

## EOS

THE NEXT STEP IN SMART-CONTRACTS?

Presented by



#### DISCLAIMER

- We are in no formal way associated with block.one, the company developing EOS code. We are just part of the emerging EOS community.
- We have no interest in you buying EOS tokens, and this certainly should not be treated as financial advice. Our goal is to encourage you to take interest in the concept and possibly consider building businesses on top of EOS.



#### CONTENT

- 1. Our background
- 2. Quick survey
- 3. Major problems facing the crypto-space
- 4. Introduction to EOS
- 5. About Tokenika

#### OUR BACKGROUND

- Strongly based in real-life businesses:
  manufacturing industry, real-estate, university education & public agencies
- We are blockchain veterans:
  Bitcoin, MaidSafe, BitShares, Ethereum, Steem & EOS
- We actively participate in the blockchain space:
  FinTech Week in London & Blockchain Summit in Shanghai



## OUR BACKGROUND





### QUICK SURVEY - STATE OF THE BLOCKCHAIN 2017

- 1. How much in USD does BTC mining cost per day? What about ETH?
- 2. What is BTC average transaction fee? What about ETH?
- 3. How many transactions per second does Facebook require? What about Visa/MasterCard?
- 4. How many transactions per second is BTC able to process? What about ETH?



#### QUICK SURVEY - RESULTS

1. How much in USD does BTC mining cost per day? What about ETH?

BTC: 12 mln USD/day (4 bln USD/year)

ETH: 6 mln USD/day (2 bln USD/year)

Total raised by all ICOs so far: 3 bln USD

2. What is BTC average transaction fee? What about ETH?

BTC: 3 USD

ETH: 0.30 USD



#### QUICK SURVEY - RESULTS

3. How many transactions per second does Facebook require? What about Visa/MasterCard?

Facebook: 50,000 trxn/sec

Visa/MasterCard: 20,000 trxn/sec

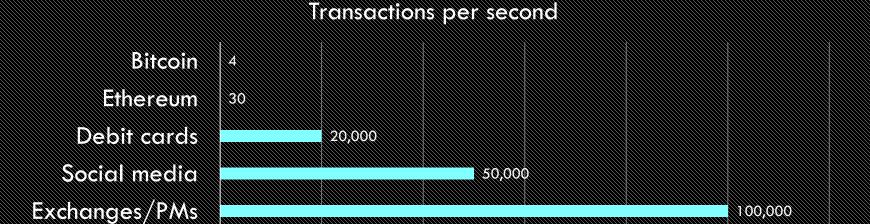
4. How many transactions per second is BTC able to process? What about ETH?

BTC: 4 trxn/sec

ETH: 30 trxn/sec



### WHAT'S POSSIBLE VS. WHAT'S NEEDED



Current blockchain solutions: extremely expensive and extremly inefficient.



#### MAJOR PROBLEMS FACING THE CRYPTO-SPACE

Scalability

Transaction fees

Private key security

Blockchain governance

Smartcontracts running amok High cost of app development

Bad user experience

No bridges between blockchains



#### #1 SCALABILITY

- What is high-performance?
- Huge gap between what we can do and what we need to be able to do
- Second layer solutions:
  - State channels: Lightening Network / Raiden
  - Splitting into sub-chains: Ethereum's sharding & Plasma
- But none is any good if you need very fast sequential processing



## #2 HIGH & UNPREDICTABLE TRANSACTION FEES

- No economic viability at the current level of transaction fees
- Even if fees become low, they are still unpredictable
- Sometimes you need no fees at all (e.g. social media)



## #3 PRIVATE KEY SECURITY

- Increasing number of unsophisticated users
- Losing not only money: also identity & reputation
- Is this vulnerability an inherent blockchain feature?



#### #4 BLOCKCHAIN GOVERNANCE

- Decentralized decision making:
  - business-as-usual situations
  - emergency situations
- Value systems cannot be encoded, blockchain is not a self-contained entity
- Different value systems = different people expect different outcomes



#### #5 SMART-CONTRACTS RUNNING AMOK

- Formal verification is hard & never fully reliable
- Smart-contracts running out-of-control not part of Ethereum business model





#### #6 HIGH COST OF APP DEVELOPMENT

- Nothing is coming to market
- Devs stuck on low-level stuff
- Complex things attempted in inefficient scripting environment
- Generic solutions built with smart-contracts will be expensive to use



#### #7 BAD USER EXPERIENCE

- UX way below centralized apps
- Blockchain-based apps need to be indistinguishable from conventional apps
- Responsive front-end requires proper back-end infrastructure
- Devs still stuck on low-level stuff



#### #8 NO BRIDGES BETWEEN BLOCKCHAINS

- Blockchains operate in their own silos
- (Almost) impossible to move value across blockchains
- Potential solutions are several years away (e.g. Polkadot, Cosmos)
- They'll require asynchronous communication



#### MAJOR PROBLEMS FACING THE CRYPTO-SPACE

Scalability

Transaction fees

Private key security

Blockchain governance

Smartcontracts running amok High cost of app development

Bad user experience

No bridges between blockchains



## WHAT IS EOS?

EOS is a general-purpose smart-contract platform, just like Ethereum.



## WHAT IS EOS?

EOS is a holistic approach to high-performance general-purpose consensus.



# EOS IS THE BLOCKCHAIN FOR BUILDING COMMERCIAL SCALE DECENTRALIZED APPLICATIONS THAT ARE INDISTINGUISHABLE FROM CENTRALIZED ALTERNATIVES.

Daniel Larimer, CTO of block.one



## WHAT IS A DECENTRALIZED APP?

- Decentralized Uber
- Decentralized exchange
- Decentralized prediction market
- Decentralized investment fund



## WHAT DO DECENTRALIZED APPS REQUIRE?

Scalable and cheap to run

Bug recovery

Upgradeable

No fancy cryptographic stuff

Free for the users

Easily accessible



### HOW DOES EOS WORK?

EOS acts an operating system for running decentralized applications.



## HOW DOES EOS WORK?

Applications

Operating System

Computer



#### **BLOCKCHAIN EVOLUTION**

Payment system (Bitcoin)



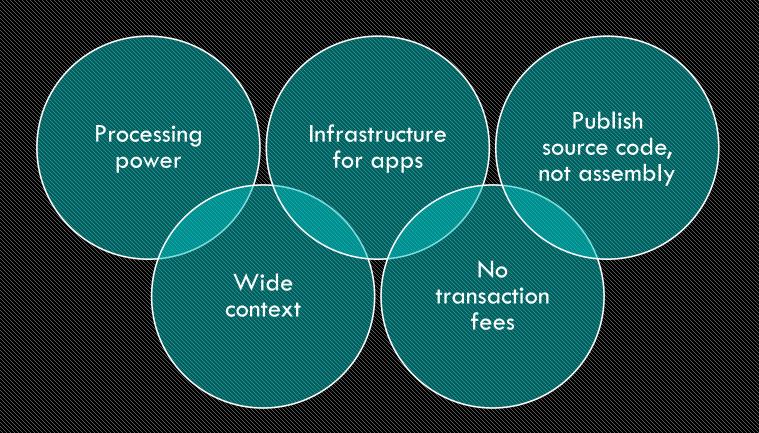
Smart-contract system (Ethereum)



Operating system for decentralized applications (EOS)



## WHAT FEATURES MAKE EOS UNIQUE?





#### #1 PROCESSING POWER

- Blocks produced exactly every 3 seconds (or even 500 ms)
- Consensus over events (or messages) instead of consensus over state
- Sequential processing technology borrowed from LMAX exchange which processes millions of transactions on a single thread
- Parallel processing via separation of authentication from action
- No concept of gas



#### **#2 WIDE CONTEXT**

- Errors in smart-contracts & conflicts between people are unavoidable
- Built-in governance mechanisms:
  - Constitution encoded in the blockchain (legally binding)
  - Arbitration for resolving disputes
  - Shareholders voting on important decisions (e.g. self-funded community benefit apps)
- Block producers able to freeze & fix broken apps
- Designed with the needs of serious businesses in mind



#### #3 INFRASTRUCTURE FOR APPS

- Common/low-level features & services embedded in the blockchain: account permissions, account recovery, scheduling, authentication, inter-app communication, biometric 2nd factor validation
- Private databases on smart-contract level
- Integrated storage solution based on IPFS, free to use
- App devs only need to write code for what's unique for their application



#### #4 NO TRANSACTION FEES

- EOS token is never consumed, no concept of gas
- Spam protection achieved via rate limiting
- If you own 1% of the tokens, you own 1% of the network
- You can own blockchain resources or rent them on pay-as-you-go basis
- Monetization strategy is the application choice, not the platform it's running on

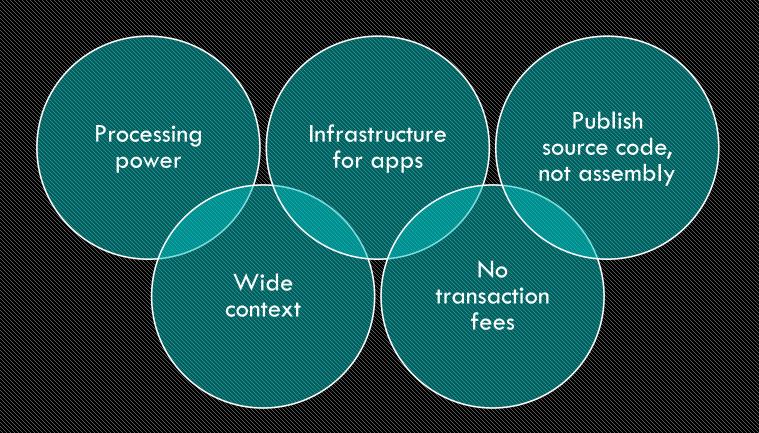


## #5 PUBLISH SOURCE CODE, NOT ASSEMBLY

- Source code is sacred, as it captures human intentions
- Source code can be recompiled in the future
- Opens EOS up for multiple virtual machines
- Upgradable smart-contracts become possible



## WHAT FEATURES MAKE EOS UNIQUE?





#### CONCRETE VS. ABSTRACT

Attempt to generalize something that you have not figured out how to build yet.

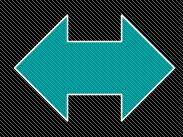
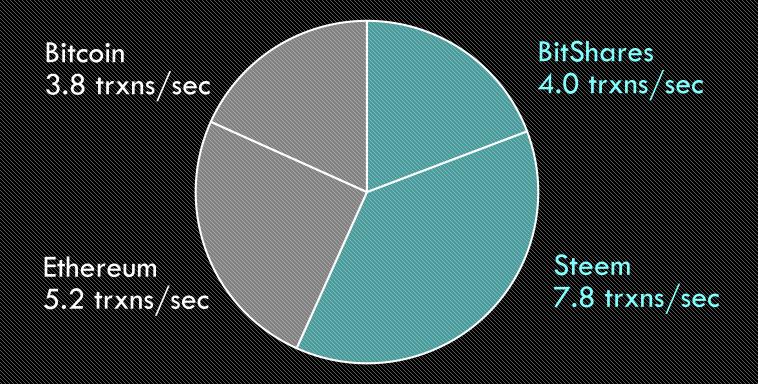


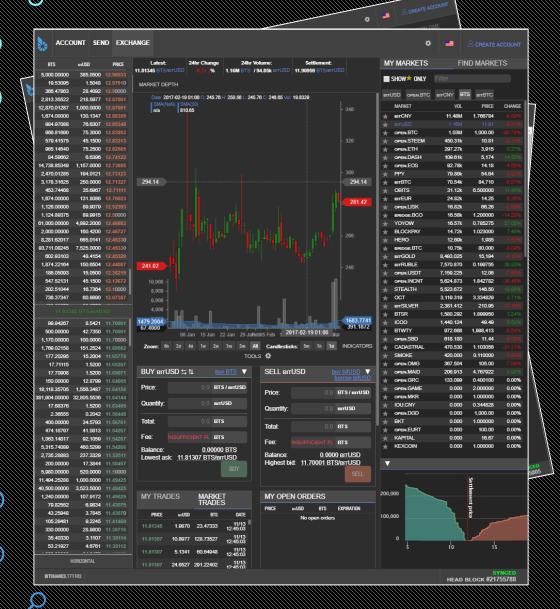
Figure out how to build something first and then start generalizing it.



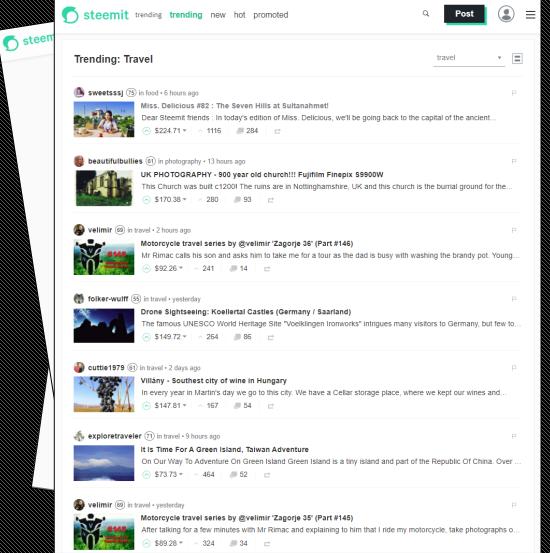
## TOP FOUR MOST USED BLOCKCHAINS











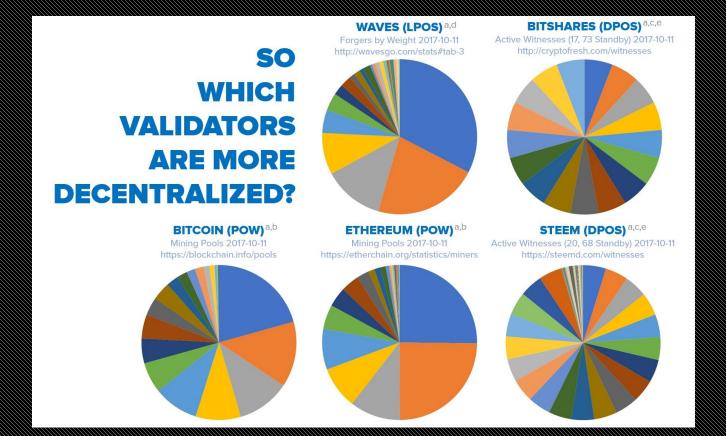


#### DPOS - DELEGATED PROOF OF STAKE

- Elected block producers (a.k.a. witnesses)
- Powered by reputation: hard to earn, easy to lose
- Confirms transactions with 99.9% certainty in an average of just 1.5 sec
- Efficient decision making, yet ultimate power always rests with the shareholders



#### DPOS - HOW DECENTRALIZED IS IT?





#### DPOS - HOW RESILIENT IS IT?

- Someone with even 50% of the active voting power is unable to select even a single producer on their own
- When in trouble, the system degrades in a graceful, detectable manner that is trivial to recover from
- Continues to function even when a majority of producers fail, or a large minority of producers go rouge



### WHAT ARE THE STRONG POINTS?

- Very efficient team
- Concept proved in practice
- Web Assembly as a virtual machine
- Strong financial backing: Brock Pierce & Bo Shen (Fenbushi Capital)
- Commitment to spend 1 bln USD to boost the ecosystem



# EOS IS THE MOST WELL-FUNDED PROJECT IN HISTORY AND WE PLAN TO SOON ANNOUNCE A PROGRAM FOR UP TO ONE BILLION USD OF CAPITAL FOR EOS PROJECTS.

Brendan Blumer, CEO of block.one



#### WHAT ARE THE WEAK POINTS?

- Low awareness and quite a lot of negative (undeserved?) perception
- Almost non-existent ecosystem and very few developers
- C++ has a very steep learning curve
- Not live yet



#### **EOS ROADMAP**

Project started in Q1 2017

December 2017 public testnet

Q1 & Q2 2018 devoted to testing and building development tools & docs













MVP stage called EOS Dawn 1.0

January 2018 all major functionalities deployed The EOS blockchain goes live in June 2018, most probably with the parallel processing feature already enabled



## MAJOR PROBLEMS - REVISITED

Scalability	Enormous processing power: both sequential & parallel
Transaction fees	No transaction fees
Private key security	Account recovery & 2nd factor authentication built-in
Blockchain governance	Implemented via reputation-based consensus mechanism
Smart-contracts running amok	Block producers able to freeze & fix broken apps
High cost of app development	All common features built-in, entire back-end infrastructure supplied
Bad user experience	Back-end support for responsive front-end & web toolkit for UI
No bridges between blockchains	Asynchronous communication built-in



#### **EOS WRAP-UP**

- Most important: the way EOS is going to operate
- Incremental improvement to stuff that's already been proven to work
- Extremely business oriented
- Can other systems copy EOS solutions?



#### **ABOUT TOKENIKA**

- Focus on blockchain-based fundraising and digital asset management solutions, e.g. Neufund, Melonport, Iconomi
- Software house dedicated to building dApps (both on EOS and ETH)
- Aiming to be elected as one of the 20 block producers for EOS

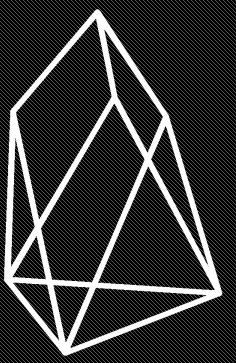


#### WHAT DO WE NEED?

- Not looking for funding, looking for ways to spend money
- Looking for good ideas that can be converted into dApps
- Hiring developers with background in C++ and/or ETH smart-contracts







EOS - official website www.eos.io

# THANK YOU

ANY QUESTIONS?

Presented by



www.tokenika.io contact@tokenika.io