Cycoin White Paper

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Contents

Excerpt

The establishment of a framework of fair governance within a cryptocurrency network is crucial to maintaining the balance of power between the holder of the coin and the operating business of the coin.

The appropriate balance of power should always entail the grant of power to the coin holder over the assets generated in the business, to ensure a means whereby the coin holder may liquidate their stake under certain circumstances.

As a minimum, the coin holders as a cohort should hold the right to exert a decision to redeem their funds through a voting mechanism so a majority decision will enforce the rule of that decision on the operating business and the assets managed.

Above this minimum, coin holders should hold the power to make majority decisions over any new initiatives proposed by the operating business which would materially affect or change the environment in which the business is conducted or how the assets are managed.

The implementation of these concepts creates a framework of operation for a coin democracy, bringing about three core values within the cryptocurrency network: control, security and transparency for coin holders.

In this whitepaper we will define the Cycoin coin design, operation and governance framework.

Our governance system will consist of a series of smart contracts that will hold the funds raised in the ICO in trust for Cycoin holders, maintained under power of vote for release to Cycoin holders if the project outcomes fall below established guidelines.

Cycoin holders may trigger a vote to enable the liquidation of funds operated by the business. Cycoin holders may trigger a vote to cast decisions over any changes in the operating environment of the business.

This whitepaper describes the operation of the Cycoin investment, income distribution and coin governance systems.

Coin Design and Operation (Product)

Vision

Cycoin aims to provide new as well as established investors access to the cryptocurency 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 Etherium platform bringing all of the established transactional, privacy and security benefits of proven block chain 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 after completion of the 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:
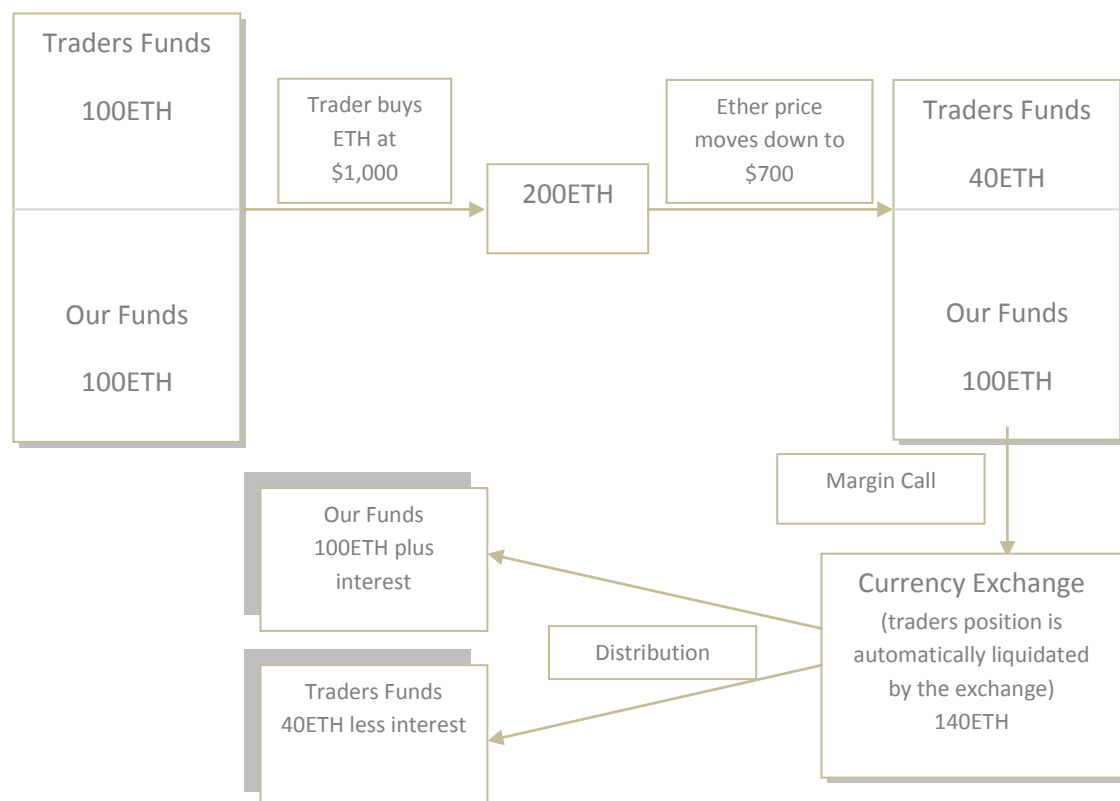
As you can see, the margin loan we have made is collateralised by the traders funds. This means the traders funds are lost before ours and the traders position is automatically liquidated before our funds are at risk.

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.
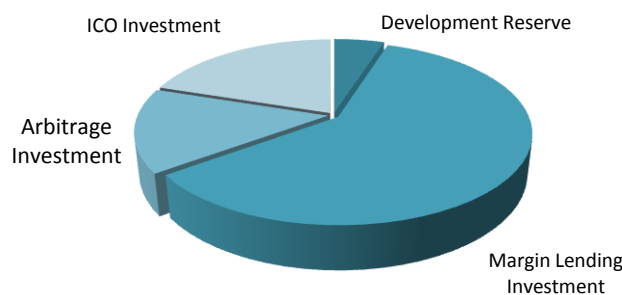
Fund Income Reinvestment

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

Development
Reserve

Margin Lending
Investment
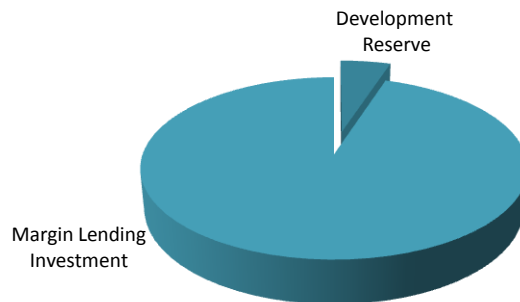
4-6 Months After Commencement

ICO Investment

Development Reserve

Arbitrage
Investment

Margin Lending
Investment

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 and if possible, an estimate of the currency network speed (in high volume trading, some currencies can take a long time to clear out transactions).

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 Governance System

Introduction

In any coin offering irrespective of whether this entails a security or utility token, the business objectives of the coin, the sponsors objectives and those of coin holders need to be well aligned in order for success to become fully optimised.

In most utility token offerings, the aims of the organisation and the aims of the sponsors and those of coinholders are generally not well aligned. This is due to the sponsors of the organisation seeking to create a particular crypto economy feature or social objective on the one hand, whilst on the other hand, most investors or coin holders seek profit.

Added to this dichotomy is the use of funds (investor funds) on pre-business commencement initiatives which may or may not succeed.

This generally results in a smaller focus of shared objectives between the founders/sponsors and those investing in the coin and hence a smaller likelihood of success outcomes.

Diagrammatically, a typical utility token (whether democratised or not) looks a lot like this:
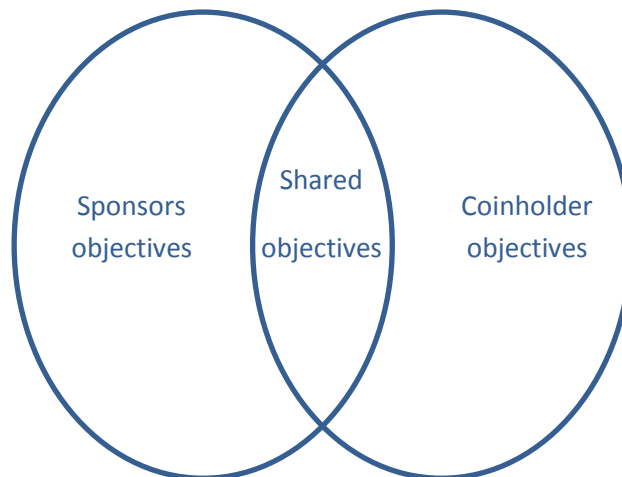
In most security token offerings the aims of the organisation, the sponsors and coinholders will generally share more commonality and as a result, the size of the focus of shared objectives will generally be much larger. This is because the business objectives of the token are primarily to generate profit or value, which is more aligned with the objectives of the holders of the coin. This generally creates a higher likelihood of success outcomes.

They are however not completely aligned. This is by virtue of the incentive for the sponsors to take profits themselves and the lack of shared control between sponsors and coinholders.

Diagrammatically, a typical security token looks a lot like this:
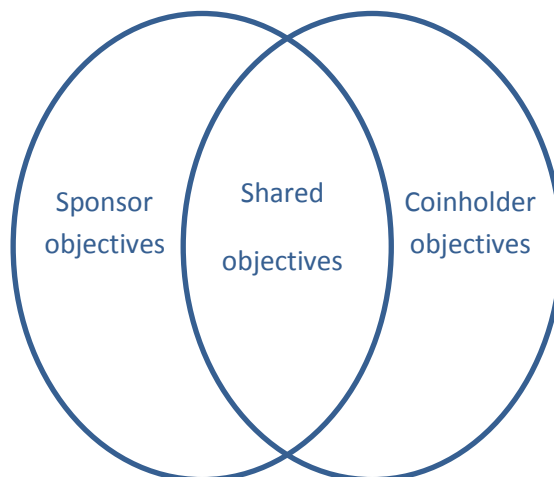
A democratised security token offering will generally produce the greatest alignment between the business objectives, the sponsors and the coin holders. This is by virtue of the sharing of common objectives, being profit or value generation, as well the sharing control. It is the grant of a share of the control of the assets (investors funds) to the coinholders by the sponsors that will produce the greatest gravitation pull toward perfect alignment and hence, the greatest opportunities for success.

The better the design concerning democratic governance, the closer the two spheres of endeavour will meet. Diagrammatically, this looks something like this:
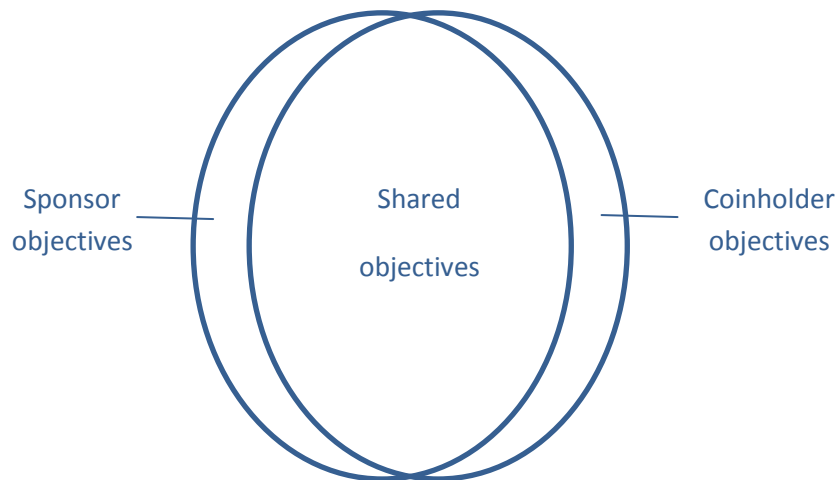
In our view, a democratised security token provides the best framework for sponsors, business objectives and coinholders to achieve their desired outcomes.

Philosophically, when taking into account the problems that exist in the real world economy demonstrated by the lack of democracy over use of investor funds, depositor funds and voters funds, it could be said that the democratising of capital may well be the greatest innovation that block chain will bring about which the world may ever see.

Coin Democracy Governance

There are a range of block chain democracies in existence, notably EOS, Wings, Agora and many more. There are centralised systems, where there is a central responsible body for the democracy and there are decentralised models where there is no central responsible body, the democracy runs autonomously.

Many of the decentralised systems are designed to solve the problem of how autonomous voting decisions are initiated, decided upon and implemented. The purpose of this paper is not go through the specifics of how these systems work. If you want to know more about this, please read the whitepapers of the above mentioned coins. In our view, a decentralised democracy is the best of breed however, both forms (centralised and decentralised) work well to achieve the core value of alignment and the sharing of power, if well designed.

Our objective at Cycoin is to create a tailored coin democracy delivered through on chain and off chain structures. Using the block chain as one mode of governance, to set the rules of governance and drive the voting system as impartial, immutable, provable and efficient. This is the on chain governance component. This couples with off chain governance structures serving to create an unbreakable bond between the coinholders and the asset of the coin (i.e. coin investor funds) as well as linking to the on chain governance system. When these work in tandem, control remains with the coinholder, as does the beneficial entitlement to the asset of the coin. This outcome creates the Cycoin democracy.

Cycoin has developed a customised centralised democracy built to deliver a system as close as possible to the third diagram above. We have elected this form in order to give comfort to coinholders about asset accountability.

A centralised system has been adopted to balance the need have the assets managed effectively and somewhat autonomously from direct investor effort, with the need for a vote occurring only at a time when this is material to asset accountability and also where there is a need for all coinholders to consider initiatives which may affect the environment of their asset.

Our coin democracy operates on the basis of one coin carrying one vote. Votes cannot be purchased from other coinholders separate from the coin. More votes can only be cast by holding more coins.

Whilst this may appear to create an opportunity for voting power to be accumulated through amassing a large number of coins and in this sense an imbalance of power, in fairness, holders of more coins should gain more proportional control over their funds.

When examining the tokenomics we employ, where a small initial investment of only USD100 enables the holding of 50 votes, we promote the widespread holding of Cycoin and minimise the extent of power larger holders can exert.

Additionally, the Cycoin coin democracy minimises the opportunity for any vote outcome to act to the detriment of any single coinholder (see Cycoin Coin Democracy).

The democracy also deals with the process for a vote to be proposed and votes cast on the proposal. To this extent, the creating of a proposal will be conducted in a manner that aligns with the three core objectives dealt with in the introduction, mutual sponsor, business and coinholder objectives.

Three Smart Contracts

The Cycoin governance system will be operated through the operation of three smart contracts:

- A smart contract initiating a vote for coinholders;
- A smart contract initiating a withdraw function, redeeming investor funds, for use in the event the coinholder majority vote is to withdraw; and
- A smart contract imitating a call for a quorum of 25% or more coinholders, for use by coinholders to call a vote if desired.

The implementation of these smart contracts creates the ability for coinholders to withdraw funds if they have become at risk. It permits the arbiter of the voting system (the trustee) to call a vote for a decision by coinholders on any new imitative. It also delivers the power for coinholders to call a vote on any matter where 25% or greater coinholders wish a vote to be called.

This system will generate balance of power, clear governance and direct control over asset accountability for Cycoin holders.

The voting system will be non mandatory with vote polling conducted via messaging to coinholders wallets and receipt of affirmative or negative responses from coinholder wallets.

The announcement of a vote will also be made across Cycoin social media channels and via the website.

The outcome of a vote will be similarly displayed and broadcast.

The Cycoin democracy design is shown below:
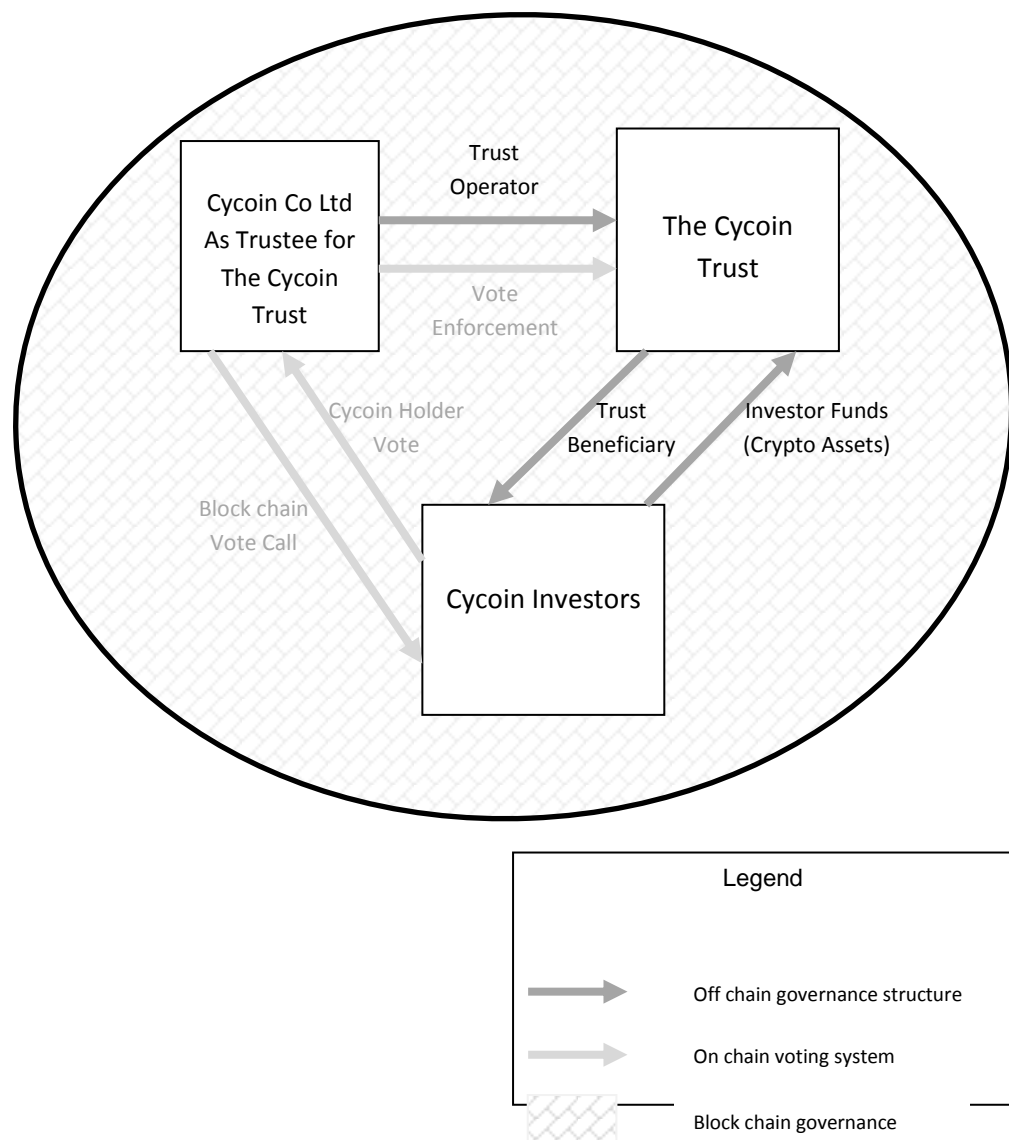
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This design will create a process whereby investor holdings of Cycoin are backed by crypto assets over which investors can exert control and the effect of that control is legitimised and effected via smart contracts built into the Cycoin block chain. The outcome of a vote is instrumented through the smart contract design, mandating the deliverance of the vote decision.

Cycoin Coin Democracy

Our aim is to provide a divestment by the entity which would ordinarily legally own and holds the pool of cryptocurrencies backing Cycoin to a trust who's beneficiaries are Cycoin holders. This is for the purpose of giving confidence to Cycoin holders that their funds are ultimately controlled by them through our on chain democracy. These initiatives will be

formed before the ICO (in terms of off chain structures) as well after completion of the ICO (our smart contract democracy system).

The following legal, operational and technical processes will be effected:

Legal

A Cycoin 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 issued Cycoin.

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

The Cycoin company manages the crypto assets backing Cycoin in the Cycoin Trust. This means the Cycoin company has separated itself f ownership of the crypto asset investments. This 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 no shares will be 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 Trust voting process to be contained within the Cycoin block chain. This will mean that Cycoin effectively contains control of the assets of the Trust being the crypto assets backing Cycoin.

Secondly, a series of smart contracts 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 trigger vote in the event of 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 Etherium 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 Trust within the Cycoin block chain democracy

Tokenomics

Cost Per Token:	USD 2 = 1 Cycoin
Soft Cap:	USD 100k
Hard Cap:	USD 2m
Minimum Investment:	USD 100
Pre-ICO Bonus:	25%
ICO Bonus:	20% - 5%
Raised Amounts:	USD 68k
Total Issue amount:	50,000,000 Cycoin
Network Fee:	1.5% charged each time Cycoin is bought or sold
Reserved Coin:	15%

Development and Working Capital Reserve of 5%

Pre-ICO Use of Funds - Pre-ICO funds raised will be applied in accordance with the

Commitment Agreement to be released on the Cycoin website: https://cycoin.co via the 'Invest" button, on **10 September 2018**. Pre-ICO funds will be applied in the following manner and percentage allocation:

i.   20% - website features and facilities including development and deployment of the arbitrage application and any other applications and publication developed in association with performance of the Project;

ii. 55% - technology, legal and public relations including ERC20 universal standard, smart contract management system, platform establishment, coin democracy features, payment processing, calculators, bonus promotional and referral programs, sale process automation, review of programme documents, drafting and review of legal documents, ongoing legal advice, establishment of legal entities, legal opinions, exchange escrow services, token concept review, targeted marketing strategy consultation, ICO specific public relations, language translations, advertising and direct engagement with block chain media, listing processes for Cycoin tokens;

iii. 25% - working capital including establishment and operation of premises, operational expenses associated with the performance of the Project, attendance at roadshows, trade events and forums.

Use of ICO funds - ICO funds raised will be applied strictly according to the Fund Criteria and as detailed in this Whitepaper.

General

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 conduit through which pre-ICO and ICO funds are raised.

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.

Cycoin Company Establishment

It intended to incorporate an international company(s) in Seychelles, Singapore and the British Virgin Islands for tax and privacy reasons. The company(s) may be formed before the pre-ICO and before the ICO and may include registration of a foundation.

Roadmap
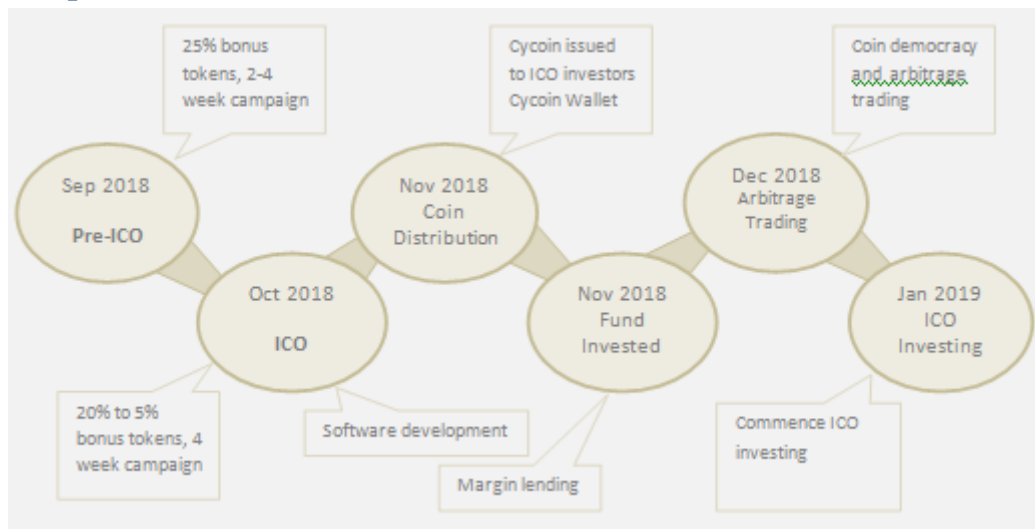
Wallet

A multicurrency wallet (BTC/ETH/CCY) will be developed and distributed to Cycoin holders. The wallet will connect with the Cycoin blockcahin and will synchronise with the chain as transactions occur.

Cycoin holders will be required to install a Cycoin wallet and have the wallet connected to the Cycoin block chain in order to receive income distributions.

Distributions of income will only be delivered where a wallet is open and synchronised with the Cycoin block chain.

Unsynchronised wallets will not receive income.

Team

Please go to our website Team Page for details on our team: https://cycoin.co