

Questionnaire - Algorand

Questionnaire

Note: you can decline to answer certain questions (like marketing / go to market) which may be trade secrets and we will put in "declined to answer due to current trade secret".

a. General

i. **Which blockchain / DLT are you building on top of?**

Algorand.

ii. **How does the stablecoin work?**

1. `Stabilization in Algorand uses a combination of monetary policy (via algorithmic auctions) using a series of auction clearing prices to allow for both currency sale and buyback.
2. These two mechanisms will work together to provide relative stability in the ecosystem (we will not be pegging to anyone Fiat or Cryptocurrency).

iii. **What is the purpose of your coin? What does it aim to achieve, and which problems does it solve?**

Algorand is targeted at being a public cryptocurrency, and is intended to serve both as a medium of exchange, as well as the underlying currency used for the issuance of financial products

- iv. **When we say something is stable what do you think it means? And when it comes to monetary policy specifically?**

We are focused on relative stability vs pegging to any one currency.

- v. **What is your revenue model?**

The use of Algorand as a platform for decentralized applications and smart contracts will generate transaction fees for the platform as a whole. The community of network participants will share in the revenue derived as a result of the transactional nature of the platform.

b. Launch & marketing

- i. **What does the market need to be confident in the stability of your token?**

We believe the underlying technical characteristics of the stabilization mechanism need to be well understood with monetary objectives stated but specific details left to discovery.

- ii. **How are you bootstrapping to that level of confidence?**

In the short term we are assigning a substantial amount of currency will be allocated to monetary policy mechanisms, which will be algorithmically controlled.

- iii. **What are your go-to-market strategies?**

We have not yet formally announced this.

c. Economics

- i. **What is your coin stable with respect to?**

It will be relatively stable with respect to a basket of currencies, the exact weighting of which will not be specified publicly.

- ii. **How much volatility can this peg withstand? Is that the same for upwards and downwards pressure? How wide is the band of behavior it can support?**

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- iii. **How easy is it to analyze the band of behavior from which it can recover?**

We use central bank management techniques and modeling as a guide.

- iv. **How expensive is it to maintain the peg/stability mechanism?**

1. **How transparently can traders observe the true market conditions?**

- a. Conditions are posted on the blockchain. While we will not publicly announce the weighting and other criteria we will announce general targets and parameters.
- b. Traders will be able to see corresponding activity on the blockchain so the mechanisms will be working in a transparent way (i.e. – auction results).

- v. **Which monetary theory (theoretical) assumptions do you think are not true and how does your protocol account for that?**

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- vi. **Does your stablecoin supply scale in response to demand? If so, how?**

We have a fixed total supply with a portion of the quantity reserved for monetary controls.

- vii. **Who provides the capital to maintain exchange rate peg? How are they compensated / Why do you think they would continue to lock up capital, given other investment opps?**

Currency auctions will inject currency for an initial period to build reserves used for stabilization. We also will encourage arbitrage around stabilization priorities and expect the market will ultimately provide much of the actual stabilization.

viii. An eventuality plan in case of a “black swan” event.^{1,2} The 1% case will happen eventually.

In such an event we would seek to leverage all mechanisms to reduce circulating supply via both buyback and bond issuance.

d. Tech

i. Are any novel consensus mechanisms used, over and above the underlying blockchain?

Yes, We are using the Algorand Consensus mechanism.

ii. What transaction throughput can the blockchain currently handle and how does it plan to scale? Do its plans coincide with your plans for your estimated demand?

1. At initial release Algorand will support transactional throughput of similar scale to Visa (though in a decentralized network).
2. This will scale over time.

iii. What tradeoffs does your protocol make and why did you make those tradeoffs? (supply/demand, temporarily peg breaking) (censorship resistance) (privacy tradeoffs) (accuracy of present market data and ease of manipulation of the data feed protocol uses (responsiveness of market and ease of manipulation)

See Algorand paper.

iv. Are there any centralized components of your system? Would any of these be easy for govts to shut down?

There are no centralized components, Algorand’s monetary policy and bonds are decentralized and part of the core protocol.

v. Does your protocol require information outside the blockchain such as a feed of price data? If so, how does this oracle work? Who manages it, what are the incentives for managing it, and what happens if the data they provide has a glitch?

All of our mechanisms work via auction, so the market determines prices.

vi. Which participants can see which transactions? What is the data and metadata available, and to whom? How does this impact privacy?

All participants can see all transactions.

vii. Are you doing anything with formal verification? Smart contracts used?

We are not doing formal verification. Our stabilization mechanisms are a form of smart contract but are more tightly embedded in the protocol to ensure security.

viii. What is the rebase period? (Length of time between currency adjustments.)

This is ongoing, the algorithms automatically adjust based on demand and clearing prices.

ix. Can we make this automated?

1. Do we use a smart contract, or network rules of the blockchain operators?

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e. Regulation

- i. **What are your perceptions of local and global regulation in supporting stable coin, asset backed token economies?**

That it is very much in flux, and the lack of clarity in the US and other jurisdictions will likely harm adoption

¹ https://en.wikipedia.org/wiki/Black_swan_theory

- ii. **What could be done to improve regulation in terms of speed, quality, value for your company?**

Having definition and established regulation would be helpful to the token economy as a whole.

f. Testing

- i. **What kind of simulations have you done and what have they helped you learn? (simulating broad array of market conditions)**
 1. **Mental models for simulations**
 2. **Econometric models**
 3. **Agent-based Modelling / Computer simulations**
 4. **Other (Please describe)**