SDX Token - A Stable Coin for Growth

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Abstract. *Asset backed stable coin that provides growth to token holders.* ***Keywords****: stablecoin, growth, index fund.*

1. Introduction

Cryptocurrencies have recently surged in popularity and investors globally have sunk enormous sums of money into assets with little to no intrinsic value. The de factor use for ICOs has been a promise that their tokens will provide holders with some future access to a product or service. Unfortunately this use of private tokens as a payment gateway results in additional complexity to services where regular payments through Ethereum or Bitcoin would have sufficed. The true purpose of the ICO in this case was to be a source of funding without guarantee to token holders any interest in the company.

The result is that many ICOs have entered into a poorly designed capital structures where they have a small number of primary investors owning an actual share in the company and a large group of secondary investors stuck holding tokens with no intrensic value. This leads to the company supporting the primary investors interests and token holders having no chance of receiving returns on their investment.

This is not to say that the new ICO model is without benefits, the concern is that many tech startups have taken a regular product and utilised the new ICO technology without acknowledging its true benefits. Instead the ICO has been abused as an easy source of funding and without the founders knowledge the ICO has undermined the companies capital structure.

The SDX Token aims to reverse this concept by putting the token holders first, no equity funding is to be taken and no payments to directors are to be made. The profits of the business are to drive growth in the value of the tokens and the directors are incentivised to maintain this as their only remuneration is from their founders share of the tokens and inital purchases of tokens.

We are certain that the new ICO model can bring a competitive edge to companies through the effective management of their tokens. The unfortunate state of the crypto space is that the current generation of companies issuing tokens have completely failed to utilise these potential advantages.

2. The Underlying Investment

The aim of SDX tokens are to provide balanced growth to token holders through a stable increase in the value of underlying assets. Although conceptually any investment that provides growth could be used as the base of a stablecoin, we have elected for the sake of simplicity that the SDX token will invest in an index fund. The SDX tokens will represent an underlying portfolio of the top companies within regulated financial markets.

The returns of this portfolio is to be reinvested into the portfolio and to buy back tokens. Further increasing the intrinsic value of each token.

The goal of SDX tokens will be to provide a stable crypto asset with balanced growth for token holders. The asset backed tokens will provide holders with a robust and stable place to place their funds without experiencing the crypto currency volatility.

One of the more recent developments in the crypto space is the creation of stable coins pegged to a fiat currency (Most notably the USD). These stable coins have attempted to remove speculation bring stability to cryptocurrencies and to allow investors a safe place to park their funds. However there is no chance for growth as the intrinsic value of these tokens was always constant (1 USD). These tokens similarly failed to utilise the new technological benefits of being an ICO and reverted back to being a traditional financial product.

What is needed is a stablecoin that simultaneously provides balanced growth whilst avoiding the volatility and speculation that is rife within the crypto community.

3. Trustless

When evaluating the pros and cons of a decentralised environment the negative is always surrounding the lack of protection provided to those who participate (the token holders in this case). Companies issuing tokens are free to utilise the money as they see fit, and in the eyes of the law the token holders are provided with nothing but the actual tokens themselves.

The goal of the SDX token is to provide to investors and increasing underlying portfolio that is reflected in token price through consistent and constant repurchasing of the tokens by the company. Where the token whose intrinsic value is constantly growing, not as a result of speculation but rather as a result of the growth of the assets held by the company.

This combined with the new technology that ICOs are able to provide to companies, means that the company is able to provide additional benefit to the token holders than a normal company can provide to shareholders. As long as the shareholders interests are not conflicting with that of the tokenholders.

To avoid this SDX tokens has avoided taking on equity funding because it is likely to be a conflict of interest with the actual token holders. And any interested parties will only be able to get benefits from the company through the growth of the tokens themselves. Placing the tokenholders at the top of the chain because there is no creditors or equity instruments whose interests come before tokenholders.

4. Printing tokens

A key characteristic of stable coins is their ability to avoid the bubbling speculative growth that is associated with the first generation ICO's. The key requirement for the company to be able to avoid this is the ability to print more tokens to meet buyer demand when it is necessary. The funds generated as a result of the additional printing of tokens will be simply reinvested into the company portfolio and the unnatural pumping demonstrated throughout the crypto space will result in no dilution to the intrensic value of the SDX tokens. This will also prevent the problems seen in traditional share markets where company's trade at many multiples of their intrinsic value (due to some uncertain future value). Printing tokens is a high risk action, the potential to dilute the the value of the existing tokens. The company plans to only print when the token traded price is higher than the intrinsic value. The companies ability to do this will rely on maintaining a trivial assset base (index fund) that has a well defined dollar value.

5. Token buybacks

In addition to printing when buyer demand is too high. By utilising the returns on investments to buy back tokens the intrinsic value of each individual token will always be increasing as long as these buy backs only occur when the sellers are trading at or below the intrensic value of the underlying portfolio.

6. Conclusion

We have proposed a solution for a stablecoin that provides balanced growth by maintaining a constantly growing underlying asset base. With this we believe that investors will have the ability to store their crypto assets in a token that will appreciate in value within the crypto market where uncertainty and speculation have eroded investor confidence.