actuality and integrity, and of other parameters that are relevant to the control of service quality. The completion of the specified requirements will lead to confirmation of keynode status and the receipt of a daily reward.

Aside from the functions of blockchain synchronization and ensuring trusted communications for lightweight client-server applications, keynodes provide the InsT function – the instant transaction service.

Thanks to its algorithms, Tizer combines the advantages of the main blockchains and can really become the first cryptocurrency that can compete with fiat money in transaction quality and quantity.

3.6.3. The decentralized control mechanism

Tizer does not foresee centralized control – its issue will happen during mining. From the reward received by miners, 90% will be distributed between miners and keynode operators. The other 10% will be used for financing approved projects.

The community will have a significant influence on the operation of the TransCrypt ecosystem. Decisions on the further development of the system and the extension of its capabilities will be taken not by separate developers, but by all the members of the Tizer network, through a decentralized control mechanism (decentralized governance). Anyone can bring up a project of some sort, linked to Tizer, for public discussion (bringing a project up for discussion will cost a certain number of Tizer coins, determined by rules). Decisions on changes to Tizer will be made using public voting.

3.6.4. Comparison of Tizer with other blockchains

	TZR	BTC	ETH	NEM	EOS
Supply	1,000,000,000	21,000,000	97,000,000	92,180,392	1,000,000,000
Consensus	PoU	PoW	PoW	PoI	DPoS
Block Interval	5 sec	10 min	15 sec	1 min	1 sec
Block Size	3 mb	1 mb	2 mb	1 mb	N/A
Reply Protection	YES	YES	YES	NO	YES
Difficulty adjustment frequency	Dynamic adjustment	2 Weeks	Per-block	1 week	N/A
Smart contract supported	YES	NO	YES	NO	YES

3.6.5. Use of the Tizer blockchain in the TransCrypt ecosystem

The whole of the TransCrypt ecosystem, including the payment system, investment, and business tools will be tightly integrated into the Tizer blockchain. All operations will be processed through an intermediate transfer of any currency into Tizer transactional currency (TZR). Commission accrual, and also inter-network operations, including conversion of crypto- and national currencies, will also be carried out with an intermediate conversion into Tizer.

Tizer is not only the currency basis of TransCrypt economics, but as with any other cryptocurrency, will be available for purchase on the exchange and for external use.

As well as circulating internally within the TransCrypt ecosystem, Tizer will be used on apps developed on the basis of TransCrypt's open API.

As the amount in circulation grows within the system, so will the amount of Tizer in circulation, which will also have a positive effect on its exchange rate and stability. After flotation, Tizer will be available for purchase at the market rate. All internal operations will go through intermediate conversion into Tizer, which will also strengthen the currency's position on the market.

4. ROAD MAP

4.1. Road map

Date	Milestone
Dec 2016	Development of project concept
Aug 2017	Creation of prototype
Dec 2017	TransCrypt ALPHA
Mar 2018	TSR Closed BETA Wallets and transfers BTC
Apr 2018	Wallets and transfers BCC, ETH Cryptocurrencies exchange
May 2018	TSR Public BETA Telegram Integration Wallets and transfers LTC
Jun 2018	Wallets and transfers XRP, Cardano
Jul 2018	TransCrypt Public Stable
Aug 2018	Wallets and transfers NEO, Stellar
Oct 2018	Wallets and transfers EOS, NEM, Dash
Nov 2018	PCI DSS Certification
Dec 2018	EMI License
Q1 2019	Launch of an MVP of the Tizer blockchain Launch of fiat transfers Buy&Sell Crypto TransCrypt debit card
Q2 2019	Tizer Invest
Q3 2019	Audit of Tizer blockchain and launch of stable version
Q4 2019	Launch of payment widget for commercial solutions
Q1 2020	Transfer economics of project to the Tizer platform
Q2 2020	Hold an IPO

4.2. Public report on the project's development

Our team is doing their utmost to make a quality and a commercially successful product. We think that this can only be done by being as open as possible with the clients and participants.

This is why we assume the following obligations:

1. The project team bears responsibility for reaching the stated results.
2. We commit ourselves to publishing a report on current development results and problems at least once a month.
3. The monthly report will contain the current development status, achievements, and also the project's needs and problems.
4. The project's main accomplishments and successes will be highlighted in the official TransCrypt blog, in relevant media, and on the main specialized forums, such as BitcoinTalk and on Facebook.

5. CROWDFUNDING CAMPAIGN

5.1. What are TSR tokens?

As part of the crowdfunding campaign, the organizer will issue a TSR token, which works on the basis of an Ethereum smart contract. After the TransCrypt platform moves to its own Tizer blockchain, the Ethereum token will be exchanged for a Tizer-standard token at the ratio of 1:1.

TSR tokens are intended to be used by their holders exclusively with the stated goal and functions within the boundaries of the TransCrypt ecosystem. The number of said functions may increase with time, including, for example, by adding new services and improvements that would be available in exchange for TSR tokens. TSR tokens are intended for experts in digital cryptographic tokens and blockchain-based software.

The creation of TSR tokens is necessitated by the need to develop computing capacity within the TransCrypt ecosystem, in particular for carrying out instant transactions, and also for light and mobile wallets and third party apps.

5.2. Using TSR tokens

TSR token holders will have a privileged status and will gain the greatest level of access to the functions of the TransCrypt ecosystem:

- TSR tokens will be a method for implementing the compensation system for key nodes in the Tizer blockchain. Provided that a user has certain number of TSR tokens, they can create a Tizer keynode.
- In order to issue new Tizer coins, a holder or a joint group of holders will have to have a certain number of TSR tokens, determined by the rules of the Tizer blockchain.
- A TSR holder can voluntarily provide their reputation coefficient for the generation of new coins in exchange for a reward or without a reward.
- TSR token holders will have the option to voice their opinions on questions of the

development of the Tizer blockchain through a decentralized voting mechanism.
- TSR tokens will be floated on cryptocurrency exchanges, in order to enable them to be purchased on the open market (for residents of countries and regions where purchase of tokens is not illegal). TSR tokens may be sold on the exchange, if the holder wants to stop using them.
- A TSR token can be used as a voucher when buying physical shares in TransCrypt; it is planned to issue these during the IPO. The size of the discount will be equivalent to the stock price of TSR, but no less than 0.0012 ETH.

5.3. TSR distribution

Initial TSR distribution will be carried out by request from 15 to 25 March 2018.

Distribution conditions:

- exchange of TSRs intended for initial closed distribution is limited;
- participants in the market who want to play their part in the TransCrypt ecosystem and support its development, can do so by making a request using one of the following methods:
- in the investor account space after registering at https://account.tokensale.tsrpay.com;
- through the "Contact us" form on https://tokensale.tsrpay.com;
- by sending an email request to sale@tsrpay.com;
- requests from participants are reviewed during the closed token sale campaign;
- participants whose requests are approved can pay the corresponding sum in available cryptocurrency;
- participants can request information about payments in fiat currency by sending an email request to sale@tsrpay.com;
- participants will pay for TSR tokens in accordance with the price indicated in their account at the time of payment;
- all information for participants in the public distribution will be published reasonably in advance of the start date;
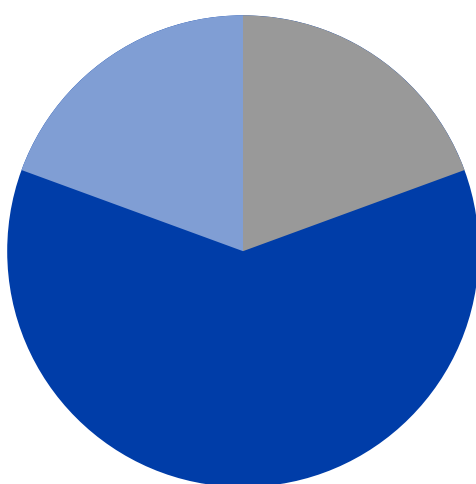
60%
TCT will be allocated for public distribution.

20%
TCT will be allocated for the team, the advisors and company bounty. At least 90% of this amount will be frozen by a smart-contract for 24 months without right of re-sale. A part of those TCT (but no more than 5%) will be allocated to advisors without right of re-sale for 6 months. Up to 5% of the amount will be allocated to subcontractors and participants of the bounty campaign, without limitations.

20%
TCT will be allocated to the reserve fund of the Company and will be blocked for at least 36 months. After the lifting of limitations, TCT from this pool will be made available to the company and will be used for further development of the ecosystem and team motivation (but no more than 30%).

5.4. Use of funds

The total cost of developing the platform is approximately $37.5 million, provided the product develops according to plan. These costs will be provided for by the receipts from TSR distribution and commission earned from the TransCrypt ecosystem.

The data given below show the total predicted expenditures on development, licensing, and functioning of the TransCrypt ecosystem in the event of the pessimistic scenario (see section 2.3.1.). If the amount raised increases, there are plans to expand the number of staff and increase expenditures, leading to a faster implementation of goals, a higher turnover, and increased profits.

Planned distribution of funds:

Item of expenditure	%	Amount
R&D	51.12%	19,170.0
PR and marketing	16.43%	6,161.3
Legal costs, including consultant fees and financial licenses	13.98%	5,242.5
IT infrastructure	7.32%	2,745.0
Financial center	5.18%	1,942.5
General running costs	0.97%	363.75
Unforeseen expenses	5.00%	1,875

The development plan foresees spending the funds collected primarily on the development of all the functions of the ecosystem and the Tizer platform, and on supporting sales and marketing to achieve a faster occupation of the planned market share.

Research and development covers all expenses for R&D, including app development, API, platforms, the Tizer blockchain, etc. These costs include opening a research center staffed by about 60 people (mainly engineers).

PR and marketing will include product promotion and support of the project in international and local media, market research, and participation in industry events.

Legal costs include consultancy, contractor fees, acquisition and maintenance of licenses and all court expenses that may arise.

IT infrastructure expenditures include all expenses for the purchase and licensing of all computing capacity and components of the necessary software.

Financial center expenses include all expenses directed toward ensuring financial operations, including account maintenance costs, accounting, analytics, AML provision, KYC, and so on.

General running costs include all costs related with the day-today functioning of offices, data centers, and other TransCrypt infrastructure.

The unforeseen expenses fund is calculated to be 5% of the total budget.

5.5. Protection from token value depreciation

In order to provide the greatest possible protection to the participants in the closed token sale, and to those who want to support the project at any stage, we have created a plan of action that will guarantee that the interests of TSR holders are protected.

As part of this plan, 20% of all funds collected will be reserved in a special fund, which will be created in the form of a diversified portfolio of the main cryptocurrencies. The smart contract of the reserve fund will also receive 10% of the net income of TransCrypt in cryptocurrencies every quarter. After 12 months, the TransCrypt reserve fund will be unblocked and TSR holders will have the option to exchange them for a proportional part of the reserve fund in cryptocurrencies. The TSRs redeemed in this way will be destroyed by the smart contract.

Information on the structure and condition of the fund will be completely open. The fund will function for the duration of 24 months. After this period, the fund's assets will be transferred over to the company's disposal.

6. THE TEAM

Currently, the TransCrypt team has more than 50 members, including:

- top-grade developers of the server side and of mobile applications;
- blockchain experts;
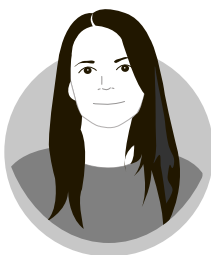- developers of high-load and scalable systems; professionals in the field of marketing and project management.

Our employees have created more than 10 projects that successfully operate to this day, within the cryptographic, retail, and fintech fields. We know how to create systems and applications that can support millions of users. We know how to attract and retain clients. Our experience allows us to predict explosive audience growth in the near future.

Nikita Machulis

CEO

For more than 15 years, has been managing projects and developing business in the field of payment systems and fintech projects. Worked at Yandex. Money and Ulmart, developed toll collection systems for VINCI and Avtodor.

Denis Dubov

CTO

For more than 10 years, has been managing development of scalable IT projects in the fields of information protection, medicine, and corporate finance.

Elena Deshpit

PR & Marketing

Specializes in promoting startups, was responsible for digital marketing at URBURO and Pochta.fi. Was involved with international PR at Okko, and with retail and branding at Okko and Yota. Believes that you don't always need huge budgets for quality marketing.

Alexander Volosovik

Dev-Ops Director

For more than 11 years, has been designing and ensuring performance increases and optimization of scalable systems. Experience in *NIX, Zabbix, Git, Mercurial, Jenkins, Gerrit, Crucible, Atlassian, system integration, and implementation of corporate infrastructure (AD, GPO, DNS, DHCP, DFS; VPN, Radius, RDP, cryptographic means).

Advisers

Elena Khromova

Legal Adviser

More than 20 years' experience in the sphere of finance (including 15 years in the largest international auditing companies). Elena is a partner in BDO Union, has a lot of experience in the implementation of auditing and consulting projects, and deal advisory on capital markets. Elena's clients include the largest Russian and international companies.

Alexander Epin

Marketing & product adviser

Chief executive and co-owner of Transit Media Group (TMG), the largest operator of advertising on public transportation in Russia.

Alexander Voskoboinikov

Business development

Was chief marketing officer of the Yandex.Money payment system for 5 years. From 2008 to 2012 was head of a large terminal network. From 2015 works as the chief commercial officer of the largest Russian payment aggregator, DengiOnline and is developing his own business.

7. DISCLAIMER

PLEASE READ THIS SECTION CAREFULLY. IF YOU HAVE DOUBTS ABOUT WHAT ACTIONS YOU SHOULD TAKE, WE RECOMMEND CONSULTING YOUR LEGAL, FINANCIAL, TAX, OR OTHER PROFESSIONAL CONSULTANT(S).

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The TSR token is not any type of digital currency, security, commodity, or any other type of financial tool and has not been registered in accordance with the US Securities Act of 1933, with the securities laws of any state of the United States of America, or securities laws of any other country, including securities laws of any jurisdiction of which the potential token owner is a resident.

TSR tokens are not offered and are not distributed, and can also not be re-sold or otherwise transferred by their owners to citizens, individuals, or business that have their habitual residence, location, or place of registration in a country or in a territory where transactions with digital tokens are forbidden or in any way restricted by the laws or regulations in force.

Some forecasts, plans, budgets, and financial information contained in this document are statements or information relating to the future. Such forecast statements or information are related to known or unknown risks and uncertainties that can lead to actual events and results that significantly differ from the evaluations and forecasts implied or given in this document.

You do not have the right to, and should not, buy TSR tokens if you are a citizen or a resident (whether for tax purposes or of another kind) of the Chinese People's Republic (CPR) or the Republic of Singapore, or are a private individual resident in the CPR or Singapore. A "private individual resident in the CPR or Singapore" is usually defined as a private individual who lives on the territory of the CPR or Singapore, or any business organized or founded in accordance with the legislation of the CPR or Singapore.

TSR tokens purchased by you cannot subsequently be sold on the secondary market (for example, by way of exchange or in a direct transaction) to a citizen, resident (for tax purposes or of another kind) or to other private individuals in the CPR or Singapore.

IMPORTANT NOTE: the text of this document in English has precedence.

transcrypt