

DIGITAL RESERVE CURRENCY

WHITE PAPER



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I. ABSTRACT

COVID-19 pandemic has caused a substantial disruption of the global economy. To preserve its stability, central banks across the globe have significantly eased monetary policy by cutting policy rates and provided enormous liquidity to the market. However, fiscal and monetary policies implemented because of the economic crisis have exposed serious vulnerabilities in the current financial system. Historically, the increase in the money supply causes inflation and reduces purchasing power. During the economic recession, people tend to lose their trust in a centralized financial system and hedge inflation risks by investing in “store of value” assets that are expected to retain or increase their value over time.

II. THE RISE OF THE DECENTRALIZED ECONOMY

Current financial system with a central authority has an inherent problem: the goals of the authority can diverge from the goals of the users of the system. With the introduction of Bitcoin, it became clear that the governance system can function in a decentralized manner. Bitcoin introduced an innovative approach to processing payments without a trusted third party. The functions of a bank have been replaced by an open-source software where network participants vote with their computing power to determine whether a financial transaction is valid.

Ethereum, the second largest blockchain, allows its users to build decentralized financial applications. Whereas traditional financial system is based on centralized infrastructure that is managed by authorities, institutions, and intermediaries, decentralized finance is powered by a public code. By deploying smart contracts on Ethereum blockchain, it became possible to launch innovative financial products that are available to almost anyone. The sector is growing exponentially, and we may witness a global adoption of decentralized finance in the foreseeable future.

III. GROWING DEMAND FOR A DIGITAL STORE OF VALUE

We expect the demand for decentralized “store of value” assets to rise considerably as the risk of currency debasement increases. Institutional and individual investors become more aware of the serious flaws in the current financial system. This awareness will drive demand for non-correlated alternative asset classes and “store of value” assets, especially in the blockchain space. Our conviction is that the monetary value and the security of a store of value need not relate to any centralized power and blockchain technology elegantly solves this problem.

Currently, gold and bitcoin are considered the most efficient “store of value” assets. Both of them not much correlated with traditional asset classes and retain their market value despite global economic downturns. However, bitcoin has significant advantage over gold because of its digital form, decentralized nature, and portability. At the same time, despite the fact that Bitcoin has an algorithmically predetermined limited supply, it has a disinflationary economic model and its production will continue until ~2140.

IV. DRC ECONOMIC MODEL AND DISTRIBUTION

Digital Reserve Currency (DRC) was designed to become a decentralized digital store of value with a limited supply and a zero inflation rate. DRC was created during the COVID-19 pandemic with the purpose of finding out how the global economic recession and the increasing demand for decentralized financial instruments may affect its adoption and usage.

The total supply of DRC is fixed at 1,000,000,000 indivisible tokens. 100% of the DRC token supply has been listed on Uniswap decentralized exchange with a nominal price of 0.000000003ETH/1DRC and initial market capitalization of ~\$1,000. This was done with intention to allow early adopters to establish inexpensive exposure to DRC if they believe it will have a larger market in the future.

No DRC tokens have ever been premined or retained by the project developers. DRC has a predetermined finite supply and no more additional DRC tokens will ever be minted. The scarcity of DRC was embedded into the code and nothing can change it once DRC contract was deployed into Ethereum network. The token supply will not be artificially reduced by either buybacks or token burning.

Despite the intentionally small initial market capitalization, we cannot predict whether DRC token will retain its monetary value in the future. DRC token may lose its value if it does not receive adoption as a digital store of value. At the same time, DRC token value may arise because of the network effect, as more people believe in its intrinsic value and utility.

V. CONCLUSION

A new asset that has a limited supply and is extremely secure has true value. The fact that it is censorship-resistant and portable makes it more advanced than gold or fiat money. Because of the flaws in the current financial system, with its overvalued assets, leveraged products, and centralized manipulation, the demand for decentralized and censorship-resistant “store of value” assets would increase significantly over time.

DRC token has the potential to become a decentralized digital store of value with a zero inflation rate. The token is fully developed and operational and its holders are immediately able to use it for its intended functionality on the Ethereum network. The DRC token structure and limited supply are embedded into the code that cannot be changed even by its creator.

Importantly, DRC holders will be able to preserve the value of their DRC holdings by depositing them to the Digital Reserve, a decentralized financial tool designed to automatically allocate DRC holdings to the basket of the most efficient store of value assets, such as gold, US dollar, and Bitcoin, as soon as in Q1 2021.

The DRC ecosystem is community-driven. No one has managerial control over DRC nor provides essential managerial efforts that affect its success as the DRC ecosystem has fully decentralized structure.

LEGAL DISCLOSURE

The discussion above identifies some of the factors potential token holders should consider when allocating any capital to DRC. These factors are not intended to be exhaustive in evaluating whether DRC is a suitable store of value and no single factor is determinative. The DRC white paper is provided for informational purposes only. Nothing in this document is intended to constitute investment or other professional advice or be an opinion of the appropriateness or suitability of any investment. We encourage potential token holders to seek a professional advice with respect to their personal financial circumstances and needs, before allocating any capital to DRC.