

ETF Token White Paper
Draft

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White Paper



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Purpose statement:

ETF Token aims to create an actively managed fund of cryptocurrencies to form the asset base for a token representative of the best assets available throughout the cryptocurrency market as a whole. ETF token will be fully backed by verifiable blockchain smart contract transactions which will automatically add to the index of currencies the exact value of each buy order. ETF token's purpose will be to provide a reduced volatility token which will be suitable for both long term investment in blockchain based cryptocurrencies and for short term fund transfers for day traders and investors looking for a safer alternative currency to hold when not actively trading. It is meant to appeal to the smallest potential investor in crypto currency to the largest investors and original innovators aiming to reduce their exposure to daily volatility. The era of daily parabolic growth for cryptocurrencies has passed and the demand for an ETF style fund is higher than ever.

Existing Environment

All current cryptocurrencies have one thing in common, the initial team holds an inflated portion of the wealth. What was once 5-20% in early days, has often transitioned to the founding team/ company holding 50% of the tokens ever created. This creates a plethora of problems from founding teams becoming greedy, forced limits on when ico investors can buy and sell, and downright scams and get rich quick schemes meant to improve no ones lives except for that of the founders of that particular token. Fortunately there are many cryptocurrencies available that are not guilty of poor management and actually own something with true value potential. Finding and following these coins can be hard work, its tough to hear through all the noise, and the news is constantly changing. Missing a single tweet can cost a token holder 30% of their holding's value.

There is also a lack of diversified asset backed coins and tokens available. The market has shifted from parabolic growth to daily ups and downs. In order to prevent massive changes in value coin holders must constantly switch coins and pay exchanges fees, as well as keep a constant eye on the market. Most cryptocurrency investors and potential cryptocurrency investors are not interested in becoming day traders. They simply want to enjoy the long term robust growth and potential of the crypto market and the future of blockchain in general. Even those interested in day trading have a desire for more stable tokens for when they are not watching the charts.

Another missing element is a fair ETF style fund in the crypto space allowing investors to purchase a diversified asset class of coin in a single transaction. Certainly companies exist to charge a high percentage for low results but a true Index fund, properly managed with fees less than 15% really do not exist. Both greed and regulation are to blame. Attempts in mainstream markets to create such a stabilizing fund are always met with the same resistance these institutions have to all things crypto. Some companies exist and attempt to serve a similar

purpose but charge their customers between 3.5 – 20+ percent annually on their fund, they are surely set up to make profit for themselves not for the coin holders.

Solution

Introducing ETF token, a cryptocurrency that is 100% Asset backed by a leading index of various cryptocurrencies. Each ETF coin will represent a percentage of this completely asset backed fund. As new issues of ETF coins are issued new shares of the backing cryptocurrencies will be purchased. The block chain transactions for the coin will serve as both the ETF ledger and also act as the ledger and a smart contract proof of work system for the asset fund to ensure additional backing coins are purchased and held as required. This information and blockchain will be public and verifiable by anyone. The ETF Cryptocurrency will establish the initial fund by retaining the entire ICO investment in a fund linked to the coin. This coin will then act as a managed fund in which the individual coin holders can vote based on their holdings on all decisions including which coins to invest the funds into, ETF foundation board members, foundation employees, mining protocols and other decisions related to the betterment of the fund.

Mission

ETF Token offers stability and diversification 100% backed by a diverse set of crypto assets. ETF Token is an actual token. It is not a business, it is not an investment fund. This statement is profound. Every other version of a diversified crypto portfolio fails to pass that simple test. That simple test is why there are no cryptocurrency ETFs on the major exchanges yet, and why not a single one of those diversified portfolios currently being offered is available in the US, many are also unavailable in the EU, China, and Singapore, Japan, and Korea too. They are unregulated investments, they are considered too risky and untrustworthy for the mainstream. ETF Token is not a business, it is not an investment fund. It is a token.

This token is purchased via a smart contract on a proof of stake system. The value of the token at any given moment is the combined sum of an index of cryptocurrencies divided by the number of tokens. It can be bought and sold at any time for that amount plus a small transaction fee established always to remain <1%. The token will be created when purchased and the fractional percentage of tokens which compose that index at the time will be added autonomously. This makes ETF Token infinitely scalable.

ETF Token will be exchange friendly. ETF Token is safe for high volume clients. ETF token is immune to market manipulation by high volume clients. A buy and sell wall can never exist. No one would sell a token for less than the value of the fund divided by total number of tokens and no one will ever have to pay more than the value of the fund to purchase one. ETF is well diversified safe enough to hold "hodl" through market ups and downs. It is also a good safe holder of value for traders to move their funds too when they are not actively watching the market.

ETF token holders can be assured they are backed by a very intelligent team. Themselves. ETF token holders have the right to binding vote on major policy directives. This is profound. Other crypto index funds are not tokens, your votes are "considered" by the owners or companies or

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investment managers not mandatory. Each ETF Token is a vote. You are the voice of the direction of the fund. You make the decisions when it is time to vote on key policies and even on a board to represent their interests. Paid positions will exist for those manage the platform and investments, they can be hired to manage the fund year round and paid by utilizing the small transaction fees. They can be paid in tokens via smart contracts for their work. Regular employees will not be needed because ETF Token is not a company.

ETF Token will be auditable. This is profound. There will always be a 1:1 Ratio between the value of the fund and the value of the entire supply of tokens. ETF Tokens can be redeemable. Unlike some "asset" or "dollar" backed cryptocurrencies. This fund is legitimate, there is no reason any owner should not be able to cash in their shares for their percentage of the fund. No ICO investors or buyers will ever be forced to hold their tokens for a determined amount of time, which essentially establishes a future possible apocalypse date. ETF token doesn't offer fake sales or discounts to early buyers, each coin is asset backed, the price already represents the true value of the asset by definition, no gimmicks are necessary.

Concept

Initial tokens and all tokens issued in perpetuity would be 100% backed by other coins (or other investments to be determined by the coin holder's votes). The ETF foundation will issue coins as demand increases and use the proceeds to increase the size of the backing fund, so that each ETF Coin would be backed by ETF foundation's portfolio of crypto investments. Downloadable wallets and purchase capabilities would be available on the website. Internal transaction processors would receive a fractional percentage of the coin for processing/verifying these transaction. These coins would not be created by mining but rather "paid" to the foundation via a small fee associated with each buy and sell transaction made through the ETF web application, essentially a less expensive system than, but similar to, the way many other types of managed funds operate.

Platform

The Platform will be a web based downloadable wallet allowing for an owner of ether to safe transfer their ether to the wallet and then into the ico. The wallet will be deposited with the tokens as they are processed. This process will continue post ICO. To exchange your tokens back in for ether the process will be reversed. This simple user friendly dual wallet will enable ETF token to appeal to more users as anyone with access to ether will be able to follow the steps from there. Arrangements could be made with current fiat to ether apps like robinhood or coinbase. Additionally arrangements can be set up with exchanges to provide them with the appealing day trading token in exchange for assistance with the funds own buy and sell necessities.

ICO

This coin would be unique because it would appeal to large institutional investors who are familiar with making similar investments. It would appeal to various current crypto “whales” who would be interested in unloading some of their reserves in specific cryptocurrencies to gain shares of the larger index. This will help foster a successful ICO. However even more important than appealing to some of these larger initial investors is the appeal that this coin will have to small investors who are more risk adverse. The untapped market of potential investors concerned with cryptocurrency volatility are likely to have interest in a coin that is representative of the crypto market as a whole as opposed to risking massive price swings when a single coin experiences high volatility or sharp declines. ICO incentives must never devalue or offer tokens at a discount because they must be backed by the fund, which requires every token purchased to be backed by the same proportional value as the fund itself. Possible incentives for the ICO will be limited to reduced fees, if there are any at all.

Voting

The major appeal to ETF token will be voting rights. Each ETF token will have associated voting rights for major decisions regarding the fund, including voting on a board of directors to manage the fund at least once annually, or as determined by the community. The voting rights and board will allow this token to adapt as necessary remove old or less popular tokens/ and coins from the holding portfolio and move to newer more higher risk coins, or to move into safer more risk adverse options as the community sees fit. We see it as unlikely that all members will choose to vote, many newer less involved members of the crypto world will appreciate the competently managed fund.

Legal and Auditability

ETF foundation will allocate a small percentage of the trade fee to maintain year round legal and auditing services. Fund status, holding and value will be updated as quickly as the blocks are created, likely no longer than every few minutes on the site.

Board

The team is currently building the initial board of directors to govern initial decision making through the ICO and throughout the first year, at which point the first board vote will be held, initial rules will allow anyone who holds at least 1% of the total fund to run for board positions. The community can adjust this rate as needed by vote.

Public/Private Determination

ETF Token intend on becoming a publicly available blockchain, decentralized as opposed to private seems to be the current best method for creating this type of cryptocurrency index style token, so that coin holders don't have to fear the backing Assets are never purchased as is the case with other coins which are “allegedly” tied or tethered to a fiat currency or other asset

Fees

ETF Token expects to be able to operate with a fee structure that is approximately 0.5 - 1% for buys and sells so an investor in ETF token would spend roughly 2.5% of the average cost of setting up a managed fund elsewhere in the crypto world. Other managed funds charge percentages from 15-25% depending on a variety of factors, these funds do not have the consumers best interest in mind.

Proof of Stake vs Proof of work determination

Team

Gen I - ICO Board/yr 1 board

Platform/ Digital

Clients

Developer

Administrator

Regulator?

Limitations

Keys to success:

Maintaining 1:1 ratio of coin value to fund value.

Initial board must be made up mostly of whales or institutional investors to properly guide the fund. (This probably means meaningful portion of the ICO will go to investors who are specifically interested in their votes to manage this fund)

It can't be a scam to make money the founder and the foundation should not have any advantage over any other investor. And there cannot be any free, or unbacked coins.

Bibliography

Site sources