



Cycoin White Paper

Vision

Cycoin aims to provide new as well as established investors access to the cryptocurrency investment markets with a dependable and easy mechanism to hold a pool of cryptocurrencies which will deliver an income stream, without the headache of scouring through hours of research and manual investing. Our aim is to use tried and observably low risk investment strategies to simply deliver income reward to holders of Cycoin.

What is Cycoin

Cycoin is an ERC20 token based on the Ethereum platform bringing all of the established transactional, privacy and security benefits of proven blockchain technology to Cycoin holders. Cycoin is a wealth coin, holders will receive an asset backed coin with access to monthly income and quarterly capital distributions delivered as income. 50,000,000 Cycoins will be issued and will be listed on external exchanges before or at ICO.

Why

With so many new cryptocurrencies emerging, it is very time consuming to determine which coins are the real deal and which ones are not. Some of them are real and promising but have a huge task ahead before their idea is proven real. This is risky stuff.

Rather than promising frankly ridiculous potential future income and capital benefits that so many coins are trying and many eventually failing to do, we offer rational, understandable, real income deriving investment strategies conducted through established mechanisms already evident in the crypto markets.

The funds we raise will be invested into crypto currencies, so your money won't be travelling anywhere other than as established in our criteria herein.

How it will work

Cycoin is an asset backed coin, backed by the pool of cryptocurrencies held. Cycoin holders will receive voting power over the cryptocurrency assets held by the Cycoin company (see Coin Democracy). We will hold selected currencies that are established and real (usually in the top 100 by market cap) to take advantage of arbitrage opportunities that arise periodically in the crypto markets and top ten by margin lending currencies. We will also allocate a portion of the fund to invest in curated pre-ICO's and ICO's carefully scrutinized and selected by the team and external professionals in the crypto markets.

Fund Criteria

The funds we raise will be invested into coins that are listed on exchanges which provide margin lending facilities, such as Bittrex and Poloniex. Funds will also be invested into arbitrage opportunities where reasonable price differences are evident between one exchange and another and sufficient trading volume is apparent.

A signals app is in development to help identify good arbitrage trades and 5% of the fund will be reserved for development, legal and startup costs. The fund will also invest into select initial offerings of coin called pre-ICO'S and ICO's.

The initial investment of the fund will be to purchase and then lend the pool of coins held through a number of exchanges to immediately start earning income, until arbitrage opportunities are apparent and also while we sort through attractive Pre-ICO and ICO opportunities.

Four core strategies will be employed.

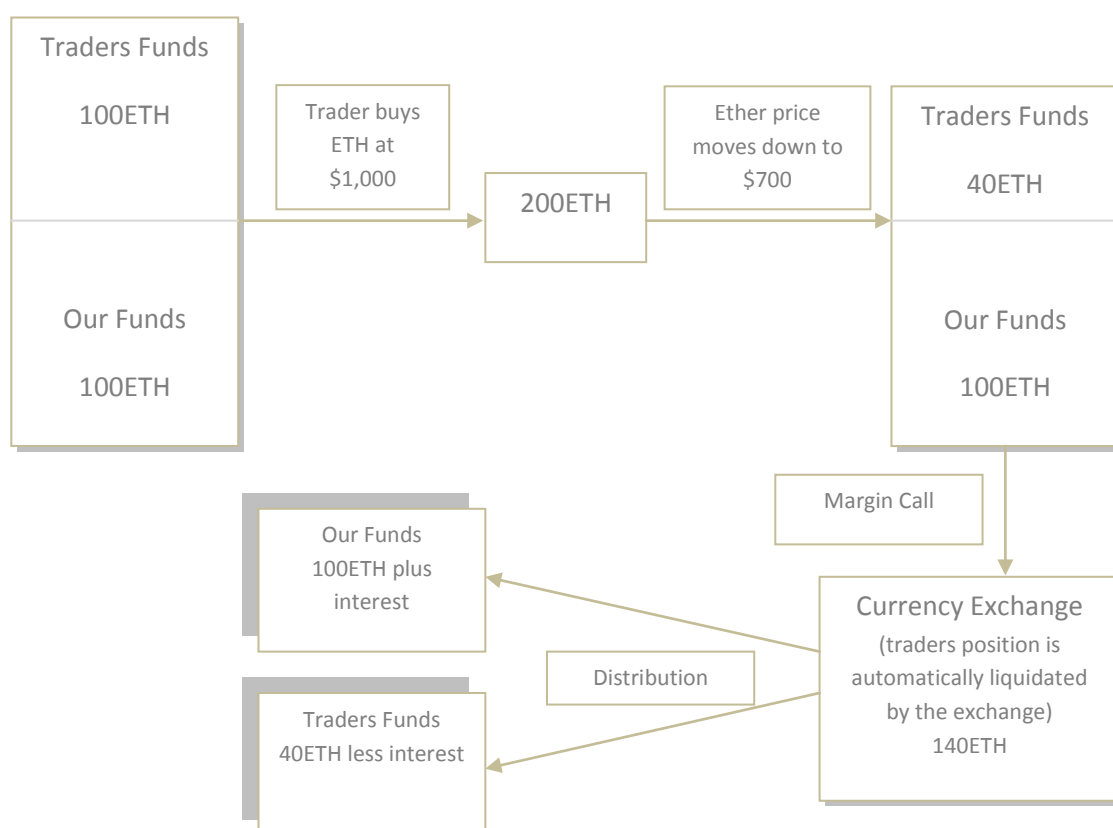
Margin Lending Investments

For the first month, Initially 100% of the fund (less the development reserve mentioned above), then thereafter, a minimum of 50% and up to 80% of the fund will be converted to crypto currencies and placed across a number of exchanges for the purpose of lending those currencies to traders on the exchanges to earn margin lending interest. Margin lending interest differs depending upon the currency and according to supply/demand disparity. They range from .02% per day to 5% per day.

Margin lending is a common practice in all capital markets, including crypto markets. The way margin lending works is the currencies that we hold on the exchange will be loaned to a trader (realistically a bunch of traders). The trader is required to also put in their own currency, this allows the trader to trade a higher amount than they own to make a larger investment than they could otherwise do, so they make a larger profit if their trade is good.

The exchange holds both ours and the traders currency in a margin account. This means the exchange has control of the funds. If the trade moves against the trader below the maintenance margin (usually 30%), the trade is liquidated and our funds are returned with interest due. If the trade goes well, we will of course also receive our funds back with interest.

Here is a description of how reliable this investment approach is:



As you can see, the margin loan we have made is collateralised by the traders funds. This means the traders funds are lost before ours and the traders position is automatically liquidated before our funds are at risk.

We will convert all margin interest earned to Bitcoin and Ether and distribute this to Cycoin wallets proportional to the amount of Cycoin held, monthly. We have elected to distribute income in these two coins for good reason.

Firstly, they are both well established, liquid coins that have a lot of currency pairs that they can be converted to. This can allow you to explore and purchase other coins you may have a liking for easily, cash out if you like, or invest it into more Cycoin if you wish, to compound your income.

The second reason is, we don't want to distribute income as Cycoin as this will affect the value of Cycoin somewhat artificially, since we would be putting upward pressure on the Cycoin price when we convert margin income to Cycoin, and downward pressure on Cycoin if holders sell the income to buy a different coin or cash out. This way, only upward price pressure on Cycoin is achieved in the instance when holders reinvest their income in Cycoin.

To manage the risk of an exchange being hacked, we will spread our lending activities across a range of exchanges and move funds in and out of exchanges regularly to reduce single hack event risk.

Opportunistic Arbitrage Investments

Up to 30% of the fund will be dedicated to taking arbitrage profit. Because cryptocurrency exchanges are not interlinked, at times the price of the same asset may be different on two different exchanges. We will assess these differences and if attractive, take the opportunity to buy the asset at a lower price on one exchange and sell it at a higher price on the other.

The price difference is called arbitrage profit and does not involve trying to predict the future upward or downward movement of a currency, as you would if you are trading the asset. Arbitrage profit will be distributed in Bitcoin and Ether monthly.

Pre-ICO and ICO investments

Up to 50% of the fund will invest in good Pre-ICO and ICO opportunities. We will employ a range of external professional services to deliver up pre-vetted, curated opportunities. The team will select which of these looks to carry well founded and logical business goals, displays real world or digital application, are more likely to be widely adopted and the business goals appear to be achievable relatively quickly and can be liquidated easily.

The fund will hold and trade these assets as an early entrant investor. Early entrance into a strong business concept generally produces a higher upside than established concepts. We will take advantage of this potential uplift to deliver gains to investors as we move in and out of early stage investments.

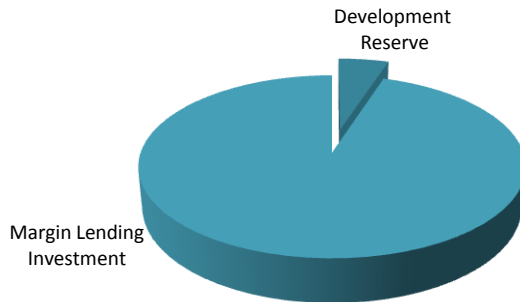
The profit from these activities less the Fund Income Reinvestment amount (mentioned below) will be distributed in Bitcoin and Ether to investors quarterly. Distributions are expected to commence after the fourth month and before the sixth month of the fund commencing. This initial delay is to allow us time to invest and permit the investments time to appreciate in value.

Fund Income Reinvestment

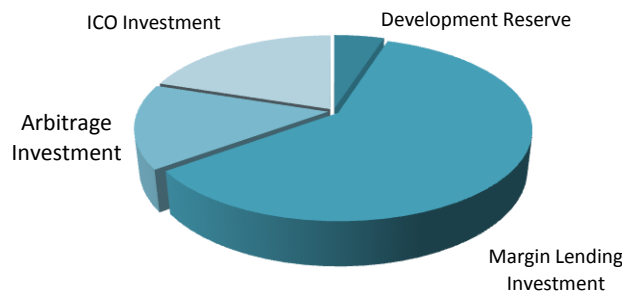
10% of the income derived from Pre-ICO and ICO investments will be retained from distribution and reinvested along with the general fund to increase the amount of crypto currencies held. This will serve to compound the earning capacity of the fund and increase the asset backing of the coin for the benefit of Cycoin holders.

Expected Fund Mix

Fund Commencement



4-6 Months After Commencement



Web Site

A web site will be established to provide a means of interaction with Cycoin holders and the public generally. The website will be used to display information about Cycoin and posting of ongoing newsletter material. The site will also host the arbitrage application and we will also display monthly and quarterly distributions on our website, total value of cryptocurrencies held monthly, as well as ICO investments held and operate the coin democracy voting portal.

The website will be the sole conduit through which pre-ICO and ICO funds are raised. A number of initiatives will be employed via the website to engage investor audiences:-

Search Engine Optimisation

SEO will be implemented on-page to provide long-term ICO and ongoing marketing solutions.

Bounties

Bounties will be promoted for the pe-ICO on social media and within cryptocurrency communities to generate awareness and hype around the pe- ICO and also serve to reduce spend on paid promotion. The aim is to assist in bringing about a loyal community around Cycoin.

Bounties can be earned by registering for bounties and are earned by the bounty participant conducting:

- Referral of investors who contribute to the pre- ICO
- Social Posts/Shares
- Posts in groups and forums
- Reviews (Video/blogs)
- Github contributions
- Guest posts on blogs

Whitelist

A whitelist will be available on the website during the lead up to the pre-ICO to build an initial community of members who are interested in Cycoin and create urgency and call to action.

This will be an exclusive list of potential contributors who can register their contact details to be the first to have an opportunity to contribute and receive Tier 1 bonuses. This will be done on a first come, first serve basis , when it is full (i.e. our pre-ICO hard cap is reached) no more whitelist applications will be registered. A tool for hosting whitelist leaderboards is Vyper.io.

Cycoin Company Establishment

It intended to incorporate an international company in the British Virgin Islands for tax and privacy reasons. The company will be formed after the pre-ICO and before the ICO and may include registration of a foundation.

Arbitrage Application

We will build a signals application which we will operate on our website. The app will serve to identify price differences in the same asset across a range of exchanges. Our traders will determine whether the arbitrage opportunity is worth trading out.

General Description

The software application's purpose is automatically identifying price differences in the same currency on separate cryptocurrency exchanges. This will entail sourcing the buy and sell prices across the top 150 currencies by market capitalisation (see 'coinmarketcap' website) for each trading pair (for example BTC may be traded in Ether, Litecoin, Dogecoin, Dash) and where a buy price and a sell price in the same currency pair is different, the app will create a signal identifying which exchange/s carries the buy and which carries the sell.

In order for the app to create a signal, it will need to calculate the difference between the buy and sell price in the same currency pair and subtract from the solution the following costs:

- exchange transaction fee. This is the fee an exchange charges to execute a trade;
- currency network fee. Some currencies have a network fee charged each time someone trades the currency.

If the resultant calculation produces a net positive number, the app will signal that an arbitrage opportunity exists.

The app should also display alongside the signal the trading volume for the signalled currency on each exchange.

If possible the app should also display any trading halts and deposit/withdrawal limits in the exchange in the currency as if possible, an estimate of the currency network speed (in high volume trading, some currencies can take a long time to clear out transactions). These last two features are not mandatory but would be useful if obtainable.

Information Inputs

1. Buy price, sell price for the same currency across all major cryptocurrency exchanges globally.
2. Trading volume in each currency in the top 150 by market capitalisation on each exchange
3. Exchange fee for different membership levels (some exchanges charge a higher fee for unverified members, individual/corporate etc).
4. Network fee for currencies in the top 150 by market capitalisation (this can really only be sourced through reading the whitepaper for each currency, usually displayed on their website).

Application Output

Ideally, the bulk of the app information will be internal and the app dashboard will only show as output an arbitrage opportunity that comes about, rather than say showing all currencies and the arbitrage opp flashing against one or more.

The arbitrage opp should display the currency pair, the exchanges on which the arbitrage can be traded, the net arbitrage profit after all costs, the trading volume, trading halts or deposit/withdrawal limits and slow network.

Coin Democracy

To provide a link between the entity (i.e. the entity Cycoin Co) which legally owns and holds the pool of cryptocurrencies backing Cycoin and Cycoin holders, for the purpose of giving confidence to Cycoin holders that their funds are ultimately controlled by them, after completion of the ICO, the following legal, operational and technical processes will be effected:

Legal

A Cycoin Preference Share Trust will be formed, stamped and registered. The Cycoin company will be appointed as the trustee. The trustee only operates the trust in accordance with the terms of the trust, the trustee does not own the trust or the trust assets. The beneficiaries of the trust will be Cycoin holders. The terms of the trust will incorporate that a majority vote cast by Cycoin holders must be actioned by the trustee in favour of the majority. A majority will be a vote cast by greater than 50% of Cycoins.

In addition, a preference share class in the Cycoin company will be created. One preference share will be issued. The terms of the Preference Share will dictate that all rights and ownership attributing

to the crypto assets purchased by the Cycoin company from funds invested by Cycoin holders, will vest in the Preference Share.

This means that the crypto investments operated by the Cycoin company will be attributed to the preference share, to the exclusion of the ordinary share holders or owners of the company.

The Cycoin company will transfer the Preference Share to the Cycoin Preference Share Trust. This means the Cycoin company has divested itself of ownership of the preference share and all that it contains (i.e. the crypto asset investments). This transfer will be registered in the company's register.

This means that ownership of the assets backing Cycoin are held in trust for the benefit of Cycoin holders and Cycoin is operated democratically.

It is important to note that ownership of the Preference Share is not granted to Cycoin holders and no shares have been issued to Cycoin holders.

Operational

A company secretary will be appointed to the Cycoin Company. The constitution of the Cycoin company will stipulate:

- The company secretary will minute the monthly board meetings and post the minutes on the Cycoin Website;
- The company secretary will monitor the value of cryptocurrencies which back Cycoin and in the event that the value of the crypto asset pool falls, after taking into account market value fluctuations of those assets, below a margin of 10% from the previous 3 month average, the company secretary will commission an external audit of the company's transactions;
- If the audit returns confirmation that 10% or greater of the crypto asset pool has been lost, the company secretary will cause a vote to be called by Cycoin holders to convert the crypto asset pool to Bitcoin or Ether and distribute the pool to Cycoin holders in proportion to the Cycoins held by each investor.

The company secretary will also be empowered under the constitution of the company to call a vote by Cycoin holders for any reason and at any time.

Technical

Smart contracts will be developed to conduct two key processes.

Firstly, a smart contract will be crafted to enable the Cycoin Co. Preference Share Trust to be contained within the Cycoin blockchain. This will mean that Cycoin contains within it, the assets of Trust being the preference share and by virtue of this, the crypto assets backing Cycoin.

Secondly, a smart contract will be developed to enable a democratic voting system where one Cycoin has one vote. The democracy design will facilitate a vote to be called and a majority of votes to decide the outcome of the vote. This means that Cycoin holders will have control over decisions and trigger events that affect Cycoin, such as a fall in the value of the crypto asset pool.

This innovation has not yet been done in the cryptocurrency markets and is an all time first for Cycoin. This mechanism is designed to give effect to real asset backing and real control to investors over the fund in the event that things go wrong.

It is also designed to give the ability for Cycoin holders to a cast a vote on any new initiatives introduced for benefit Cycoin holders.

Coin Smart Contracts

The work to be completed on the smart contracts is:-

ERC20 token based on the Ethereum platform

Issue amount of 50,000,000 Cycoin

Network Fee of 1.5% charged each time Cycoin is bought or sold

Reserved Coin of 15%

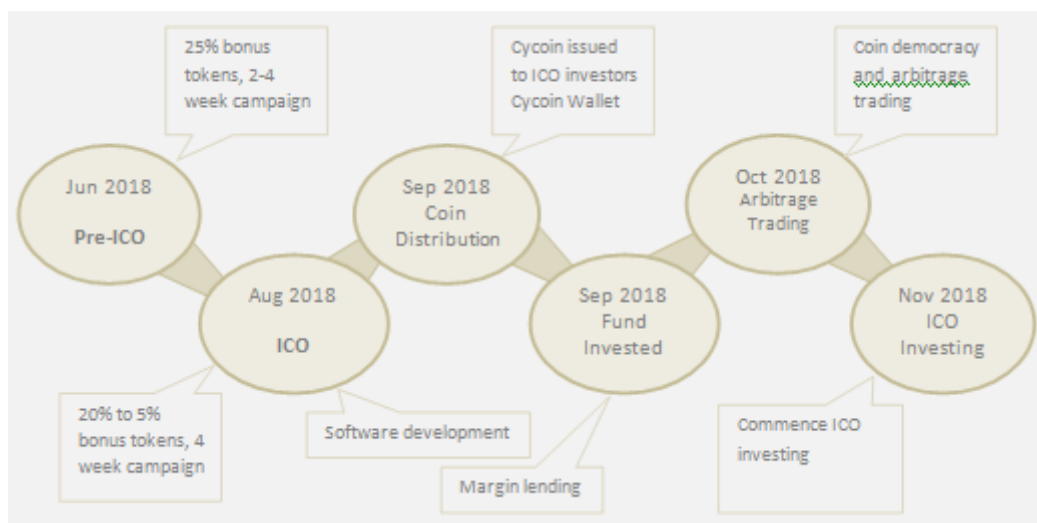
Development and Working Capital Reserve of 5%

Unissued Coin Reserve

Coin Democracy and voting system

Containment of the Cycoin Co. Preference Share Trust in the blockchain

Roadmap



Wallet

A multicurrency wallet (BTC/ETH/CCY) will be developed and distributed to Cycoin holders.