



USM Multi-function Redemption Token

White Paper V1.0

Abstract: USM is a redemption token designed to work across multiple blockchain agreements, initially including Ethereum. USM will use the verified centralized model to publish USM with Block world organized by DAO. The token issuance/transaction will be recorded on the chain, and all external chain transactions and balances will be broadcasted to the public at frequent intervals. Transparent presence will effectively combine the market value of USM tokens with actual circulation scenarios.

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Disclaimer

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1 Background: Decentralized apps stay here

The demands to redemption tokens on the blockchain are based on the sustainable value of cryptocurrencies and decentralized applications (DApps), with time delays exceeding current speculation. Because of some confusion in the media, let's first define a decentralized application as distributed software, where multiple untrusted parties can reach agreement on the state of the system without any trusted set. In addition, let's define cryptocurrencies as digital assets and use incentives to implement decentralized applications. The Bitcoin protocol can be deemed as the first decentralized application to solve previously unresolved issues; creating a payment network that no one can stop personal payments. Bitcoin is the cryptocurrency that supports this application. The unique advantage of a decentralized application is the rejection of the review of the transaction.

This new breakthrough in reviewing resistance software has caused great excitement for investors, entrepreneurs and developers. Some excitement is noise and some are signals. In the history of civilization, society seems to provide individuals with a solution to citizen autonomy for the first time. While this attraction seems to be fragile for those who live comfortably in developed countries, the potential for decentralized applications is great for the majority of the world in dealing with unpredictable governance, censorship, poor economic management and monopoly companies. It remains to be seen whether the blockchain infrastructure and its current blueprint will achieve this ideal. Answering this question is not as important as decentralization as an unstoppable technology and economic movement. In addition, as we will explain in the next section, the redemption token values on the blockchain is a necessary tool for the ecosystem to be the least functional.

2 Why Do We Need USM

It can be said that money is the most successful story in human history. We give it to strangers in exchange for goods and services. Even if they don't know us, it allows us to transfer value to them. When a stranger gives us money, we can persuade us to do things we didn't want to do because we believe that the money will be useful to us in the future, and others will accept it to add value to our lives. This embodies two important monetary standards, the ability to use it as a medium of exchange, and the ability to become a value storage over time. In the modern financial world, the currencies issued by the government usually function well and become the medium of exchange and value storage for people around the world.

In order to make the cryptocurrency act as a medium of exchange, it must meet certain criteria. Firstly, there must be a counterparty who is willing to accept it as a payment. As an exchange medium, participants in the exchange must give their value. Secondly, it must be substitutable so that any two identical units have the same value. If there is no alternative, we will use the system instead. Thirdly, its value cannot be appreciated quickly. Since holders want more purchasing power in the future, they will be motivated to hold the currency instead of using it for exchange.

Similarly, the cryptocurrency must also meet certain criteria as a value storage for exchange. Firstly, its value cannot be quickly devalued. If holders cannot expect their value to remain relatively stable, they will need to find another asset as a value reserve. Secondly, the holder of the cryptocurrency must be convinced that there will be an accessible transaction value that can be accepted at some point in the future.

2.1 Immediate demand for redemption token

The blockchain ecosystem is still in its infancy, but we have seen an urgent demand for price-consistent cryptocurrencies. Tether (USDT) is a cryptocurrency that is pegged to the US dollar through a centralized model managed by Tether Limited. In the Tether model, every "casted" dollar must fully support the reserve of \$1.00. The USDT holder can choose to exchange for USD directly from Tether Limited or exchange for USD through the exchange of USDT in the open market. Another option is to replace the USDT with another cryptocurrency and then exchange these cryptocurrencies for US dollars.

Since its inception in 2015, Tether's total market capitalization has grown from less than \$500,000 to more than \$2.2 billion, and has grown by more than 440,000% in just two and a half years. As a result, Tether has successfully become a de facto stable currency because now it has more than 99% of the monopoly market share (based on market capitalization or trading volume). The USDT currently has a large volume of trading on most major cryptocurrency exchanges, with a total 24-hour trading volume of more than \$2.3 billion, ranking the fourth in the world, second only to Bitcoin, Ripple and Ethereum. The popularity of the USDT is mainly attributed to the fact that it is the only stable currency available on the market in the past few years. It not only has sufficient liquidity, but also has actual reserve support. Simply put, with the exception of the USDT, there are no other good options for those who need a stable currency. In the remainder of this article, we'll delve deeper into the attempts of Tether and other stable currencies over the past five years to understand how the stable currency market is reaching its current state.

2.2 Redemption token is essential to the future of a decentralized economy

The blockchain economy needs value reserves and exchange medium of stable exchange to go beyond current speculation. Imagine that 5% of the Bitcoin value has been lost overnight by carrying out a transaction of \$1 billion in bitcoin. This situation may sound like a normal day in the cryptocurrency world, but for those who receive these bitcoins, they will wake up to a loss of \$50 million. If the transaction is made in real money, then the loss will not happen.

Many decentralized applications that require to store cryptocurrencies for their operations are currently using Ethernet, but it has been proven to be impractical due to the exchange rate risk of price fluctuations in the ether. In addition, if too many basic operations rely on Ethernet transactions, the price of the Ethernet can also have a negative impact on the stability of distributed applications and organizations (DAO). It's all the same.

The cryptocurrency itself is not stable. In other words, you are basically building systemic risk for your product in exchange for the benefits of completing a transaction on the blockchain. For many people, it does not seem to be a viable long-term solution.

With the development of the decentralized economy, the demand for stable exchange of encrypted exchange media will grow exponentially to accommodate the large-scale application of blockchain technology. The application case for redemption token will also exceed the scope of our limited vision now. However, one thing is certain: from now on, there will not be only one major stable exchange channel, and Tether's 99% market share will not exist for a long time.

3 Pattern of competition

3.1 Concentrated model used by competitor (organic stability)

Tether (USDT): Tether Limited is currently the stable currency which is the most widely used in the world. In this model, Tether is centralized, holding dollar reserve in a bank account to support each of its USDT tokens. They have a simple creation and redemption mechanism that links their USDT tokens to dollars. That is, if the USDT price exceeds \$1.00, market participants will be motivated to convert 1 USDT to \$1.00 from Tether and sell it back to the market for profit. Similarly, if the USDT price is less than \$1.00, market participants will be motivated to buy a cheap USDT and redeem the token from Tether for \$1.00.

However, Tether's business model has some problems, especially in terms of transparency and single company risk. With more than 99% market share, Tether's huge influence can now be felt in the encryption market. The most recent hacking is to prove the USDT stolen inventory wallet worth \$31 million. When the hacker's news came out, most of the major cryptocurrencies in the market immediately experienced panic selling and sharp price cuts, including bitcoin, eliminating billions of dollars in market capitalization. In fact, since the hacker only steals the USDT token instead of the actual dollar reserve in the Tether bank account, it does not actually cause much damage. Tether then began implementing an update to its Omni protocol to cancel the stolen USDT before it entered circulation.

One benefit from Tether's hacking is that it demonstrates that the centralized model can act quickly to prevent further damage from spreading. In addition, Tether clearly demonstrates how a single stable currency relies on most major exchanges can cause serious systemic risks to the entire blockchain ecosystem.

Finally, there are other allegations of Tether's business model and its lack of transparency, including insufficient funding for Tether.

3.2 Dispersion model used by competitors (inorganic stability)

BitShares / BitUSD: The original BitShares / BitUSD White Paper can be found [here](#). At a higher level, BitUSD is a stable cryptocurrency that is issued by supporting its value with collateral. BitShares is a network basic token used for its financial contracts. In order to create a new BitUSD, someone must lock at least a value equal to BitShares. Together with the mandatory clearing mechanism, it creates a link for BitUSD. When the market value of BitUSD exceeds \$1.00, the user can motivate the new BitUSD. When the value is less than \$1.00, the user can use BitUSD for the underlying BitShares.

Although theoretically elegant, this mechanism makes it easy to have black swan events in the underlying BitShares. A large enough downward movement will produce a positive feedback cycle, and sales coverage may push the value down to well below the par value.

MakerDAO: According to MakerDAO, the White Paper has two key features that support the stability of stable coin of Maker DAI: Mortgage Debt (CDP) and MKR Governance Tokens. CDP is a smart contract. It locks mortgage assets in exchange for DAI stable coins, which is the same mechanism used in BitUSD. The manufacturer plans to allow many different tokens to be used as collateral assets, diversifying the crash risk of token flash. The system comes from self management by paying stability fees to MKR token holders, motivating these token holders to reasonably vote on certain risk parameters to ensure stability. The target interest rate of DAI is based on special drawing rights, especially the weighted currencies of the five main legal currencies.

There are some potential problems in the manufacturer model, including whether its stability mechanism can really resist the rapid depreciation of the value of its collateral (such as Ethereum). However, the greatest concern is the scalability of Maker because it requires extra collateral to back up each coin. Due to the opportunity cost of capital, it makes the new coins required for casting expansion very expensive.

Basecoin: Basecoin attempts to create legal currency on the public blockchain, as they describe in the White Paper. The model aims to set the token value by manipulating the money supply. Similar to how government monetary policy affects the actual purchasing power of its citizens, Basecoin influence Basecoin's actual purchasing power through bond issuance and repurchase mechanisms. When the Basecoin transaction is higher than its linked value, when it is no longer necessary to pay bonds, the network increases the money supply by purchasing the bond of the user or Baseshare holder. When the Basecoin transaction is below the peg value, the network shrinks the money supply by selling the bond at market price.

Although Basecoin adopts a novel approach to solving the problems of stable coin, it is not yet a compelling solution. It did a number of simplified assumptions, such as zero expansion is the ideal long-term operating state, and does not provide an explicit mechanism to change system parameters away from these default values. In addition, this type of method has a cold start problem, unlike other stable currency methods, where the system is guided by the use of existing values, which attempts to create it spontaneously. It requires other participants to accept and give token values.

4 Solution

As shown in the competitive landscape, the current methods for creating stable tokens are either centralized or decentralized. Concentrated models, such as those used by Tether, have direct viability advantages, which can be evidenced by Tether's current market capitalization of \$2.2 billion. Despite concerns about Tether, its popularity has confirmed that people believe that dollar-linked coins can be supported by physical 1:1 cash reserves. However, this model requires a high degree of trust to function effectively, and if there is not enough transparency, centralization may be destroyed.

Decentralized projects using asset collateral models (such as Maker) create capital inefficiencies by requiring a large amount of collateral to issue basic trading medium. On the other hand, it attempts to imitate the central bank's decentralized projects, such as Basecoin and BitUSD. It is creating digital fiat money without reserve support and will encounter network cold-start issues.

A deep insight into the economic viability of stable currencies can be found in Preston Byrne's article on this topic. Ayie, who has many years of experience in financial product structure, believes that a convertible reserve support centralized solution is the most powerful solution.

4.1 USM: Alternate Backup ERC20 Token

Our first iteration of the redemption token USM will be an improvement of the Tether business model, which can be said to have been successfully verified. For a more transparent player, there is a huge opportunity to share Tether's \$2.2 billion market capitalization, which is still growing when we spoke.

Once launched, USM will operate as a service partner and transparent transactions can be viewed publicly on the blockchain. Each USM token is supported in the form of a multi-function circulation scenario and can be redeemed by the token holder for multiple cryptocurrencies.

In order to purchase USM tokens directly, customers verified by KYC / AML / can connect the actual currency to the USM custodian and then retain according to the terms of use. The customer can also send ETH and convert it to the actual currency of the exchange, and the USM token can be redeemed. In order to redeem USM tokens, verified customers will be allowed to return them to USM's smart contract in exchange for ETH or other cryptocurrency, according to the terms of use. After the USM token is sold, the USM token can also be used for secondary market transactions for centralized and decentralized encrypted exchanges.

It has a web platform and API terminal that allows platform users to directly purchase or redeem USM tokens, minus third-party shipping costs (such as bank wire transfers, exchange fees, mining fees). However, in addition to third-party shipping charges, USM plans to offer USM tokens purchase/redemption for free during the indefinite promotion period after launch.

The biggest problem we have mentioned with Tether is the lack of transparency in the dollar reserve.

- A. Because USM accepts offshore transactions from customers, it leaves a gap in transparency. For these transactions, USM will create and submit its hash value to the blockchain for verification during the review.
- B. All USM transactions are publicly released through the API through the transparency dashboard of our blockchain. Links to publicly available transactions on the blockchain will also be provided.

Over-the-counter transactions are regularly audited and certified. The review will take place in the first month of each quarter. All results will be posted on our blockchain.

4.2 USM as a multifunctional redemption

It will be steadily integrated with the Ethereum network. Ethereum network is a very promising blockchain network with low transaction fees and confirmation times, as well as its own fiduciary obligations and KYC / AML compliance. To this end, Ethereum provides out-of-the-box compliance templates. It is steadily planned to act as an issuer on the network and as the issuer of our USM ERC20 token, in future iterations, it can be transferred to other blockchains using atomic exchange or other cross-chaining techniques.

4.3 Multiple blockchain support

It is aimed to provide native support for stable exchange of tokens for reserve support for a variety of selected blockchain platforms. EOS is a very strong candidate that we are considering.

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5 Target market and application cases

5.1 Transaction settlement medium in encrypted exchange

Currently, any direct transaction encryption exchange can solve the encryption problem. However, many exchanges, such as Kraken, Bittrex are offering encrypted pairs that use USDT as the quote currency. These exchanges are used steadily to provide another immediate stable currency backed by the US dollar. It will help them diversify from USDT to reduce Tether's single company risk.

5.2 Decentralized applications

The application for decentralization relies on the current economic incentive structure denominated in cryptocurrency. Many applications are too sensitive to exchange rate risk because they are viable and require a stable value storage to ensure that their mechanisms motivate users in the expected way.

Example A: It names its decentralized forecast market in units of Ether. Since the basic price, the volume of transactions in these markets has been very small, and the volatility of the ether often exceeds any information you may have to bet on future events.

Example B: Locking the value of large fluctuations is rarely useful for any party of hosting service. It is impractical to use a normal cryptocurrency unless it is a versatile exchange cryptocurrency like the USM.

5.3 Encryption risk spreader

Many crypto traders and investors do not want 100% of the time to be exposed to encryption fluctuations. Currently, they have no choice but to USDT. There are also some professional fund managers who want to enter the encryption market, but they are more willing to deposit funds in a stable cryptocurrency to give them time before deciding to distribute.

5.4 Payment and remittance

USM can be used to instantly transfer value denominated in real money to any location in the world with Internet access. As we expand over time, the cost of using USM will also decline, making USM more competitive with traditional business models in the field. Our integration with the Ethereum network will provide the infrastructure for this application case.

5.5 Cross-block chain payment API

By supporting redemption token supported by cryptocurrencies across different blockchains, USM will create APIs for applications that integrate various DApps in the background. For example, suppose an application requires you to make a payment on an e-commerce DApp on a storage DApp on Ethereum. Our API will allow users to seamlessly use their USM tokens in these different blockchain applications, rather than the clumsy user experience, where ethernet extensions are installed for each user-oriented token account and implement cross-chain atomic exchange for our backend. It

leads that payments will support consumers to adopt cryptocurrencies.

5.6 Developing the economy

Example A: Easily access value stores with the USM wallet. For example, some people in Venezuela or Zimbabwe may be concerned about the poor economic management of their local currency and want an easy way to obtain a cryptocurrency similar to the US dollar.

Example B: In the case of hyperinflation of non-US dollar currency, the USM can integrate with the consumer to the merchant payment processing service so that people in the affected area can continue to conduct business. In countries where risks often occur (Venezuela, Zimbabwe, etc.), USM's payment processing services can even pay in local currency for replacement, with or without the support of the local government.

Example C: Cross-border remittances, for example, a construction worker in the UAE sending remit money to his family in Bangladesh. Because of the ease of access and cost reduction, cryptocurrency is an attractive option for such individuals, and the USM integrated exchange can be an integrated endpoint on a cross-border payment network.

6 Market entry plan

6.1 Short-term online plan (1 - 2 years)

The first important task that is critical to the future of any stable currency is to get as much adoption and market share as possible. Only when market capitalization and liquidity reach critical mass can we further develop and expand the advanced stable exchange currency ecosystem. In the case of USM, we define it as at least a total USM market value of \$2 billion, an average daily trading volume of at least \$200 million, using at least three major cryptocurrency exchanges, and decentralized exchanges.

We believe that the best way to gain market share is to address the most pressing demands in the current market, that is providing the exchange medium for settlement of transactions for cryptocurrency exchanges. The USDT has a virtual monopoly on the multi-billion dollar stable market at major exchanges and will soon suspect that this could pose a serious systemic risk to the entire cryptocurrency market. In addition, Tether's suspicious business model does not instill full confidence and trust in everyone. Even if Tether is 100% legal, we really hope so, because this is equivalent to Mt.Gox 2.0. If it is not the case, it still makes no sense that a single company has the only viable stable currency solution for everyone. Recently, with the attention of the encryption community and regulators, this concern has been growing, and the questions about Tether's business model are becoming more and more.

We confidently predict that in the near future, as the new multi-functional stable token USM enters and begins to reduce market share, USDT will lose its dominance in the stable currency market. The exchange must also consider diversifying at certain times because it is in full compliance with the interests of the exchange and its clients to reduce the risk of a single company that is currently monopolized by Tether. We believe that if we do not do so, the exchanges will be irresponsible. By not providing a

variety of stable currencies to its customers, exchanges are effectively diversified, non-systematic risks will be transferred into systemic risks that cannot be achieved.

6.2 Mid-term market entry plan (2-5 years)

Once USM gains sufficient adoption and liquidity, we will begin to integrate USM tokens with DApps and DAO, which need to store cryptocurrencies in their own reserves for operational purposes. With three of the four DApps currently built on the Ethereum protocol, our ERC20 should be able to easily integrate with most DApps, as long as Ethereum remains the most popular DApp development platform.

In addition to DApps and DAO, USM can also integrate with traditional business models such as e-commerce, payments and remittances. Any participation in the transfer of monetary value will be an ideal choice for USM integration, and we plan to actively promote our solutions. Our cross-blockchain support also creates payment APIs that can be integrated into sites that interact with various DApps, to enable seamless ability of encrypted tokens across these background DApps.

6.3 Long-term online plan (more than 5 years)

Our ultimate goal is to serve the market sector that actually needs cryptocurrencies one day: the developing and underdeveloped economies with high inflation rates, such as Venezuela, Zimbabwe and Argentina. We have seen explosive growth in the mining and use of bitcoin and other cryptocurrencies in Venezuela, and Venezuela has recently been plagued by political instability and economic recession. Although restrictive government regulations are designed to prevent or completely ban the use of cryptocurrencies there, the same trend has occurred in many countries. Fortunately, we are not too worried about the government's ban on cryptocurrencies, because as long as citizens have access to the Internet, they will not be able to do so. In the end, we believe that the global blockchain economy will always find a way to thrive. Whether or not there is government support, we have no choice but to accept cryptocurrency. The cryptocurrency is parallel with the local currency. This is only a matter of time.

In addition, due to the infinite nature of cryptocurrencies, people in less developed economies ultimately use USM more meaningfully other than other cryptocurrencies, because USM tokens can be broken down into many decimal units to match the purchasing power of local users.

Our plan for external expansion is to first enter non-hostile countries, which are more welcoming cryptocurrencies for obvious reasons. This may also happen during our mid-term marketing plan. By leveraging the experience and expertise we have gained in implementing the MTP, we will be able to quickly help local companies integrate USM into their operations.

But equally important is that, the large-scale adoption of USM will enable us to leverage our multi-functional exchange currency as a viable business model solution. It is especially important for developing economies that have not yet established a credit scoring system.

7. Business model

7.1 Short-term business model (1 – 2 years)

- Invest in USM's cryptocurrency to obtain short-term US Treasury bonds to generate interest income.

7.2 Mid-term business model (2-5 years)

- Invest in USM cryptocurrency reserve hedge funds to make a profit.
- Charges of API paid by USM cross-blockchain.
- USM payment and remittance services charges.
- Charges of USM for integration with DApps, DAO, e-commerce businesses and other applicable traditional services.

7.3 Long-term business model (more than 5 years)

- Charges of API paid by USM cross-blockchain.
- USM payment and remittance services charge a fee.
- Charges of USM and DApps, DAO, e-commerce services and other traditional business integration services.
- Extend existing business models to multiple countries around the world.

8 Conclusion

The blockchain revolution has only just begun, and there is still a long way to go before the decentralized economy becomes an integral part of the mainstream global economy. However, in order to make cryptocurrency successfully promote large-scale economic transactions and not just a speculative trading tool, it can be successful when the price is stable. And the certainty in the transaction and mind that is willing to accept cryptocurrency in exchange for his/her product or service. Undoubtedly, most cryptocurrencies are now too unstable to perform this duty. The only viable option, Tether / USDT, accounts for more than 99% of the current stable currency market and poses a huge systemic risk to encrypted exchanges, traders and investors. For these reasons, we are introducing the multi-function exchange token solution USM in the market. USM will use token circulation to become the world's largest cryptocurrency widely used and accepted. Unlike Tether, USM will maintain full transparency of its operations. All coin issuance/transactions will be recorded on the chain or periodically reviewed and submitted to the blockchain for verification, all these for public viewing for free.