



# Decentralised protection against market volatility has never been easier

Proswap

About Market My positions Documentation FAQ

Buy hedge confirmation

Asset: ETH Amount: 2,2 Unit Price: 405 USDT Total Value: 891 USDT Maturity: 14d Fee: 2%

You will lock in: 2,2ETH +0,044 ETH Creation fee

Other party locks in: 891 USDT

Since we see this address first time, please connect email address to receive updates about your position

email@email.com Submit

Sign in with Metamask

Market

ETH Amount: 400 USDC Total price: 1,488 USDC Maturity: 14 days Fee %: 2%

LINK YFI SNX COMP

Asset	Amount	Unit Price	Total Value	Maturity	Fee
3,7224 ETH	400 USDC	1,488 USDC	1,488 USDC	14 days	2%
3,7224 ETH	400 USDC	1,488 USDC	1,488 USDC	14 days	2%
3,7224 ETH	400 USDC	1,488 USDC	1,488 USDC	14 days	2%
3,7224 ETH	400 USDC	1,488 USDC	1,488 USDC	14 days	2%
3,7224 ETH	400 USDC	1,488 USDC	1,488 USDC	14 days	2%
3,7224 ETH	400 USDC	1,488 USDC	1,488 USDC	14 days	2%
3,7224 ETH	400 USDC	1,488 USDC	1,488 USDC	14 days	2%
3,7224 ETH	400 USDC	1,488 USDC	1,488 USDC	14 days	2%
3,7224 ETH	400 USDC	1,488 USDC	1,488 USDC	14 days	2%
3,7224 ETH	400 USDC	1,488 USDC	1,488 USDC	14 days	2%

Buy hedge confirmation

Asset: ETH Amount: 2,2 Unit Price: 405 USDT Total Value: 891 USDT Maturity: 14d Fee: 2%

You will lock in: 2,2ETH +0,044 ETH Creation fee +0,002 ETH Gas fee

Other party locks in: 891 USDT

Sign in with Metamask

# Table of content

- 1** Executive summary
- 2** Problem description
- 3** An elegant solution
- 4** DeFi innovation: client - protocol model
- 5** ProSwap features and expansion
- 6** Governance
- 7** PROS token & use cases
- 8** Legal disclaimer



**Proswap**

# Executive summary

At the time of writing, nearly USD 9bn are locked into various DeFi lending protocols. This unambiguously demonstrates the rising popularity of decentralised finance. Albeit at very early stages, DeFi has shown a number of exciting glimpses as to what the future of financial infrastructure might entail - open source, transparency, low barriers to entry, among others.

Even though the lending markets seem to be rapidly maturing, very little has been done in the area of risk management and structured finance. Most current attempts involve unnecessary rigidities, such as voucher tokens, transaction tokens or other synthetic structures. In most cases, these synthetic structures are redundant and are only present due to issuers seeking to solidify market positioning. There is a better way.

The ProSwap mission is to facilitate the advancement of DeFi infrastructure, by reducing the complexity and costs, at which users can access structured finance instruments for risk and portfolio management purposes. The ProSwap client is built on top of the OpenHedge.com smart contract standard and is intended to simplify the user experience, as well as provide a number of added incentives.



The ProSwap client enables users to seamlessly create positions replicating payoff structures of call and put options on both the short and long side, without requiring the use of any intermediate voucher tokens, in a completely decentralised way. This not only enables risk averse users to hedge position downsides, but also allows risk seeking users to earn upfront premia for providing liquidity to hedges.

Instead of pursuing a voucher token model as most other attempts on the market, ProSwap introduces a protocol - client business model, where the advancement of the OpenHedge standard is pursued by an independant, non-profit, open source entity, that ProSwap has no exclusive rights over. In the spirit of decentralised finance, we believe this to be the best way of rapid infrastructure advancement, and encourage future market participants to replicate this model.

On the for-profit ProSwap client side, users will have access to an array of different features, starting from simple interactions with the OpenHedge standard, all the way up to centralised algorithmical strategy pools that enable users to reduce the per-trade transaction costs while passively implementing a strategy of their choice. By providing a centralised access point to decentralised financial primitives, the goal is to advance the rate of adoption by less sophisticated and more risk averse market participants.

# Problem description

Before diving deeper into a more nuanced problem description, let's look at the simple frustrations of the everyday DeFi product user.

**Meet Charlie**



**Charlie** is working a corporate 9-5 job, and is looking to make some money on the side by trading and investing into digital assets. Charlie holds ETH, as he is really excited by the upcoming protocol upgrade and wants to have exposure to this asset. At the same time, Charlie is worried about what's going on in the world currently and expects markets to swing up and down before the true value of ETH is realized. Charlie lives in a place where access to centralised exchanges is risky and complicated.

With November 2020 upcoming Charlie wants to protect himself against the downside risk of ETH value swings. He looks at the available options on the market and he tries to understand what's out there. He takes a look at several whitepapers and is confused beyond belief with some mineable synthetic structures or some voodoo of such kind. Disappointed, Charlie understands that there is no elegant way in which he can hedge his position without being involved with a centralised intermediary. Charlie moves on.

**Meet Anna**



**Anna** is still in grad school and has made a little money trading digital assets over the past few years. Anna is a risk taker and likes to bungee jump during the day and play the roulette during the night. She also likes to play the markets aggressively, but not too aggressively. Anna currently has a solid USDT position, that she has locked in a lending protocol with an expected 8% interest per year. This is not bad, but Anna wants more. In fact, she is very confident that ETH is going to be stable for a while, based on the analysis she has done, and would like to somehow bet on this notion. Same as Charlie, Anna does not trust centralised intermediaries and will have nothing to do with them.

After spending long nights on research Anna understands that there is no way she can bet on ETH being stable for the next 60 days, without involving a centralised intermediary. Anna is disappointed and moves on.

These types of stories happen on a daily basis. Market participants who would like to be connected to one-another, can not find the right infrastructure to do so. In a mature market, there would exist the proper infrastructure for Charlie to be connected to Anna. Charlie would pay a premium, as dictated by the market, upfront to Anna, in exchange for a price guarantee over a specified time period. Or put in more financial terms, Anna would sell a hedge to Charlie and earn a premium for doing so. Since this exactly satisfies the needs of both market participants, this transaction is pareto efficient.

Let's take a closer look at the obstacles that prevent both parties from achieving this equilibrium:



### Lack of structured finance primitives

The reason why an overwhelming proportion of assets are locked in DeFi lending primitives, is that they are well established, proven, and cover a wide range of assets. This is not the case for structured finance primitives. From the few ones that exist out there, they are aimed at very niche positions and asset pairs.



### The ones out there are extremely overcomplicated

Most attempts of decentralised financial derivatives are a mystery to us... And we also think they're a bit of a mystery for the people who tried to build them. Some of the structures out there will confuse even seasoned veterans in finance, mathematics and computer science. Until this is simplified to the point of making sense to the average user, the markets for these structures face tremendous hurdles in achieving liquidity.



### Outdated business models - intermediary tokens

Believe it or not, but the creators of these decentralised financial primitives are not usually doing it for altruistic reasons. Their goal is to establish a product on the market and monetise their success. However, the way in which most of these issuers attempt to do so, is not very effective - namely, intermediate voucher tokens. The way this typically works is that to hedge an asset X, denominated in asset Y, you need to have this native intermediary token Z, that

is specific to the protocol issuers. This is the way by which they seek to ensure market relevance. This also is a way to complicate things beyond belief, and to add an unneeded layer of rigidity.

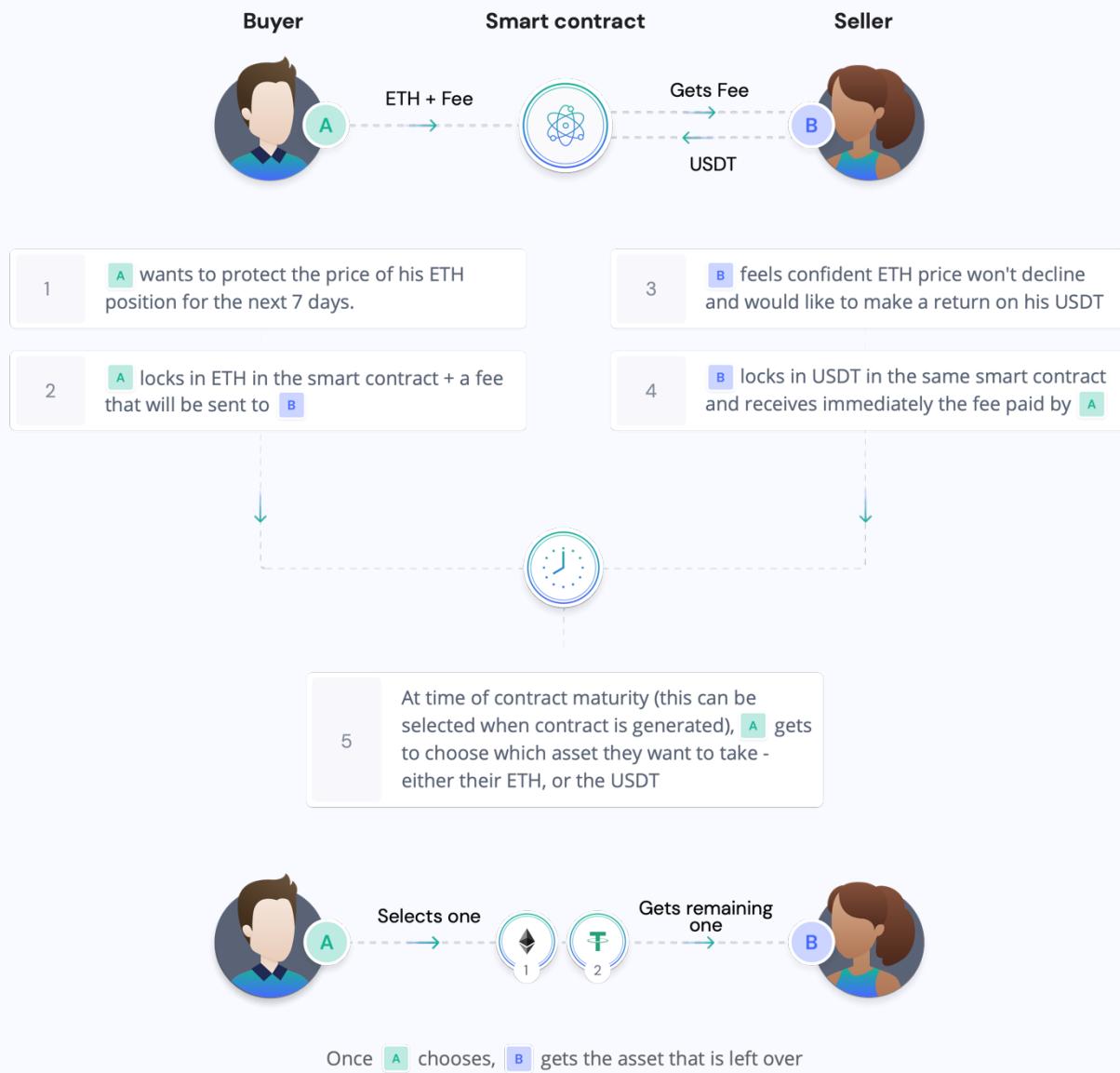


## We need lego blocks so that we can build the lego spaceship together

Centralised financial markets were not created overnight. In fact, they resulted from millions of smart people working together over hundreds of years, in order to make the current possible. Same applies for DeFi - the infrastructure will not be built overnight, but a large fraction of builders seem to think they alone have what it takes to advance beyond where we are at currently. History has shown us that magical things happen when human potential is combined, rather than isolated. And this is the problem - we need the lego blocks from which to build the castles and spaceships. We need small, interoperable and easy to use pieces that can serve as a layer for more complex structures in the future.

# An elegant solution

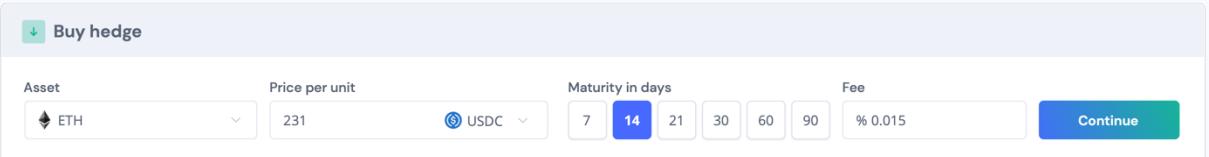
ProSwap is the first client that enables seamless creation of decentralised structured finance instruments without the use of intermediary tokens or voucher tokens. It's as easy as going on ProSwap.com, configuring the parameters of the position, and releasing it on the market in the form of an ETH smart contract for a counterparty to pick up. ProSwap is the simple way of interacting with the OpenHedge smart contract standard. For a more technical description, you'll find what you're looking for at OpenHedge.com.



To gain the best intuitive sense behind how ProSwap works, let's get back to the case of Charlie and Anna.

## Buying a hedge

Charlie, still afraid of sudden downwards ETH volatility, finds out about ProSwap. He enters ProSwap.com and quickly understands that this is what he was looking for. He goes on the market section and selects the asset for which he wants to buy a hedge, the maturity for the hedge, and indicates how much he wants to pay for it, via a simple and elegant interface.



Asset	Price per unit	Maturity in days	Fee
ETH	231	14	% 0.015

Once Charlie has put the parameters in and made sure they are correct, he then is redirected to the confirmation screen where Charlie simply has to sign the transaction with a wallet of his choice. Since this is Charlie's first time on ProSwap, Charlie has an option to input his email address so that he can be notified on the status of his position.



Asset	Unit Price	Maturity	Fee
ETH	405 USDT	14d	2%

Once Charlie signs the contract and locks in his assets, the open contract becomes available on the market, where counterparties like Anna are able to meet their financial goals.

## Selling a hedge

Anna has also been lucky enough to read about ProSwap on cointelegraph.com, and she is excited to try it. She enters ProSwap.com, and without needing to sign up or log in, she can access and browse the ETH markets.

Market		ETH	LINK	YFI	SNX	COMP					
ETH Amount ↓	Unit price	USDC	Total price ↓	Maturity	7	14	21	30	60	90	Fee % ↓
3,7224 ETH	400 USDC		1,488 USDC			14	21	30	60	90	
3,123 ETH	398 USDC		1,243 USDC			14	21	30	60	90	2%
3,122 ETH	397 USDC		1,239 USDC			14	21	30	60	90	1%

And once she sees a position she finds attractive, she can simply click on it, sign the smart contract with her wallet and wait for the maturity date.

3,7224 ETH	400 USDC	1,488 USDC	14d	2%	
<input checked="" type="checkbox"/> Sell hedge confirmation					
Asset Amount	Unit Price	Total Value	Maturity	Fee	
 3,7224 ETH	 400 USDC	 1,488 USDC	14d	2% (0,044 ETH)	

Unlike in fiat capital markets or other intermediated structures, the second Anna signs the contract, she gets the entire premium paid to her upfront, which she can spend immediately after.



## The general case



In the above stories we see how a simple yet elegant piece of infrastructure can enable market participants to meet their strategic financial needs, currently unmet by existing infrastructure. Even though the above description covers a very generic case of hedging ETH price denominated in USDT, it is important to understand the full power of what the OpenHedge standard enables.

Currently the OpenHedge standard is limited to the Ethereum network. Even though we have no direct control over this, we expect this to change very soon. But even limited to ethereum, the OpenHedge standard allows for any two assets to be locked in the contract. This implies a very large variability and scope of possible hedge contracts, that are only limited by market demand.

Going back to the lego analogy, ProSwap enables just that - it provides ease of access to decentralised financial primitives, that enable creation of a wide scope of possible structured financial products. Hedge positions, sell hedges, come up with new hedge contracts in terms of new assets and even create your own risk management marketplace. These are just some of the things made possible and made simple.

# DeFi innovation: client – protocol model



ProSwap? OpenHedge? How are they related and what's the difference? Who does what? Where does one end and the other begin? These are the types of questions we'll be looking at in this section, not just for the purposes of OpenHedge and ProSwap, but as suggestions for future entrepreneurs looking to replicate this model.

As part of making decentralised structured finance infrastructure possible, we had to ensure this is being done responsibly, with pace of innovation in mind, while also making sure that this effort is financially sustainable. This is the dilemma most other initiatives have tried to navigate via an introduction of voucher or transaction tokens that are necessary for the creation of these instruments. We take a different route.



## ProSwap is the for-profit client side software

Instead of attempting to embed a revenue generating mechanism into the protocol layer, we have opted for the business model to lie within the client side software of ProSwap.com. ProSwap is currently the official client tool to interact with the OpenHedge smart contract standard, but by no means it will be limited to that. A popular comparison can be made with Facebook's Libra-Calibra model, where Libra serves as the open-source non profit protocol layer, and Calibra is the centralised wallet infrastructure enabling seamless interactions with the

former. Due to the open-source nature of OpenHedge, ProSwap will have to compete with other client side service providers that will emerge on the market. Upon release, ProSwap will be labeled as the official OpenHedge.com client.

### **OpenHedge is an open-source resource available for all**

To learn more, visit OpenHedge.com. At the minute, funded by ProSwap.com, in the future, OpenHedge will take steps to establish itself as an independently governed non-profit organisation. To sustain financing of operations and further development of the open-source intellectual property, OpenHedge is considering an official client affiliation mechanism, such that officially affiliated clients will receive early information on smart contract standard changes and upgrades.

### **Client - protocol model enables new incentive structures**

For those having further explored the OpenHedge technical documentation, it is very interesting to contrast the hedge payoff structured with the traditional capital market ones. The key exciting aspect of the client - protocol model is that by further financially incentivising transactions, the total payoff structure might exceed their fiat capital market counterparts. Put simply, by hedging one's position via a decentralised primitive, the party has to incur network costs, time value costs and sometimes infrastructure delay costs. These currently are fundamental limitations to most protocols. The market pricing mechanism is likely to emerge on a level of premium that offsets these transaction costs, however, there is room to advance beyond that. By having additional per-transaction incentives being offered by the clients (and thus competing for market share), the transaction costs may at some point be offset by these client side incentives.

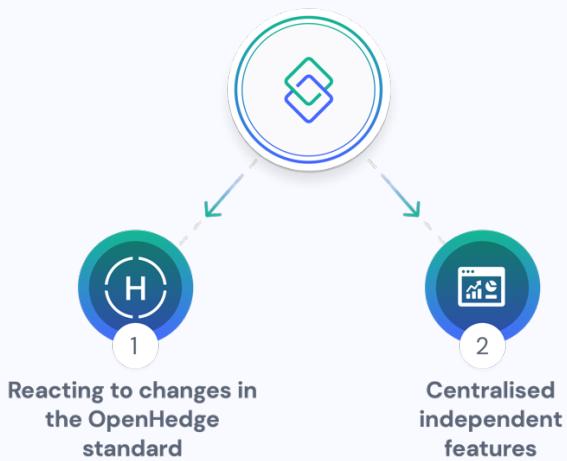
### **Collaboration on the protocol level, competition on the client level**

The digital asset space has demonstrated that to achieve a certain rate of progress, a balance between collaboration and competition needs to be

achieved. This is a key consideration behind our approach. As a community, we should be seeking to collaborate on the hard problems, while competing on the more trivial side of things. As a practical standard, consider Ethereum protocol - a product of collaboration, upon which the ERC standard is built - also a product of collaboration. On top of the ERC standard, we have a number of tokens implemented that compete with one another. And the domain where they compete for market share is a set of centralised exchange clients, that also compete with one another. Certainly it can be argued that there is competition and collaboration across every level of the hierarchy, and that would be a valid claim. The point we're suggesting is that across each level there is a different balance between competition and collaboration that would serve to maximize the overall societal benefit. The goal behind the client-protocol model is to pursue this balance at each layer to a point that yields maximum benefit to the field of DeFi.



# ProSwap features and expansion



The entire set of ProSwap client facing features can be subdivided in 2 categories - features reacting to changes in the OpenHedge standard, and centralised features independent of the OpenHedge Standard. The goal of ProSwap will be to always provide our users with the most up to date interface to interact with OpenHedge. Whenever there are to be upgrades, we will make sure the user experience on ProSwap follows suit and enables seamless interaction with the full scope of possibilities offered by OpenHedge. On the ProSwap feature side, we have a list of things that we already know to be possible, that we're currently working on and are very excited to bring to our users in the near future.



## Adapting to OpenHedge

Without being able to ascertain the direction in which the OpenHedge standard is headed, we are expecting further granularity in contract inputs and configuration. We also expect the same smart contract standard to be introduced across several other blockchain protocols, and thus stand ready to accommodate our users with an elegant and intuitive interface to make use of all the updates coming.

Outside of adaptations to the latest developments in the smart contract standard, ProSwap has a rather clear pipeline of the services to be introduced to

our users. They will generally fall into one of two categories: simplicity or added profitability.



## Custodial services

In order to get decentralised hedging primitives beyond the level of critical liquidity mass, we expect to also require the help of users not presently proficient in operating with self-custody. Because of this, we will introduce an option for users to engage with our custodial services, should they for some reason not want to use a self-custody wallet.



## Custom liquidity pools

Even though a custodial element might be frowned upon, it also introduces a number of lucrative opportunities. We will enable our users to deposit funds within the ProSwap custody system and set parameters for their deployment. Want to hedge all ETH bets above a certain level of fee? We've got you covered - set up your preferences and let our systems do the work for you.



## Open API

To achieve maximum liquidity and advance market maturation, our goal is to enable the most amount of user groups that we possibly can. While the initial release caters almost exclusively to the mainstream DeFi infrastructure users, in the future we want to make sure the more risk averse traders and institutions are not neglected. A key element to achieving this is to provide an API access to allow any third parties to hedge their positions algorithmically, as opposed to having to do it manually through our interface or via the blockchain.



## Trading engine

During the initial releases, any hedge contracts generated will be OTC tradeable, due to the nature of ethereum smart contracts. Provided two parties, interested in doing a trade, meet, they won't have any obstacles in doing so. As the market matures, we expect several of the input parameter ranges to stabilise, and the

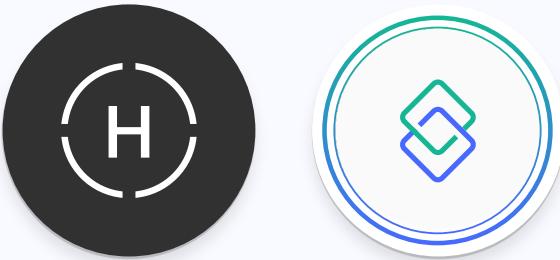
hedge contracts to become more uniform. This uniformity will allow us to enable a matching engine to create a unified marketplace for hedge contracts.



## OTC marketplace for exotic instruments

One of the clear advantages of the OpenHedge primitive is how wide of a range of instruments it supports. In theory one could create any type of hedge with any asset being denominated in any other hedge asset. The majority of these exotic instruments might not find much love within the standard markets, but we expect these to also contribute substantially towards the overall volume. Because of this, we expect to introduce in the near future a custom OTC marketplace where exotic deals can be executed from discovery to settlement. The specifics of this functionality will be dictated by the market's direction.

# Governance



In speaking about governance, it is crucial to delineate between OpenHedge and ProSwap governance mechanisms. Even though they have been initiated from the same set of circumstances, moving onwards, these entities will live entirely separate lives and will be only connected in terms of endorsement royalties. It is also critical to note that this section describes the steady state governance mechanisms - ones which will likely require time to implement. En route to this final version, we don't deem it necessary to aim for intermediate states, nor to describe them.



## OpenHedge

OpenHedge is initially funded and is currently being set up by ProSwap.com. OpenHedge, once legally established, will be structured as a non-profit institution, with an independent temporary body of governance. The goal behind this centralised body will be to establish a decentralised governance mechanism that by time of implementation can take forms not currently thought of.

Ultimately the role of the centralised governance will be twofold - running operations and setting forth proposals to be accepted or rejected by the decentralised governance mechanism. The proposals will cover operational mechanics and technical proposals, among other things.

At the same time, any decentralised decision making has been proven to be rigid, so one of the first courses of action will be to delineate the type of decisions that the centralised body of governance can make without requiring consent from the decentralised body of governance.

In terms of financial sustainability, OpeHedge currently plans two primary sources of income - donations from the community and client side affiliation fees. To expand on the latter, client side software providers will be able to officially affiliate as recognised client side service providers based on the OpenHedge standard. By doing so, the clients will receive more timely updates about changing functionality, compared to non-recognised clients. This advantage of information will enable them to monetise the collective first mover advantage, and thus pay a consistent fee to OpenHedge.

This model may entirely be reconsidered subject to future developments and the emerging decentralised body of governance. At this point, this should serve as no more than an indication of the current thought process behind what would work the best.



## ProSwap

ProSwap is a centrally governed for-profit company, that will leverage a token-based voting mechanism to better understand the needs of the users. The token-based voting mechanism will be secondary to the management of ProSwap. Moving onwards, ProSwap is open to changes in this governance structure, and would even consider a transition to a model similar to Openhedge, should this prove to be the most effective way forward.

## PROS token



PROS token is not a security and can not be expected to increase or decrease in value as a result of actions of ProSwap. PROS token does not grant any rights to the token holder. PROS token is in no way associated or affiliated with OpenHedge.com. PROS tokens are not sold for fundraising purposes – they are sold as a product access mechanism, similarly to how movie tickets are sold by movie theaters. A **fixed supply of 10 000 000** (ten million PROS tokens) are minted. PROS tokens are ERC20.

## Why does ProSwap have a token?

Whenever a user wants to deploy an openhedge contract, the gas required by the Ethereum network has been observed to be as high as 1 ETH (at the time of writing, this is the equivalent of nearly USD 600). Similarly, each interaction with the contract requires a gas fee to be paid. This might not be an issue for larger hedge deals, but is not sustainable for the average market participant.

Because of this, ProSwap pre-deploys the contracts, so that users do not have to pay the deployment gas fee. A user instead pays PROS tokens to the ProSwap platform, to get accessibility to one of the pre-deployed contracts. In other words, PROS tokens are used to rent access to pre-deployed ethereum contracts from the ProSwap platform. Once the access to a contract has been granted, the rest of the lifecycle interactions are done directly on the network, in a decentralised way.

In summary, a user can engage in an openhedge contract without the use of intermediaries – in a decentralised way. ProSwap reduces the cost of contract engagement by up to 95%. Cheaper engagement is not limited to interactions between just two end users. ProSwap enables a number of different types of engagement with the openhedge contracts, at greatly reduced costs, when paid in PROS.

## PROS use case 1: save up to 95% on contract transaction costs

By using a pre-deployed openhedge contract, made accessible via ProSwap, a hedge buyer can save up to 95% of transaction fees. This reduced fee is paid in PROS. This will always be cheaper than generating a new contract. Therefore PROS token holders will always be able to save money, compared to users interacting with openhedge standard directly.

## PROS use case 2: set up your own decentralised hedging market

There has been interest from token-issuing companies to have a spot on the ProSwap platform – to have their assets listed via our interface. To prioritise user experience, we will limit the available markets via ProSwap interface, to just the highest tier digital assets. However, since openhedge is decentralised and anybody can hedge anything against anything else, ProSwap might as well simplify the experience for other asset issuers.

How it's intended to work: pay PROS, to get access to [yourtoken.proswap.com](http://yourtoken.proswap.com) or [proswap.com/yourtoken](http://proswap.com/yourtoken), we have not decided yet. On your subdomain, you will be able to customise the branding in a similar way as you could on most online stores. You will be able to create any hedging pairs you want (currently limited to ETH network), such as yourtoken – USDC, ETH – yourtoken, etc.

You don't even need to be a digital asset issuer to create your own marketplace. Anyone can do it. More details upon release will be available in the Marketplace Partners Agreement.

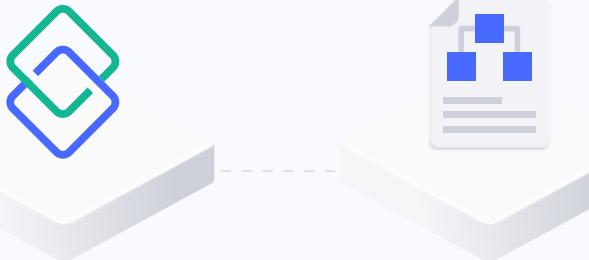
### PROS use case 3: In R&D, not guaranteed Automated Liquidity Deployment (ALD) contracts

As a liquidity provider, you may have more liquidity than you can feasibly allocate by interacting with each contract individually. We are currently researching the option to white-list smart contract interactions with openhedge contracts deployed by ProSwap.

If implementation is feasible, any third party can submit an ALD contract for white-listing. The white listing will include up-front transaction fees paid in PROS – likely with a bulk discount. ProSwap may or may not decide to deploy ALD contracts in-house.

For the end user this simply entails the ability to deploy liquidity resources in bulk (or even hedge assets), deployed for specific strategies. Deploy funds, and PROS for transaction payments and earn passively your risk adjusted return.

# Legal Disclaimer



## Risk Disclaimer

Participating in ProSwap token sale (hereinafter - Token sale), holding of PROS tokens (hereinafter – Tokens) and using the ProSwap platform (hereinafter – Platform) (if and when developed) involve risks, some of which are set out below. These risks, and additional risks arising either now or in the future, could result in the failure of the Token sale, the destruction of Tokens or the utility of Tokens, and/or the termination of the development of Platform.

The entire proceeds gathered by ProSwap and its related companies (hereinafter – the Company) may be lost. You may lose your entire payment or Tokens. You must consider carefully whether the risks set out below, as well as all other applicable risks, are acceptable to you prior to purchasing any Tokens.

You must seek professional advice (legal, taxation, financial, technical or otherwise) regarding your particular situation before participating in the Token sale, holding the Token or using Platform.

Company has described the risks and uncertainties that its management believes are material, but these risks and uncertainties may not be the only ones Company faces. Additional risks and uncertainties, including those Company currently is not aware of or deem immaterial, may also materially adversely affect on Company business, the Platform, the value of the Tokens.

## **Changes to Platform**

At the date of the Token sale, Platform has specific functionality and utility. However, Platform may undergo significant changes. Various features of Platform, including its terms and conditions, fees, structure, purpose, consensus protocol, algorithm, source codes, infrastructure design and other technical specifications and parameters, may be updated and changed frequently without notice.

Further, Platform may encounter difficulties during development, including financial, resourcing and technical difficulties. These difficulties are unpredictable, and may be unresolvable. Development of Platform may therefore fail, terminate or be delayed at any time for any reason. Particular features of Platform may never be realized. Such failure, termination or delay is likely to reduce and may completely obliterate any existing utility that Tokens hold.

## **Incomplete information regarding Platform**

You will not have full access to all the information relevant to Company and/or Platform. The Company is not required to update you on the progress of Platform.

## **No assets or property underlying Tokens**

Tokens confer no ownership interest in any assets or property. Nothing underpins the value of Tokens other than the prospect of Platform access.

## **Potential for misuse of Platform**

Services which may be banned, restricted or deemed immoral in certain jurisdictions may potentially use Platform. As a result, governmental authorities or regulators may take action against Platform. This may deter users from using Platform, or may involve the complete shutdown of Platform.



## **Reliance on third-party contractors**

Development of Tokens and Platform, and the operation of the Token Sale, will require third-party contractors with particular expertise in smart contracts and blockchain technology. The availability of such contractors is limited. There may not be sufficient (or any) such contractors available on terms deemed acceptable by the Company. The costs associated with any such contractors may be significantly greater than currently estimated. Further, the quality, reliability and timely delivery of services by such contractors may vary significantly.



## **Utility of Tokens depends on Platform**

The utility of Tokens depends on the success of Platform, if developed. Platform may not be popular or widely used after launch. In the long term, Platform may fail to attract a critical mass of users. Platform may be merged with other projects. Various circumstances, including technical advancement and competitors, may render Platform obsolete.



## **Further token sales and development and sale of additional Tokens**

The Company may, from time to time, and without prior notice or consultation, sell additional Tokens outside of the token sale. Further, the Company may develop or otherwise raise funding for Platform through any other means it deems necessary. You will not necessarily receive notice of the sale of additional Tokens or of any other Tokens or fundraising means.



## **Volatility of Tokens**

The circulation of Tokens is not the responsibility of the Company, and the Company does not presently intend to support or otherwise facilitate the secondary trading of Tokens. As a result, Tokens may not circulate freely or widely, and may not be listed on any secondary markets.

Even if Tokens do circulate on secondary markets, the value of Tokens may be highly volatile. Factors such as perceptions of the Company, delays in the development of Platform, fluctuations in comparable projects and token sales,

market dynamics, regulatory actions and changes, technical advancements, as well as broader economic and political factors, may cause the value of Tokens to change significantly over a short period of time.

In addition, there may be insufficient liquidity to support an active market in Tokens, or the market in Tokens may become susceptible to market manipulation.

### **Volatility of digital assets and fiat currencies**

The Company may hold the proceeds in any digital assets or fiat currencies, or a combination of any of them. The value of these fiat currencies and digital assets may fluctuate significantly over a short period of time as a result of market dynamics, regulatory actions and changes, technical advancements, exchange availability and broader economic and political factors. This volatility is likely to impact the funding that is available for developing Platform and may affect the utility of Tokens.

### **Legal status of Token, Token Sale and Platform is pending**

The laws of various jurisdictions may apply to Tokens, the Token Sale and Platform. The application of these laws and regulations to Tokens, the Token Sale and Platform is, in many cases, largely untested, and is subject to change without notice. In particular, any current governmental or regulatory tolerance of cryptographic Tokens or cryptocurrencies can change rapidly, and Tokens may at any time be deemed to be a security, investment, asset or money by governmental authorities or regulators.

At this stage, the Company expects that Platform might be regulated in a number of markets. This would require licensing that cannot be assured. This means that Platform may not be available in certain markets, or at all. This could require fundamental restructuring of Platform. In a worse case, this could render the Tokens worthless because Platform cannot be executed.

The Company may receive formal or informal queries, notices, requests or warnings by governmental authorities and regulators. Action may be taken by governmental authorities and regulators against the Company or Platform. As a

result of such events, the Company may be required to discontinue the Token Sale and/or Platform.

You may also be subject to governmental or regulatory action by participating in the Token Sale, holding Tokens and/or using Platform.

## **Tax treatment and accounting**

The Company, you and transactions in relation to the Tokens and/or Platform may be subject to the tax laws and regulations in any applicable jurisdictions. The tax treatment and accounting of transactions in relation to the Tokens and/or Platform are uncertain and a largely untested area of law and practice that is subject to prospective and retroactive changes without notice. Tax treatment of cryptographic Tokens and cryptocurrencies may vary amongst jurisdictions.

Your participation in the token sale or use of Platform as a result of or in connection with any purchase, grant, delivery, exercise, vesting, distribution, activation, holding, use, appreciation, conversion, sale, exchange, redemption, assignment, transfer, disposal, may attract taxes either now or in the future. The Company may receive formal or informal queries, notices, requests, or summons from tax authorities and as a result the Company may be required to furnish certain information about the token sale and/or Platform. You must seek independent professional advice on the tax implications in relation to the token sale, use of Platform and/or any other transactions for your particular situation.

## **Reliance on the internet**

Tokens, the Token Sale and Platform rely heavily on the internet. However, the public nature of the internet means that either parts of the internet or the entire internet may be unreliable or unavailable at any given time. Further, interruption, delay, corruption or loss of data, or the loss of confidentiality in the transmission of data, may occur when transmitting data via the internet.

## **Loss of private key is permanent and irreversible**

You alone are responsible for securing your private key. Losing control of your private key will permanently and irreversibly deny you access to your Tokens. Neither the Company nor any other person will be able to retrieve or protect

your Tokens. Once lost, you will not be able to transfer your Tokens to any other address or wallet. You will not be able to realize any value or utility that the Token may hold now or in future.

## **Targeting by malicious persons**

Malicious entities may target you in an attempt to steal any Tokens or digital assets that you may hold, or to claim any Tokens that you may have purchased. This may involve unauthorized access to your digital wallet, your private keys, your digital assets addresses, your email or social media accounts, as well as unauthorized access to your computer, smartphone and any other devices that you may use.

You alone are responsible for protecting yourself against such actions.

## **Jurisdiction related risks**

Residents, Tax residents or persons having a relevant connection with certain jurisdictions are excluded from the Token Sale. Changes in your place of domicile or the applicable law may result in you violating any legal or regulatory requirements of your applicable jurisdiction. You are responsible for ensuring that the delivery, holding, use or exchange of Tokens is, and remains lawful despite changes to applicable laws, your residence and circumstances.

## **Forward looking statements**

Certain information set forth in this whitepaper includes forward-looking information regarding the future of the [platform], future events, projections and estimations. These statements may be identified by, but not limited to words and phrases, such as "will", "should", "believe to", "expect", "project", "anticipate", or words of equivalent or similar meaning. Such forward-looking statements are also included in other publicly available materials. Information contained in Agreement constitutes forward looking statements and includes, but is not limited to:

- 1.1. The expected future performance of the project;
- 1.2. Completion of the project development;
- 1.3. The expected timeline of project development;

- 1.4. The expected exact distribution of funds;
- 1.5. Execution of project's vision and strategy;
- 1.6. Future performance of the product.

The forward-looking statements involve a variety of risks and uncertainties. Should any of these risks or uncertainties materialise, the actual performance and progress of the platform might differ from expectations set by forward-looking statements. These statements are not guarantees of future outcomes, but projections made by experts, according to the best available information and its inference. No undue reliance should be placed on forward-looking statements. Company undertakes no obligation to update forward-looking statements, if circumstances change. By acting upon forward-looking information received from Company's whitepaper and other materials produced by Company, Buyer bears the full responsibility in case of forward-looking statements not materialising.



### **Tokens are Non-Refundable**

Except for the cases strictly provided by the applicable legislation or in the legally binding documentation on the Tokens sale, Company is not obliged to provide the Token holders with a refund related to the Tokens for any reason, and the Token holders will not receive money or other compensation in lieu of the refund. No promises of future performance or price are or will be made in respect to the Tokens, including no promise of inherent value, no promise of continuing payments, and no guarantee that the Tokens will hold any particular value. Therefore, the recovery of spent resources may be impossible or may be subject to foreign laws or regulations, which may not be the same as the private law of the Token holder.



### **Risk of Government Action**

The industry in which Company operates is new and may be subject to heightened oversight and scrutiny, including investigations or enforcement actions. There can be no assurance that governmental authorities will not examine the operations of Company and/or pursue enforcement actions against them. All of this may subject Company to judgments, settlements, fines or penalties, or cause Company to restructure their operations and activities or to

cease offering certain products or services, all of which could harm Company's reputation or lead to higher operational costs, which may in turn have a material adverse effect on the Tokens and/or the development of the Platform.