

Questionnaire - Stable

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?
 - ii. How does the stablecoin work?
 - iii. What is your revenue model?
- b. Launch & marketing
 - i. What does the market need to be confident in the stability of your token?
 - ii. How are you bootstrapping to that level of confidence?
 - iii. What are your go-to-market strategies?
- c. Economics
 - i. What is your coin stable with respect to?
 - 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?
 - iii. How easy is it to analyze the band of behavior from which it can recover?
 - iv. How expensive is it to maintain the peg/stability mechanism?
 - 1. How transparently can traders observe the true market conditions?
 - v. Which monetary theory (theoretical) assumptions do you think are not true and how does your protocol account for that?
 - vi. Does your stablecoin supply scale in response to demand? If so, how?

- 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?
- viii. An eventuality plan in case of a “black swan” event.^{1,2} The 1% case will happen eventually.
- d. Tech
 - i. Are any novel consensus mechanisms used, over and above the underlying blockchain?
 - 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?
 - 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).
 - iv. Are there any centralized components of your system? Would any of these be easy for govts to shut down?
 - 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?
 - vi. Which participants can see which transactions? What is the data and metadata available, and to whom? How does this impact privacy?
 - vii. Are you doing anything with formal verification? Smart contracts used?
 - viii. What is the rebase period? (Length of time between currency adjustments.)
 - ix. Can we make this automated?
 - 1. Do we use a smart contract, or network rules of the blockchain operators?
- e. Regulation
 - i. What are your perceptions of local and global regulation in supporting stable coin, asset backed token economies?
 - ii. What could be done to improve regulation in terms of speed, quality, value for your company?
- 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)

Answers

- a. General
 - i. Ethereum blockchain
 - ii. Assets gathered in the ICO and subsequent mintings constitute the reserve base of the project. They are used as a collateral in various financial transactions on cryptoexchanges, that aim to stabilize cryptocurrency markets and close market inefficiencies. The net results of these transactions are generally positive financially in a horizon of 1 day to 1 quarter, providing economic incentives to STB token holders – provider of project’s capital.
 - iii. The legal entity holding assets has a management cost charge of up to 2.5% annually plus a performance fee of up to 20% of the increase of the net asset value.

¹ https://en.wikipedia.org/wiki/Black_swan_theory ²

- b. Launch
- c. Economics
 - i. The coin is stable vs. the US dollar
 - ii. The management team targets 15-25% annual volatility. In real market results there's slight positive skew (more upside than downside volatility).
 - iii. ??
 - iv. Depending on market conditions, maintaining the peg can be costless, with a positive carry, or up to 1% negative carry (cost) annually.
 - v. No challenge to current monetary theories
 - vi. The coins are minted/burned according to demand, so that the supply is always equal to demand.
 - vii. Outside investors provide the capital to maintain the peg. They are willing to do so, as there has been an overall positive carry from maintaining hedging positions.
 - viii. We think we have already lived through a 1% event (BTC +400% over 2 months in Oct17-Dec17 and -70% in 2 months in Dec17-Feb18). Also 10 days in mid-Nov17 surrounding the supposed fork (BTC 8k->5.5k->8k) have been a statistical outlier. Our token has had an excellent performance in these conditions.
- d. Tech
 - i. N/A
 - ii. N/A
 - iii. N/A
 - iv. Yes, there is a central legal entity and team to manage project's assets – not easy to shut down by most govts – unless there's a direct ban (see China).
 - v. There's a feed of outside data, but these are not fed automatically to make investment decisions.
 - vi. Outside participants can see total supply and transactions of the Stable token, but not the internal transactions to maintain the peg.
 - vii. ???
 - viii. From daily to weekly (in calm market conditions)
 - ix. The process can be partially automated, but likely needs supervision anyway.
- e. Regulation
 - i. Regulations are non-existent to poor.
 - ii. Improved general climate around cryptocurrencies. Good regulation of closed systems dealing in cryptocurrencies.
- f. Testing
 - i. Thorough testing of the token's smartcontract
 - ii. Econometric modeling of market conditions, including backtesting of the model asset portfolio under market stress.