**SponsorCoin: A Peer-To-Peer Electronic Sponsorship System**

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**Abstract.** A purely peer-to-peer version of sponsorship crypto would allow online payments to be sent directly from one party to another without going through a financial institution. Financial Institutions while claiming to be secure are, in reality, one of the least secure parties due partially to “Bail in Legal Tender Laws” and total disregard for privacy utilizing KYC and other protocol tracking implementations. We propose a solution where the free-market economy can donate sponsorCoin crypto coins while maintaining complete custody of any sponsorCoins obtained. This donation is an on going sponsor utilizing proof of stake and is only revoked when the coins are returned back to the market or the sponsor wallet address is changed. The newly allocated staked coins will have a portion of these coins distributed to the sponsored party wallet with the remaining deposited in the sponsors wallet. When a sponsor obtains sponsorCoins, two addresses are required, first the sponsor must provide their wallet address and second, the sponsored parties wallet address. SponsorCoins are proposed to have an annual ten percent inflation with a delegated allocation of no less than 2% delegated to the sponsored party and the remaining 8% allocated to the sponsor.

# Introduction

Sponsorship on the Internet has come to rely almost exclusively on financial institutions serving as trusted third parties to process electronic payments. While the system works well enough for most transactions, it still suffers from the inherent weaknesses of the trust-based model. Completely non-reversible transactions are not possible since financial institutions cannot avoid mediating disputes. Outside influencers may also play a role of interference with the transaction through regulations and other mandates warranted or not. Transactions through a financial system always involves trust and trust is potential point of failure. Middleman three tier financial transaction costs are substantially, with considerable higher latency. Sponsored recipients must be constantly soliciting to ensure the flow of funds required for their cause. A certain percentage of fraud is accepted as unavoidable. These costs and payment uncertainties can be avoided in person by using physical currency, but no mechanism exists to make payments over a communications channel without a trusted party. Finally current sponsorship systems involve the alleviation of capital from the sponsor which is a limiting factor on the contributions which may collected for the cause.

What is needed is an electronic payment system based on proof of stake instead of trust, allowing any two willing parties to transact directly with each other without the need for a trusted third party. Transactions that are computationally impractical to reverse would protect sponsors from fraud, and routine sponsor deposits through proof of stake sharing would ensure a constant funding supply to the sponsored recipient. In this paper, we propose a solution the inefficiency of the current sponsorship systems while providing a constant flow of capitol to the sponsor with little or no cost to the sponsorship coin owner.

# Technology

The initial release of sponsorCoin is a Layer 2 solution written in the solidity language which may be deployed on Layer 1 block chain solutions such as Ethereum, Binance, Fantom, Solarium and so on.