

Gentlemens Bank

Yellow Paper

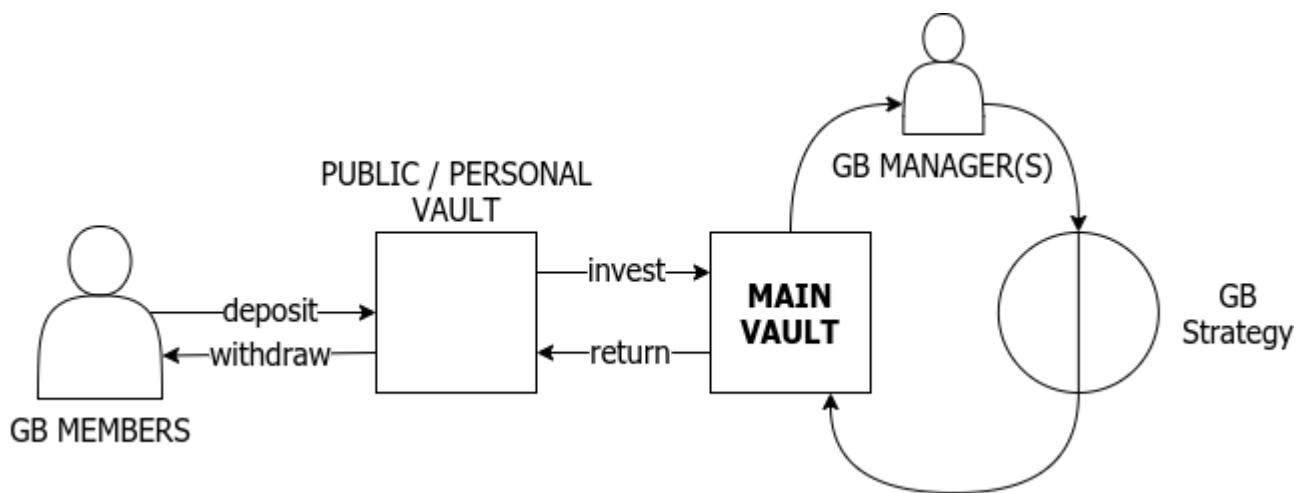
A Gentlemen's Bank

A Gentlemen's Bank is a concept that combines private wealth management with decentralized finance. A modern community-focused private bank seeking to gain returns/interest for members, secured with digital vault protection.

A Gentlemen's bank is a future proof smart fund. Separating investing and savings from commercial banking and typical savings structures. The idea is that a person has the right to know their banker. At least, a formal basis with the person controlling a portion of their wealth and should have choices regarding how their funds are used.

During set epochs, the main vault assets are diversified through various interest generating and trading based schemes, designed to maximize returns through short term and long term strategies. GB managers create a diverse digital asset base within a digital vault by using unique strategies and allocating capital towards various NFT's, cryptocurrencies, DeFi protocols and liquidity pools.

- **Epoch(s)**— A predetermined bank time used to calculate returns, deposit time-frames and interest over a period.
- **Non-Fungible Tokens**— NFT's are unique digital assets such as art, copyrights, claims etc.
- **DeFi**— Decentralized Finance protocols such as Maker, Compound, Aave, Yearn.finance, Barnbridge
- **Liquidity Pools**— Decentralized pools of money, allowing autonomous trading, lending and borrowing.
LQ providers receive fees for trades occurring across their trade pair proportionate to their share of the pool.
EX: Supply 5% of the pool get 5% of fees across the trading pair.



Requirements

- **The main vault must be a secure multi-signature wallet.**-A multi-sig wallet allows multiple people to sign/approve transactions.-Gnosis safe provides one of the best options for this condition.
 - **All members must KTB— know their banker.**-No one should send money anywhere they don't understand.-It's highly recommended to personally know and trust a GB manager.
 - **Managers never over-extend or completely exhaust the main vault.**-Care should be taken around capital managed in the main vault.-Any managers of the main vault with no capital in the vault should be monitored closer than managers with some capital in the vault. These managers have 'skin in the game.'
 - **All contributors need a receipt or some record that proves their contributions.**- Transaction hashes, manager signatures, signed emails or securely encrypted messages work.-Token representations— tokenized equity shares, non-fungible tokens (badges).
 - **Managers need to remain in communication to avoid removal.**-Managers can vote between themselves and with members to remove a manager.-Avoid international managers. If managers are international make sure they are in similar time zones, they are very trustworthy or you do not need their signature to fully execute transactions.
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Vaults

Member Vaults

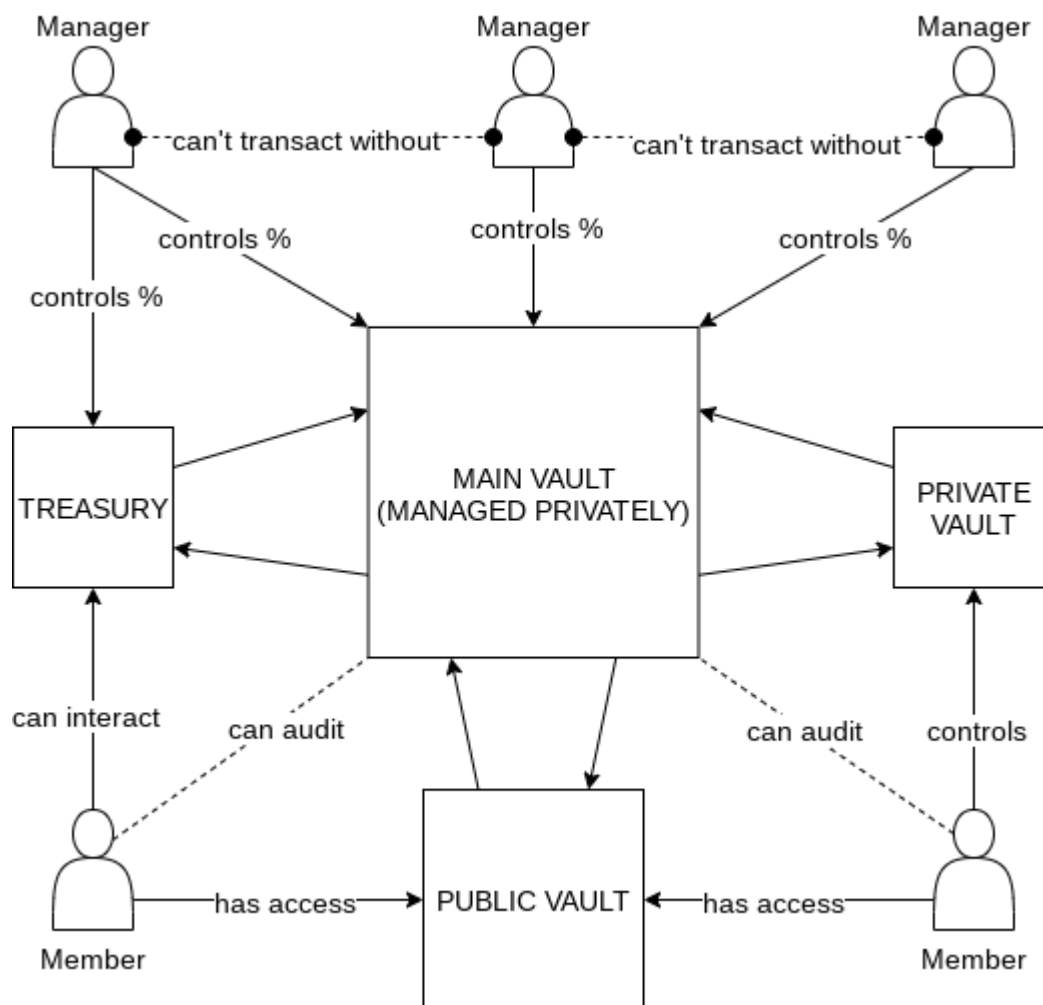
"Public Pool/Non-interest Vaults"

- Funds remain in sub vaults for a small period of time.
- Members can withdraw without investing in main vault strategies.
- Changes to the public vault are established via a DAO or another consensus mechanism.
- Public vault should remain protected from as much market exposure as possible.
- Funds should not be lent or borrowed from the public vault.

Treasuries

"Private Pools/Trust Vaults"

- The GB members add funds to private vaults or directly to the main vault.
- New vaults can be added over time or for a purpose.
- Anyone can create a personal vault and control the transactions.
- Members can also give certain access to their own vault to other people.
- Private vaults can be used as identity proxies for members— increased privacy.
- Treasury vault where GBS and GBN oversupplies are stored.



Fund Handling

Transaction Requirements & Manager Roles:

GB managers will be responsible for the deployment of funds across various strategies both long-term and short. Managers will be required to provide risk/reward reports around their trades and activities.

All current managers of the main vault will be required to sign transactions— this prevents the possibility of main funds being drained by needing more than one signature before funds can be processed out of the main vault.

Fund allocation: 30% of the funds will be used for short-term market opportunities, 60% will be used for the long term and 10% of all deposits into the main vault from member vaults will be held in stable reserves, preventing over-exposure to the market. Stable reserves could be historic NFT's, stable coins, fiat currency, commodity tokens/shares.

A collateral hedge in the form of a 10% reserve provides a cushion for the GB to make opportunistic judgements in the short term. Meaning that when a potential situation of arbitrage, high-interest-rate lending or another trade advantage arises, the bank can make use of the 10% reserve. A GB can also even increase that reserve for the security of assets.

EXAMPLE

A major market down-turn or a bad liquidity provision or interest rate decline would mean the main vault reserves would increase, as a collateral hedge against major market movements. The reverse would mean the bank dips into that 10% reserve for extra leverage against a major market movement.

Epochs– Bank Time

Returns occur during set epochs.

- *One Epoch lasts 3 months.*
- *4 Epochs in a year– 12 months.*
- You can deposit & withdraw at any time.

However, interest will not be credited for members that do not maintain a positive balance in the main vault for at least 1 epoch.

Projected APY cannot be guaranteed unless leaving funds with the *main* vault for an entire year.

NFT's represent collateral and will not be apart of the return calculation.

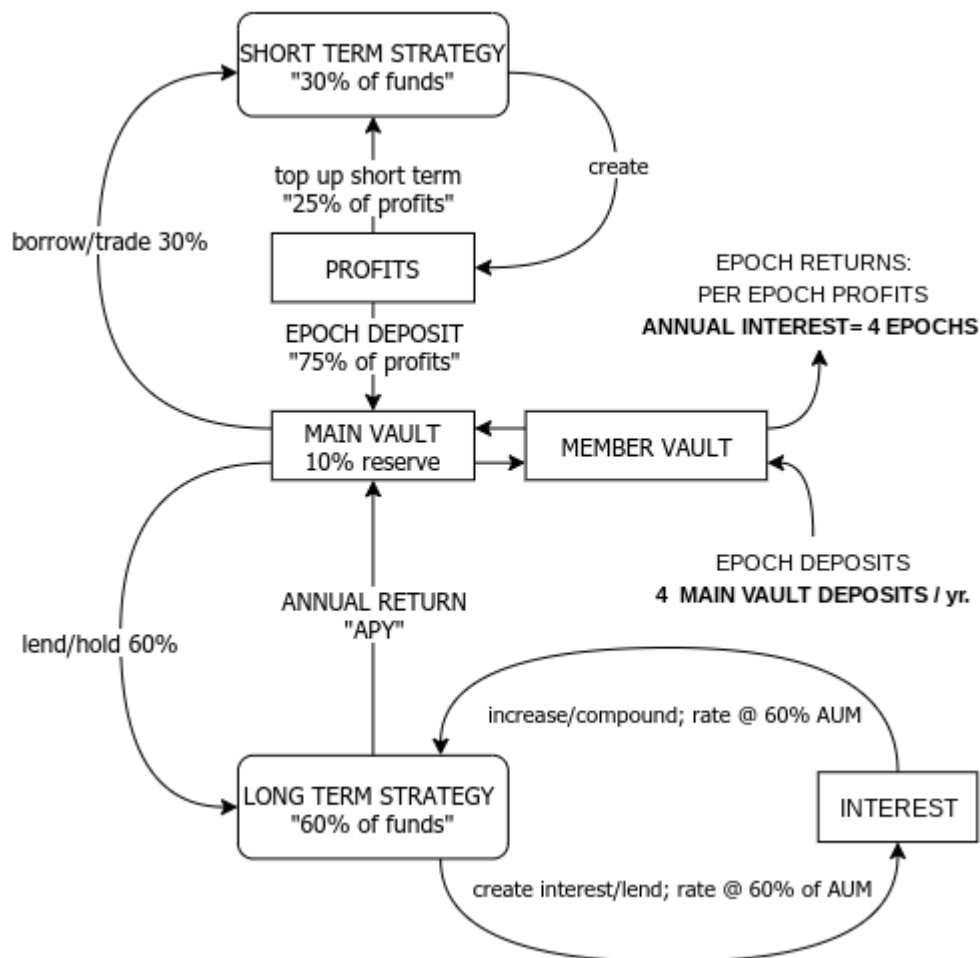
Members will instead inherit a permanent portion of the value of the NFT– if they have been members of the fund during the acquisition of the NFT. This value will be reflected in their account but not able to withdraw unless the NFT is sold or their share is lent.

Members reserve the right to sell or lend their share of the NFT to the bank or another member at any time.

Strategy Overview

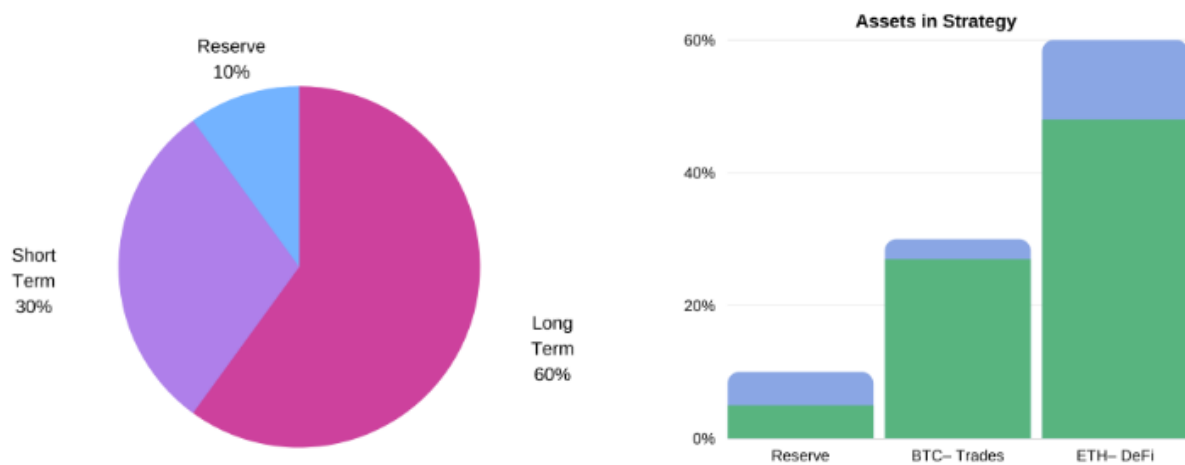
A simple close-up of a GB strategy and an example of the usage of main vault funds.

These allocations are just an example. Parameters can be adjusted by the managers. An advanced version of a GB with plenty of members and equity could create a DAO structure. Investments could then be voted on by the GB members. Allowing a more democratic allocation of capital.



A visual example of a possible strategy for a Gentlemen's Bank.

The main vault is an equity vault and an investment fund combined. The managers of the main vault deploy funds via various financial strategies and diversify across a broad selection of assets.



A visual example of asset distribution for a Gentlemen's Bank.

- ⓘ The whole point of the main vault is to pool capital to create a return for the members.
GB managers simply oversee this capital to ensure that it's utilized effectively and efficiently

GB Governance

A GB is operated mostly with 'handshakes' non-professional but formal agreements. The strategies of a gentlemen's bank can be broken down and adjusted to whatever conditions the managers of the bank agree with. If the GB has many members, it is recommended that a DAO is established. A DAO allows the community of members to participate in decisions and suggest proposals themselves. Giving more control over decisions around their invested funds and the future of the bank.

If a GB has issued shares, then a member receives shares for their equity portion in the main vault. Shares carry voting power proportional to their equity value. Members always have the option of redeeming those shares with the bank pro-rata. A handshake occurs between one or more of the bank managers and every member of the bank.

Parameters

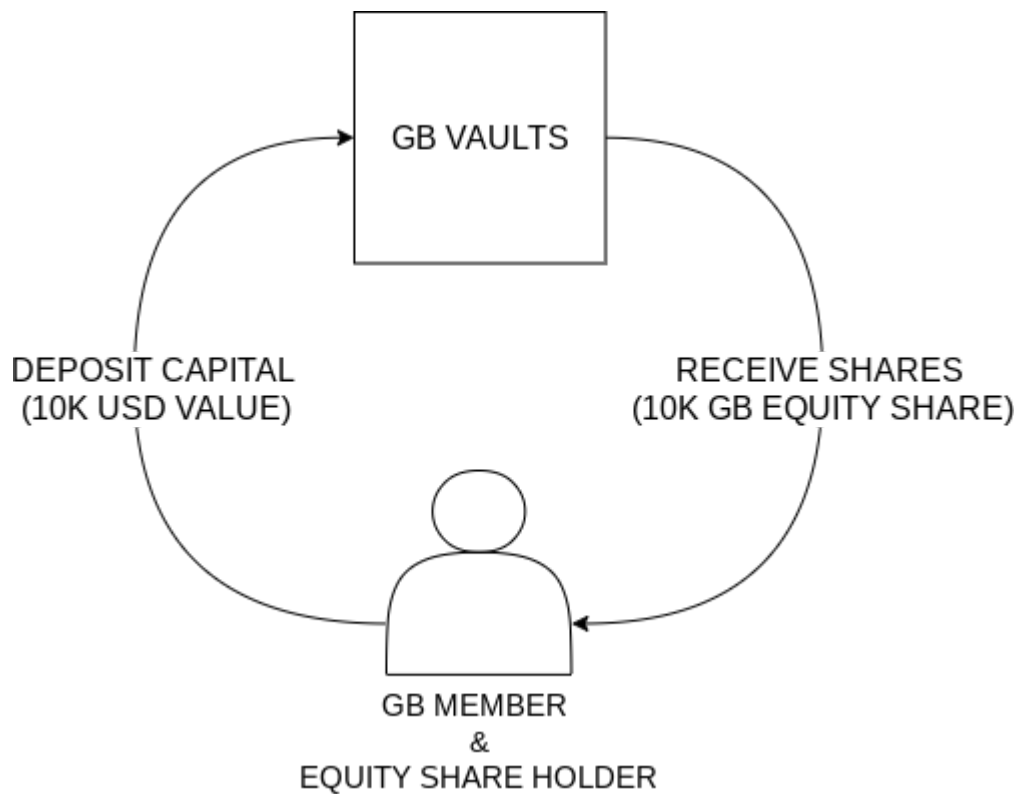
- A handshake with a GB manager does not guarantee a return.
 - Funds are given from members to managers— they acknowledge funds in the main vault could be deployed and used in financial strategies.
 - It's recommended to shake more than one person's hand.
le; Deal with more than one manager
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 - For personal record-keeping, a member should solicit a receipt of some sort.
- It could be in the form of a token or a signed document, ideally on the blockchain and immutable.
 - Do not put money in a place you do not understand or make deals with people regarding money you cannot afford to lose.
 - A GB does not mean you cannot, or should not have another banking option.
 - Large GB's need to consider a DAO structure or another form of publicly accessible governance.
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Tokenomics

The tokenomics of a Gentlemen's Bank & the differences between equity shares and equity-backed notes.

GBS— Bank Equity Shares

Gentlemen's bank shares allow members to hold a portion of bank equity while securing their capital contributions. GBS represents a transparent collateralized financial instrument with powers of governance. All deposits to the main vault are openly available for inspection via public blockchain transactions. Various portfolio watchers, blockchain scanners and address trackers can follow the vault contracts.



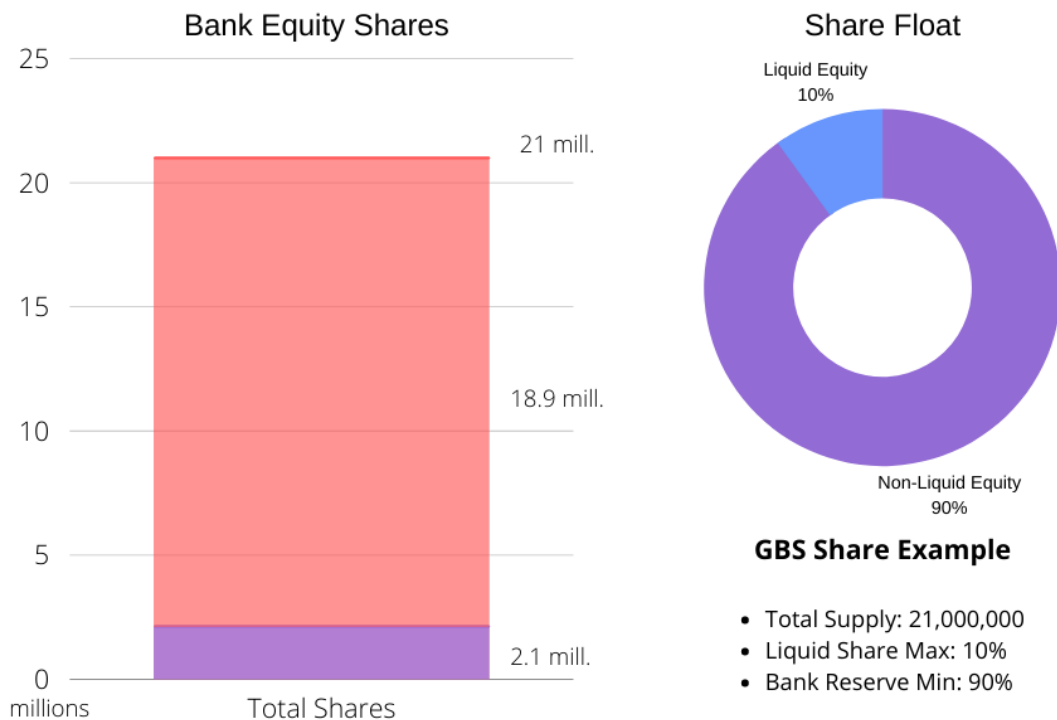
GB members earn shares pro-rata for deposits valued in USD. At a rate of one-to-one. One GBS represents the equity value of the main vault. A member's share value is proportionate to the value of the bank's equity. GB shares are exchangeable for equity in the vault. If the vault equity value decreases, the GBS value declines in tandem. A cap placed upon liquid shares prevents an overall run on the bank.

i Bank equity shares— held by community members— are used as voting power in a DAO structure.

Distribution 10/90

- A maximum of 10% of all GBS can be liquid
 - Reducing or increasing liquid GBS is voted by shareholders
- A minimum of 90% is locked in the treasury
 - Moving treasury funds is voted by shareholders

GBS Equity Share Distribution



Visual example of GBS distribution

A liquid share supply of 10% allows bank members to have a free exchange of equity value. A supply cap also means the bulk of bank shares are locked away from the market, reducing the chance of mass dumping, value dilution, fraud, personal enrichment by managers and overall overextension of the bank's reserves.

GBN- Gentlemen's Bank Notes

Treasury reserve notes issued as liquidity for the equity held in the bank's reserves. Tokens backed by the vault equity allow shareholders to leverage their equity position without depleting the bank's resources. GBN enables the bank to adjust liquidity dynamically by issuing notes to compensate for a share value crisis. GBN avoids potential equity troubles when too many members withdraw their deposits from the main vault simultaneously.

Strict caps and other parameters prevent a run on the main vault by only allowing 10% of all equity shares owned by the bank to be liquid in the market. The remaining 90% of the share supply will be locked in the bank's treasury along with the GBN oversupply. You can

only redeem vault equity with GBN. GBS holders must liquidate their equity position in exchange for GBN, which members can then exchange for whatever token they would like on the open market.

Distribution 50/50

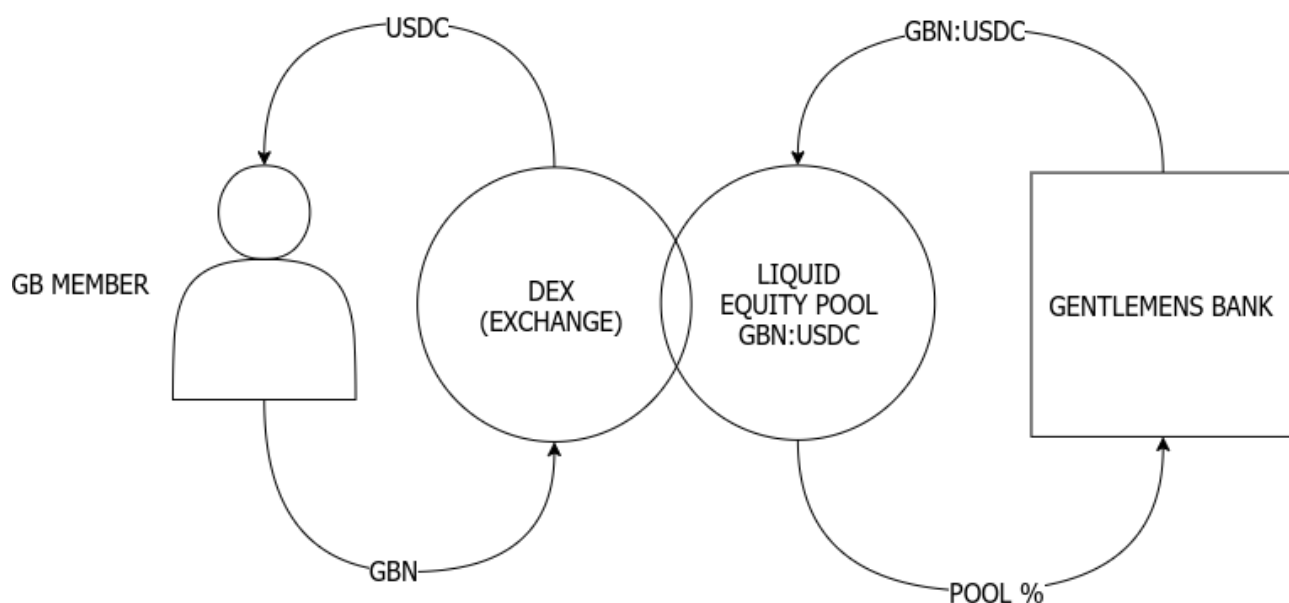
Liquid Bank Equity Pool

- Bank supplies GB notes to a balancer smart pool.
- **1GBN:1USDC**



EX: 100,000 GBN + 100,000 USDC = \$200,000 LIQUID EQUITY

- Addresses require whitelisting before adding liquidity.
- **Deposit GBN & USDC for Pool tokens GBN/USDC**
- Liquid notes are relative to assets 'in' vault.
- **Main Vault: 10% o/fv**
- GB share value cannot be greater than the overall fund value/total assets in the main vault. Caps such as these prevent overextension of equity, a run on the vault/treasuries and unwarranted share dilution.



Visual example of a GB equity pool.

i **EX:**10% TSS= % liquid shares @ 1GBN:1USD

A GB Constitution

The following conditions should be met or attained when creating, establishing and/or operating a Gentlemens Bank with handshake protocols.

It's very important to factor in and understand the volatility of markets, the natural appreciation and depreciation of digital assets, and their potential to be riskier than historic securities. This does not mean a well established GB cannot lose money, or a bank designed this way will never be profitable.

There are always risks.

A bank, as well as the people apart of it, is only as strong as its consensus and general adherent to morales and aligned-values between the members and managers.

With that being said, a simple constitution presented to members and agreed upon by the managers can serve as a solid base to make improvements to a GB in general.

Principles

- **Managers & Members have the right to establish their own vault irrespective of the bank.**
 - Privacy is important. Everyone attains the right to store wealth.
 - **A proper GB honours every dollar with shares or NFT's– solid representations of membership or collateral deposits.**
 - For example, member deposits should be pro-rated with an equity share.
 - **Any changes to the infrastructure and day to day activities of the vaults should never be altered for the sake of other members of a GB.**
 - If changes occur, then a vote is to be made public and accessible to all members.
 - **Member capital should not be put in an overtly risky situation. Equity in a GB must never be lent out completely or fully extended.**
 - All capital in the bank should be fully collateralized and hedged against market downturns.
 - **Multi-signature wallets or token contracts are the most secure and distributed way to manage a GB with multiple people.**
 - Multiple signatures allow more than one person to execute transactions from a virtual vault. Preventing malicious managers and members.
 - **Managers need to be transparent and open with each other to avoid removal.**
 - Private transactions by managers outside of the bank must not put member equity at risk.
 - Banking activities must be discussed at regular intervals.
 - Valuable information should not be kept from other managers.
 - **All managers should know each other and know their direct members.**
 - Aside from exchanges with a bank equity pool, managers should know their members.
 - Before depositing into any vaults, members should know their bankers.
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Conclusion

A Gentlemen's Bank is a private wealth concept. The idea of an honour bank that stores valuable assets in digital vaults. A GB fosters wealth building through the use of different decentralized financial instruments and tools.

If the following conditions in this proposal are fulfilled via DeFi protocols, open-source software, cryptocurrencies, digital safes/wallets and blockchain technology, then any person or group could establish their own bank and issue an equity token backed by the digital assets in their possession or stored in a respective virtual vault.

A Gentlemens Bank combines the Handshake Deal Protocol (Y-Combinator) & Benjamin Graham's idea of a commodity-backed currency, with a decentralized financial ecosystem, presenting a unique opportunity for capital management.

A GB freely opens saving and investing to groups and lower-income individuals via capital collaboration. It's apparent there is a struggle ensuing in the world between people who have and those who do not. Establishing more democratic and accessible financial networks and organizations is critical for the future of money. Liquid equity and a disciplined network of banks following a gentlemen's approach could serve as a solid base for more credible financial institutions. Money is liquid, but a lot of equity is not.

GB's allow autonomous lending and borrowing for communities, the formation of trust funds, private wealth pools and several other use cases. Currently, DeFi and cryptocurrency are limited by user interface designs and minor flaws. The lack of general formality and consensus makes it more difficult to create secure havens for personal wealth. It does not have to be this way.

With a few applications and an adopted procedure, wealth management can be as easy as having a social media account. Investment opportunities do not have to be limited to accredited investors. Fewer rules and less oversight is needed to operate a Gentlemen's Bank. The programmatic nature of a blockchain allows rules and conditions to be set in stone and immutable.

A Gentlemen's Bank is used to control personal wealth and investments. Any control of another person's funds requires multiple managers unless the correct infrastructure is in place to accommodate outside investments.

Smart contracts and decentralized financial protocols pave an interesting path for the future. A Gentlemen's Bank is a concept that fits neatly into the ideas of autonomous money markets and digital asset management. Pooling equity and making decisions as a community opens up a large realm of possibilities for democratic investing.

A Gentlemen's Bank is a community based smart-fund concept.

A wealth-building arrangement with digital vault protection.

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gb.html - 284KB